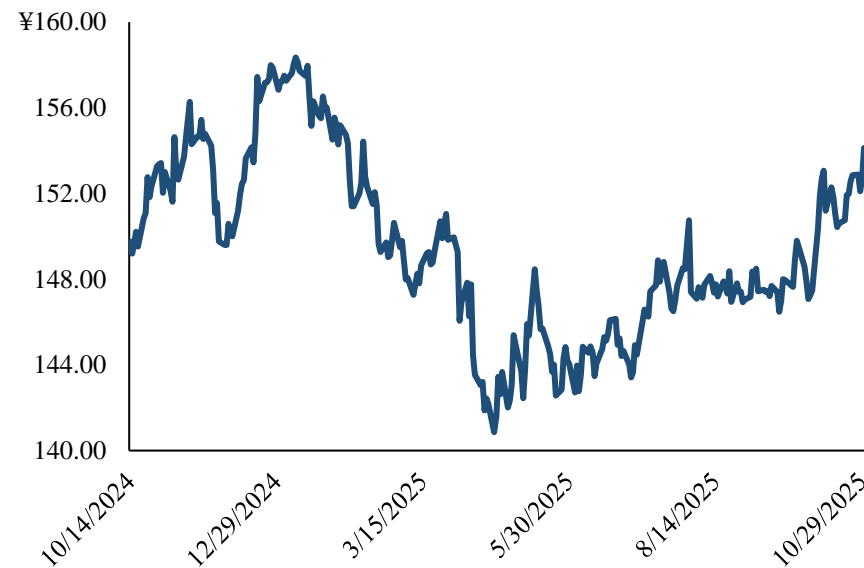




Position Details

- United States Dollar – Japanese Yen | USDJPY Currency
- Underlying Price: ¥154.34
- Put Spread Collar
- Expiration Date: February 4, 2026

USDJPY | One-Year Price Chart



Foreign Exchange Sector

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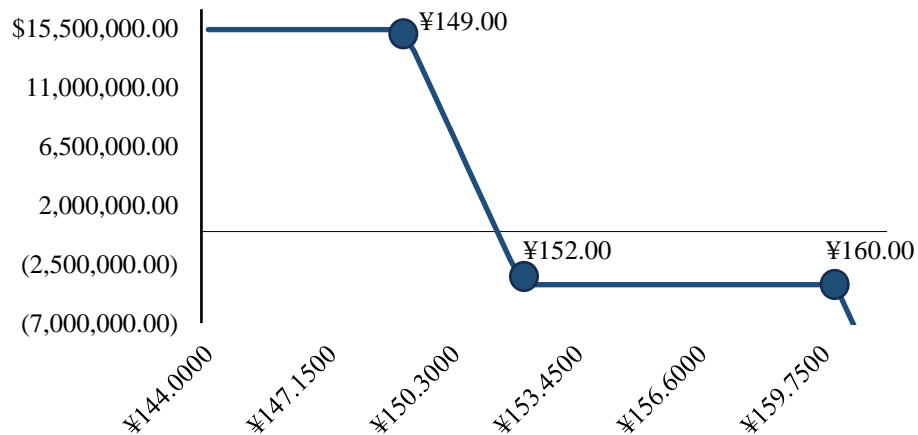
I. Product & Position Overview

Product & Position Overview

Product Description

- **United States Dollar – Japanese Yen Exchange Rate**
 - USDJPY is a pairing that represents the spot exchange rate between the USD and JPY. The pair shows how many Japanese yen are required to purchase 1.00 United States dollar
 - USDJPY is one of the most actively traded currency pair, making up 13.60% of the DXY, reflecting the significant influence their economies have on the foreign exchange market
 - The currency pair will be impacted by monetary policy from both the Fed and BoJ, employment reports, Takaichi's stimulus plans, the U.S. government shutdown, and global uncertainty

Payoff Diagram



Trade Breakdown

- **Put Spread Collar**
 - This trade benefits from bearish movements in the underlying currency exchange rate near the ¥149.00 price level
- **Setup**
 - We Buy – 65.00 OTM ¥152.00 Puts | USDJPY Currency
 - We Sell – 65.00 OTM ¥149.00 Puts | USDJPY Currency
 - We Sell – 65.00 OTM ¥160.00 Calls | USDJPY Currency
 - Max Profit: \$15,440,310.09
 - Max Loss: (\$4,059.689.91) | Theoretically Infinite
- **Expiration**
 - Date: February 4, 2026

