



## Hedge LIBOR Funding Volatility Risk

### Trade:

Buy MAR 2021 (EDH1) 99.625/99.500 put spread for 1.0 bp.  
 Strike prices = 0.375 3M LIBOR Long Leg/0.50 3M LIBOR Short Leg  
 Cost is \$25 per spread

### Logic:

If banks or funding markets become dislocated again before March of 2021,  
 3M LIBOR/3M T-BILL spread should blow out (red line on chart below).

### Coverage:

11.5:1 max return at terminal value/expiration

How many put spreads do you need? \$25 x 11.5 per one spread = \$287.50 max payout

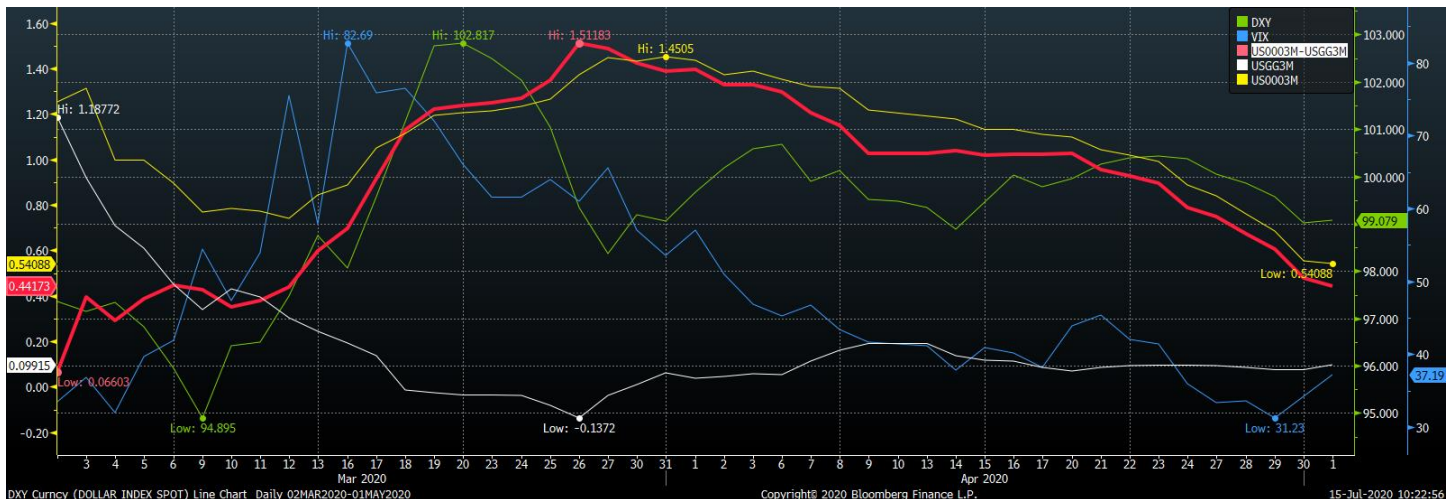
If one needs to cover \$2.875mm: 10,000 spreads or \$250k in premium outlay

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