

SPOTLIGHT OPTION TRADE



Alcoa Breakout Potential on Strong Pricing, Recovering Aero, Auto Resumption & Low Carbon Focus

TRADE SNAPSHOT

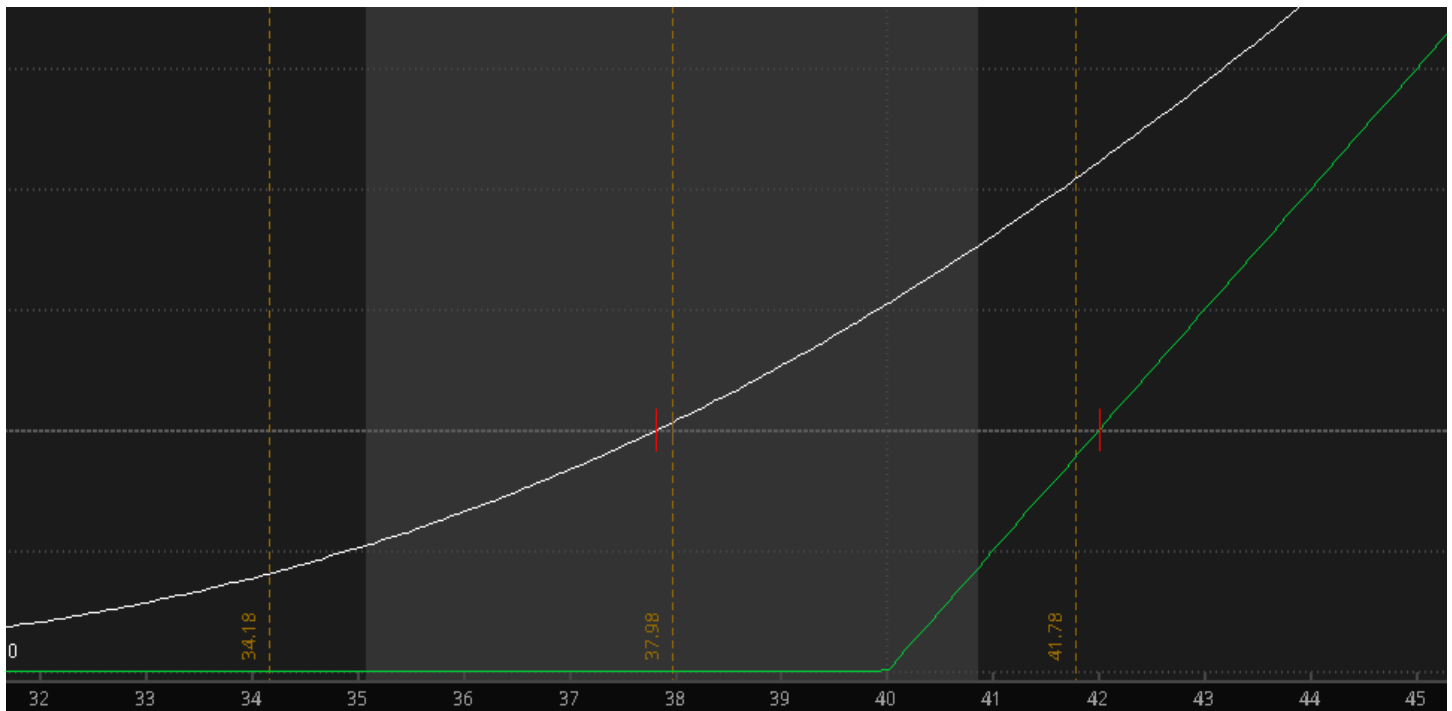
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|---------------|--|
| TICKER | AA |
| SECURITY | Alcoa Corp. |
| SECTOR | Materials – Industrial Metals - Aluminum |
| CURRENT PRICE | \$37.98 |
| LONG/SHORT | Long |
| TARGET | \$45 |
| STOP | \$34.75 |
| TIMEFRAME | 6 Weeks |

Trading Strategy: Long the AA July \$40 Calls at \$2 or Better

Net Debit/Credit: Debit \$2

Profitability Zone: AA Above \$42 on July OpEx

Options Volatility / Trade Simulator View:





Technical Analysis: AA shares have been consolidating since the May new high ugly reversal candle but have put in higher lows in the uptrend and setting up for a potential big breakout above \$41.55.