Exit Strategy & Potential Hedge Strategy

- **Bull Base & Bear Case**
 - **¥149.00 / ¥150.00 / ¥152.00**
 - Breakeven – ¥151.3754
- **Methodology**
 - The Sector looks to benefit from a ~3.46% bearish movement in the underlying currency pair, taking the contract to max profit
- **Hedge Strategy**
 - The Sector will look to reverse trade if there is any unexpected upward price movement toward ¥160.00 in the currency pairing that takes our max loss to the theoretical downside



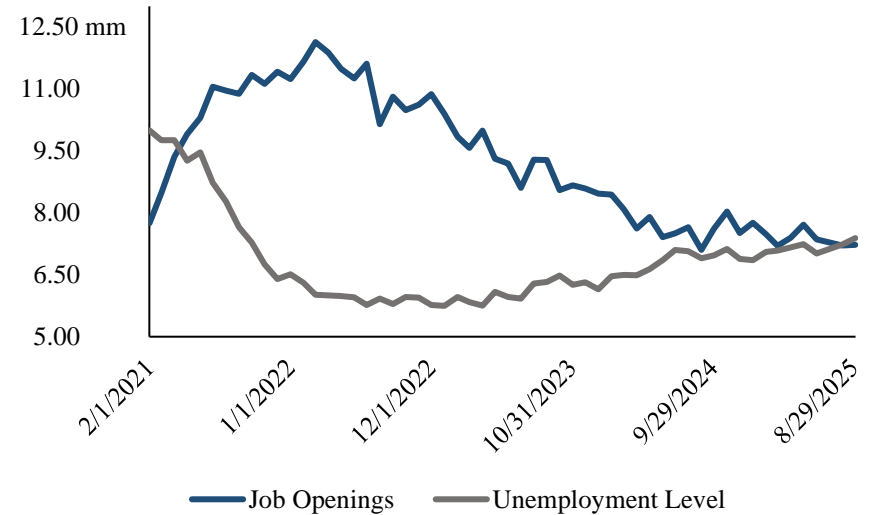
II. Macroeconomic Thesis

Macroeconomic Thesis

Macroeconomic Summary

- **U.S. Government Shutdown and Softening Labor Market Force Fed Cut**
 - The Government shutdown is expected to shave off 0.20% of GDP each week, with ~750.00 k unpaid federal workers and 42.00 mm American's food stamp cards expiring, enforcing a 'K-economy'
 - Reorganizations of companies due to AI adaptation is leading to large job cuts. The Tech Sector leads the layoffs with over 100.00 k this year, such as Amazon reducing 14.00 k and Microsoft 9.00 k. UPS added to the pressure, cutting 48.00 k, pairing with economists' expectations of Job Openings to shrink near 7.00 mm in October
- **Strong Japanese Economic Recovery Paving Way for BoJ Rate Hike**
 - Japanese Industrial Output rose 2.20% m/m, above estimates of 1.50%, while the BoJ raised its GDP growth forecast to 0.70% y/y from 0.60% and stated that downside risks to growth are easing. Tokyo's CPI also increased 2.80% y/y, above estimates of 2.60%
 - New Prime Minister Sanae Takaichi is set to launch a pro-stimulus agenda totaling ¥13.90 T, aimed at boosting corporate profits, investing in growth industries, and raising the income tax exemption to ¥1.60 mm to increase disposable income. However, the plan will heighten inflationary pressures, prompting a BoJ counter rate hike
- **U.S. – Japan Economic Collaboration allows “Japan’s new Golden Age”**
 - Trump and Prime Minister Takaichi strengthened their alliance in October, as the U.S. capped tariffs on Japanese goods at 15.00% in exchange for investment from Japanese companies into the U.S.
 - Takaichi pledged to increase defense spending to 2.00% of GDP by 1Q2026. The move improved relations with the U.S. and led Bessent to suggest investing in Japan's technology and defense sectors, supporting Japan's goal to move towards “policy normalization”

U.S. Job Openings vs Unemployment Level | Five-Year Chart



Market Pros & Cons

- Increasing signs of foreign exchange intervention by Japanese officials
- Improved trade relations between the two countries allows boosting growth
- Japanese Senate limits Takaichi's current fiscal stimulus actions
- Uncertainty from shut down, and data delay supports a hawkish stance



III. Risk Analysis

Risk Analysis

Directional & Magnitude Risk

- **Delta Analysis**

- The Delta value for this trade is (0.313716000)
- Delta has a smaller impact on this trade due to my collar position. For every ¥1.00 change in the price of the underlying assets, the strategy will gain or lose \$313,716.00

- **Gamma Analysis**

- The Gamma value for this trade is (0.037407450)
- Gamma has a moderate impact on this trade, changing delta by 37,407.45 for every ¥1.00 move in the underlying asset

