

**Excela Equities Trade Note: Recommendation**

11<sup>th</sup> November 2011

## November AWC Breakout Trade(Long Strangle)

**Quick Summary:** Buy Nov AWC 1.50 Call, Buy Nov AWC 1.40 Put

**Trade Cost:** This trade today would cost 6.5 cents per contract

**Projected Return:** **Breakeven** AWC above 1.565 or below 1.335

**Risk on Trade:** **Exposure** of \$1300 on 200 contracts

**Trade Timeframe:** 2 weeks

**Time to Act:** NOW. Today. This trade won't be available long.

### Trade Explained

Alumina has created a symmetrical triangle pattern, with a high probability of breaking out to either the upside or the downside in the short term. To profit from such a breakout, investors can implement a long strangle with the purchase of both an out of the money put and call, one strike either side of the current share price.



### **Trade Fundamentals:**

This is a purely technical trade, so the fundamentals will not play a large role in the short term outcome.

### **Trade Technicals:**

AWC has consolidated to form a symmetrical triangle, with the likelihood of a breakout in the short term. The first level of upside resistance is 1.67, while the major support lies at 1.33. A move to either of these levels would provide traders with a profit.

### **Trade Execution:**

Buy 200 NOV 1.50 Call Options @ 3.5 cents each  
Buy 200 NOV 1.40 Put Options @ 3 cents each  
= Net debit of 6 cents per contract

### **Trade Cost**

Total cost = \$1300

**(.065 cents \* 100) \* 200 contracts = \$1300**

### **Maximum Risk**

The **maximum risk** on this trade is 6.5 cents per contract or \$1300 if the full 200 contracts were traded. This would occur if the AWC share price was between the two bought option levels.

The **breakeven** on the trade occurs above 1.565 and below 1.335.

**\*\*NB:** Prices are indicative of time when note was prepared and are subject to change; trade size may be adjusted to suit personal risk appetite; all calculations do not factor in commissions, GST or ACH costs.

**To participate in this trade please contact your Excela broker on (07) 3308-1808**



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