Fundamental Analysis: Alcoa is a global industry leader in bauxite, alumina, and aluminum products. The \$7B company is trading 9.8X Earnings, 3.8X EBITDA and 2.2X Book. AA forecasts see 16% revenue growth in 2021 and 106% EBITDA growth. Alcoa is coming off a record Q1 with strong demand and pricing across its products while value-add products, which includes specific shapes and alloys such as billet, slab, foundry and rod, increased 10 percent sequentially, posting three consecutive quarters of improvement. Alcoa has been reducing debt and taking advantage of a robust cash flow environment and its asset sales while the US pension is now 95% funded removing an overhang, and allowing for Alcoa to pursue capital returns and have more financial flexibility. AA could also reinstate a dividend later this year. With a global focus on environmental targets Alcoa has advantages as a lower carbon producer. Analysts have an average target of \$39 with a Street high of \$56, short interest is 5% of the float. Deutsche Bank raised its target to \$48 on 5/26 citing structural tailwinds with China capacity cap, recovering global demand, and the likelihood for sustained higher prices during a decarbonization period.

Options Activity:

| Date | Description | Volume | Open.Int | Price | Delta | Impl Vo | Prob.ITV | Premium Paid | Symbol | Current Price | Current OI |
|-----------|-----------------------------------|--------|----------|---------|-------|---------|----------|--------------|----------------|---------------|------------|
| 6/8/2021 | AA 100 20 AUG 21 36 PUT | 1,300 | 41 | \$2.75 | -0.35 | 56.49% | 45.28% | \$357,500 | .AA210820P36 | \$2.58 | 1351 |
| 6/8/2021 | AA 100 (Weeklys) 2 JUL 21 41 CALL | 2,112 | 52 | \$1.10 | 0.33 | 54.45% | 27.58% | \$232,320 | .AA210702C41 | \$1.24 | 2244 |
| 6/3/2021 | AA 100 16 JUL 21 36 PUT | 1,070 | 407 | \$1.74 | -0.32 | 56.84% | 39.22% | \$191,530 | .AA210716P36 | \$1.52 | 2180 |
| 6/2/2021 | AA 100 20 AUG 21 32 PUT | 1,026 | 9 | \$1.11 | -0.17 | 56.17% | 24.97% | \$114,912 | .AA210820P32 | \$1.15 | 1878 |
| 6/2/2021 | AA 100 18 JUN 21 44 CALL | 3,188 | 2,035 | \$0.57 | 0.23 | 51.75% | 20.16% | \$181,716 | .AA210618C44 | \$0.18 | 3554 |
| 6/2/2021 | AA 100 18 JUN 21 42 CALL | 2,194 | 1,348 | \$1.18 | 0.39 | 53.06% | 34.43% | \$263,280 | .AA210618C42 | \$0.38 | 7354 |
| 6/1/2021 | AA 100 16 JUL 21 40 PUT | 1,232 | 281 | \$3.00 | -0.45 | 54.32% | 52.76% | \$369,600 | .AA210716P40 | \$3.86 | 2787 |
| 5/28/2021 | AA 100 20 AUG 21 37 CALL | 410 | 14 | \$5.00 | 0.63 | 54.89% | 52.77% | \$211,150 | .AA210820C37 | \$4.85 | 697 |
| 5/27/2021 | AA 100 16 JUL 21 40 CALL | 2,346 | 3,362 | \$2.48 | 0.45 | 55.98% | 36.85% | \$574,770 | .AA210716C40 | \$2.23 | 6347 |
| 5/26/2021 | AA 100 21 JAN 22 33 PUT | 1,250 | 2 | \$4.55 | -0.34 | 54.63% | 51.27% | \$600,000 | .AA220121P33 | \$4.20 | 1842 |
| 5/26/2021 | AA 100 20 JAN 23 35 PUT | 2,000 | 119 | \$8.15 | -0.34 | 53.12% | 60.96% | \$1,920,000 | .AA230120P35 | \$7.99 | 2147 |
| 5/26/2021 | AA 100 18 JUN 21 39.5 CALL | 1,565 | 6 | \$0.72 | 0.27 | 51.10% | 22.91% | \$118,940 | .AA210618C39.5 | \$1.02 | 1626 |