Implied Volatility Risk

- **Vega Analysis**

- The Vega value for this trade is (0.000886700)
- Expected volatility input for this trade is 10.00%
- The Vega is large and positive due to high demand in the USDJPY and increasing demand for downside protection
- The current market volatility for USDJPY is ~9.0650%. Higher volatility improves the trade's profit potential, as larger price swings increase the chances of the underlying moving ITM

Time Risk

- **Theta Analysis**

- The Theta value for this trade is (0.000045140)
- As the strategy approaches expiration, the trade loses \$45.14 every day due to time decay reducing potential profits
- The value of Theta can increase as the price of the underlying asset moves further above the breakeven point ITM
- Theta is negative for this trade due to a decrease in the contract's value with each passing day while OTM

Interest Rate Risk

- **Rho Analysis**

- The Rho value for this trade is (0.000790730)
- If there is a 100.00 bps change in the overnight lending rate of the base currency (USD), the premium will fall (\$790.73)

- **Phi Analysis**

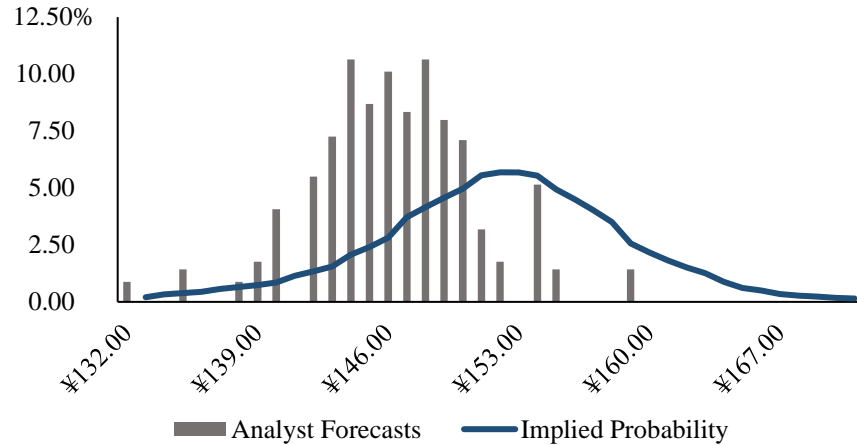
- The Phi for this trade is 0.000783060
- A 100.00 bps shift in the overnight lending rate of the quote currency (JPY), would cause the premium to rise \$783.06



