

From: Hoffman, Jonathan [jhoffman@lehman.com]
Sent: Wednesday, February 28, 2007 1:34 AM (GMT)
To: Felder, Eric [efelder@lehman.com]
Subject: Re:

Why is everyone freaking above you? I was surprised by kaushik's caution. I think if bbb tranche of abx went to 0 it would be a total loss of about 10bb, which isn't large (though some would lose and others would make, just the net loss is 10bb). Obviously there are warehoused whole loans that guys will need to mark down but it seems spread widely enough. But active franchise and other traders are not fading this move so it could snap quickly. The people who are cautious, what are they saying?

----- Original Message -----

From: Felder, Eric
To: Hoffman, Jonathan
Sent: Tue Feb 27 20:24:58 2007
Subject: Re:

I'm with you. Everyone above me is freaking and I've seen this many times. The mkt is extrapolating scenarios that I view as tail events that they are making base cases. Ill probably be fired but we scaled into 50 percent of a max long this afternoon and will scale 5 percent over the next 10 days to a max position. I don't think subprime will take the whole market down and if I had more flexibility I would be way bigger than we are. I view this as a once in 5 year opportunity and I'm not going to miss it. Agree there is more to come but we need to be in early to get the scale we need to make a difference. Let's chat in the am

----- Original Message -----

From: Hoffman, Jonathan
To: Felder, Eric
Sent: Tue Feb 27 20:02:32 2007
Subject: Re:

Was going to ask you the same. Kaushik is more cautious than I'd think/hope. Feels there's more deleveraging as subprime losses are big and not yet margined, and the street is suffering with pipeline product and won't have risk appetite. Speaking to other guys, and my own instincts, this trade won't last. Subprime lenders will shut but losses will be distributed and AAA stuff will be fine. It may take a few weeks but this trade will be forgotten, as are most contagion trades. I don't think we have quite seen the worst though. You?

----- Original Message -----

From: Felder, Eric
To: Hoffman, Jonathan
Sent: Tue Feb 27 19:41:25 2007
Subject:

What do you think here? Overdone?