| 5/25/2021 | AA 100 15 OCT 21 33 PUT | 700 | 335 | \$3.45 | -0.33 | 56.78% | 46.48% | \$245,000 | .AA211015P33 | \$2.65 | 1046 |
| 5/25/2021 | AA 100 15 OCT 21 30 PUT | 2,000 | 1,069 | \$2.19 | -0.25 | 57.00% | 37.49% | \$438,000 | .AA211015P30 | \$1.74 | 3030 |
| 5/24/2021 | AA 100 17 JUN 22 30 PUT | 1,500 | 1,650 | \$4.55 | -0.27 | 53.51% | 47.45% | \$690,000 | .AA220617P30 | \$3.80 | 3296 |
| 5/21/2021 | AA 100 21 JAN 22 36 CALL | 1,000 | 91 | \$6.60 | 0.59 | 57.35% | 40.22% | \$670,000 | .AA220121C36 | \$7.50 | 1118 |
| 5/21/2021 | AA 100 20 JAN 23 28 PUT | 1,000 | 926 | \$4.50 | -0.24 | 51.60% | 48.03% | \$520,000 | .AA230120P28 | \$4.20 | 1936 |
| 5/21/2021 | AA 100 17 JUN 22 30 PUT | 1,650 | 0 | \$4.60 | -0.27 | 53.23% | 47.86% | \$759,000 | .AA220617P30 | \$3.80 | 3296 |
| 5/19/2021 | AA 100 16 JUL 21 40 CALL | 1,388 | 878 | \$2.10 | 0.39 | 60.48% | 29.93% | \$298,420 | .AA210716C40 | \$2.23 | 6347 |
| 5/17/2021 | AA 100 15 OCT 21 60 CALL | 1,000 | 10 | \$1.43 | 0.2 | 58.89% | 11.26% | \$143,000 | .AA211015C60 | \$0.76 | 1632 |
| 5/10/2021 | AA 100 (Weeklys) 14 APR 22 30 PUT | 3,145 | 18 | \$2.42 | -0.16 | 53.79% | 31.47% | \$795,685 | .AA220414P30 | \$3.35 | 3788 |
| 5/5/2021 | AA 100 20 JAN 23 32 PUT | 503 | 4 | \$5.40 | -0.24 | 56.65% | 52.20% | \$271,620 | .AA230120P32 | \$5.77 | 540 |
| 5/4/2021 | AA 100 18 JUN 21 40 CALL | 2,282 | 588 | \$2.50 | 0.48 | 52.13% | 41.12% | \$570,500 | .AA210618C40 | \$0.84 | 2217 |
| 5/4/2021 | AA 100 15 OCT 21 40 CALL | 1,533 | 507 | \$5.05 | 0.54 | 53.49% | 39.49% | \$789,495 | .AA211015C40 | \$4.70 | 2266 |
| 4/29/2021 | AA 100 18 JUN 21 39 CALL | 2,508 | 172 | \$2.01 | 0.43 | 50.77% | 35.59% | \$509,124 | .AA210618C39 | \$1.25 | 4193 |
| 4/29/2021 | AA 100 18 JUN 21 34 PUT | 2,523 | 121 | \$1.47 | -0.3 | 51.01% | 37.45% | \$401,157 | .AA210618P34 | \$0.14 | 3347 |
| 4/19/2021 | AA 100 20 JAN 23 40 CALL | 535 | 335 | \$8.15 | 0.56 | 49.62% | 30.73% | \$430,675 | .AA230120C40 | \$10.35 | 946 |
| 4/19/2021 | AA 100 20 JAN 23 32 CALL | 301 | 175 | \$11.55 | 0.7 | 57.05% | 40.72% | \$347,655 | .AA230120C32 | \$13.20 | 527 |
| 4/19/2021 | AA 100 (Weeklys) 14 APR 22 28 PUT | 3,001 | 3 | \$3.40 | -0.23 | 52.43% | 41.86% | \$1,050,350 | .AA220414P28 | \$3.00 | 3081 |
| 4/13/2021 | AA 100 20 JAN 23 28 PUT | 1,042 | 10 | \$6.64 | -0.29 | 56.75% | 58.62% | \$797,130 | .AA230120P28 | \$4.20 | 1936 |
| 4/9/2021 | AA 100 21 JAN 22 45 CALL | 1,633 | 1,077 | \$2.21 | 0.303 | 53.91% | 16.01% | \$360,893 | .AA220121C45 | \$4.62 | 3692 |
| 4/8/2021 | AA 100 16 JUL 21 25 PUT | 2,001 | 1,853 | \$1.30 | -0.22 | 60.30% | 32.28% | \$298,149 | .AA210716P25 | \$0.05 | 4361 |
| 4/7/2021 | AA 100 18 JUN 21 30 PUT | 1,000 | 197 | \$2.40 | -0.36 | 58.56% | 46.13% | \$240,000 | .AA210618P30 | \$0.03 | 1731 |
| 3/31/2021 | AA 100 21 JAN 22 27 PUT | 1,835 | 602 | \$3.80 | -0.26 | 59.92% | 46.54% | \$697,300 | .AA220121P27 | \$1.65 | 2221 |
| 3/31/2021 | AA 100 16 JUL 21 30 PUT | 1,004 | 380 | \$3.10 | -0.34 | 63.31% | 47.77% | \$326,300 | .AA210716P30 | \$0.33 | 1875 |

Potential Catalysts: Earnings Mid-July / Capital Allocation

Disclaimer:

Not Investment Advice or Recommendation

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