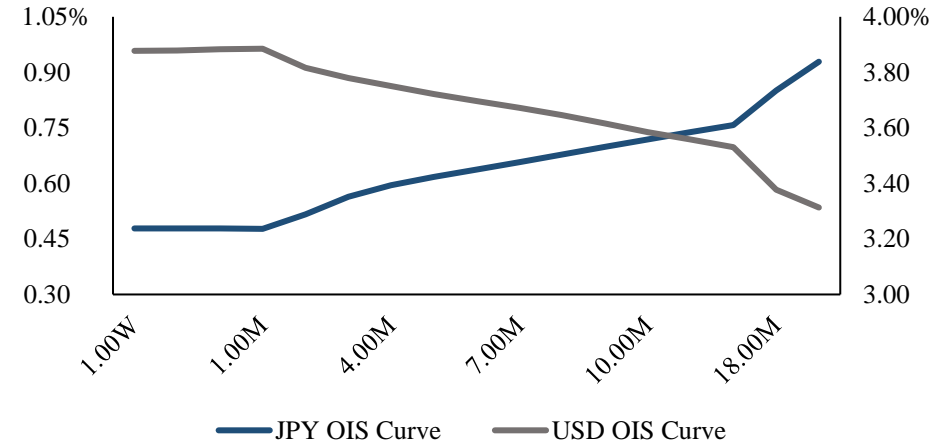
IV. Technical Bias & Fair Value

Technical Bias & Fair Value

Analyst Forecast vs. Implied Probability | Three-Month Chart



JPY Currency Swap vs. USD Currency Swap | Two-Year Chart



Monte Carlo

Options	Short Put	Long Put	Short Call
Value	\$ 1.4975	\$ 2.6167	\$ 0.8035

Synopsis

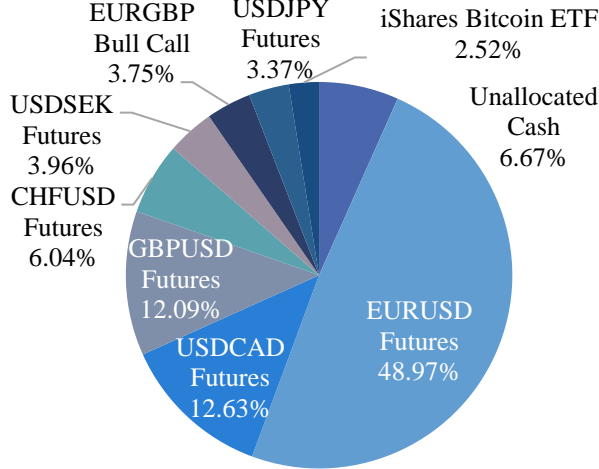
- Analysts' forecast of USDJPY prices form a normal distribution centered at ¥147.00, while the implied probability of prices holds with a peak around ¥153.00. The risk-reward profile, being in-line with analyst expectations, makes this trade attractive. The graph also hints at a large put skew shown on the volatility surface, as people heavily hedge downside protection. Analyst forecasts capped the upper range at ¥159.25, aligning with expectations of possible government intervention and reinforcing the collar level at ¥160.00
- Carry trade demand is expected to decline significantly as the JPY Overnight Index Swap (OIS) rises inversely to the USD OIS, reflecting expectations of monetary policy divergence. OIS curves act as the fixed rate in currency swaps and are often used by investors to borrow at a lower rate and invest in a higher-yielding currency, as seen in the USDJPY carry trade. However, as swap rates shift and the JPY appreciates against the USD, investors will avoid this carry trade, since swapping back at expiration would result in a loss



V. Capital Allocation

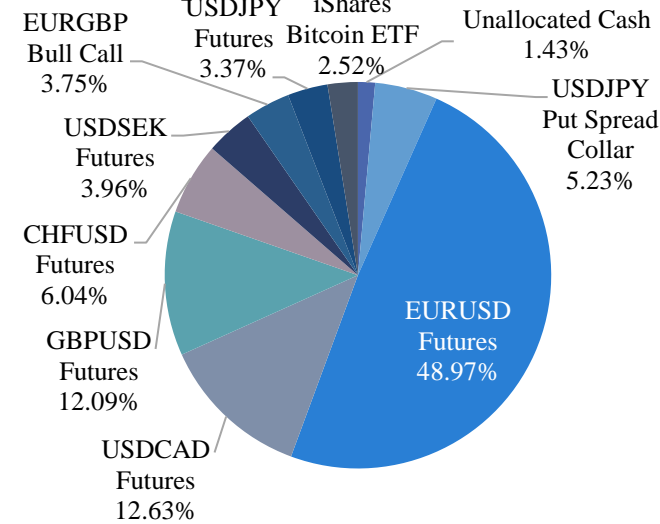
Capital Allocation

Current Portfolio Allocation

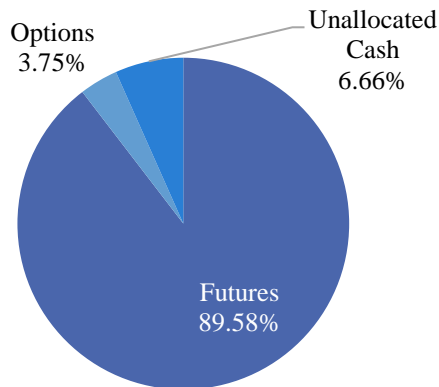


Transaction Summary			
Ticker	Position Change		
	Contracts	Allocation	
EURUSD Futures	0	\$0.00	
USDCAD Futures	0	\$0.00	
GBPUSD Futures	0	\$0.00	
CHFUSD Futures	0	\$0.00	
USDSEK Futures	0	\$0.00	
EURGBP Bull Call	0	\$0.00	
USDJPY Futures	0	\$0.00	
iShares Bitcoin ETF	0	\$0.00	
USDJPY Put Spread Collar	+65	\$4,059,689.91	
Allocation Change			\$4,059,689.91

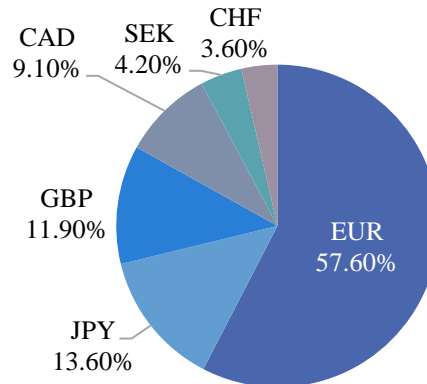
Proposed Portfolio Allocation



Current Position Allocation



Benchmark Allocation



Proposed Position Allocation

