

SPOTLIGHT OPTION TRADE



Vale SA Positioned for Strong 2019 as Commodity Cycle Strengthens

TRADE SNAPSHOT

TICKER	VALE
SECURITY	Vale SA
SECTOR	Basic Materials – Industrial Metals
CURRENT PRICE	\$14.50
LONG/SHORT	Long
TARGET	\$18
STOP	\$13
TIMEFRAME	5 Months

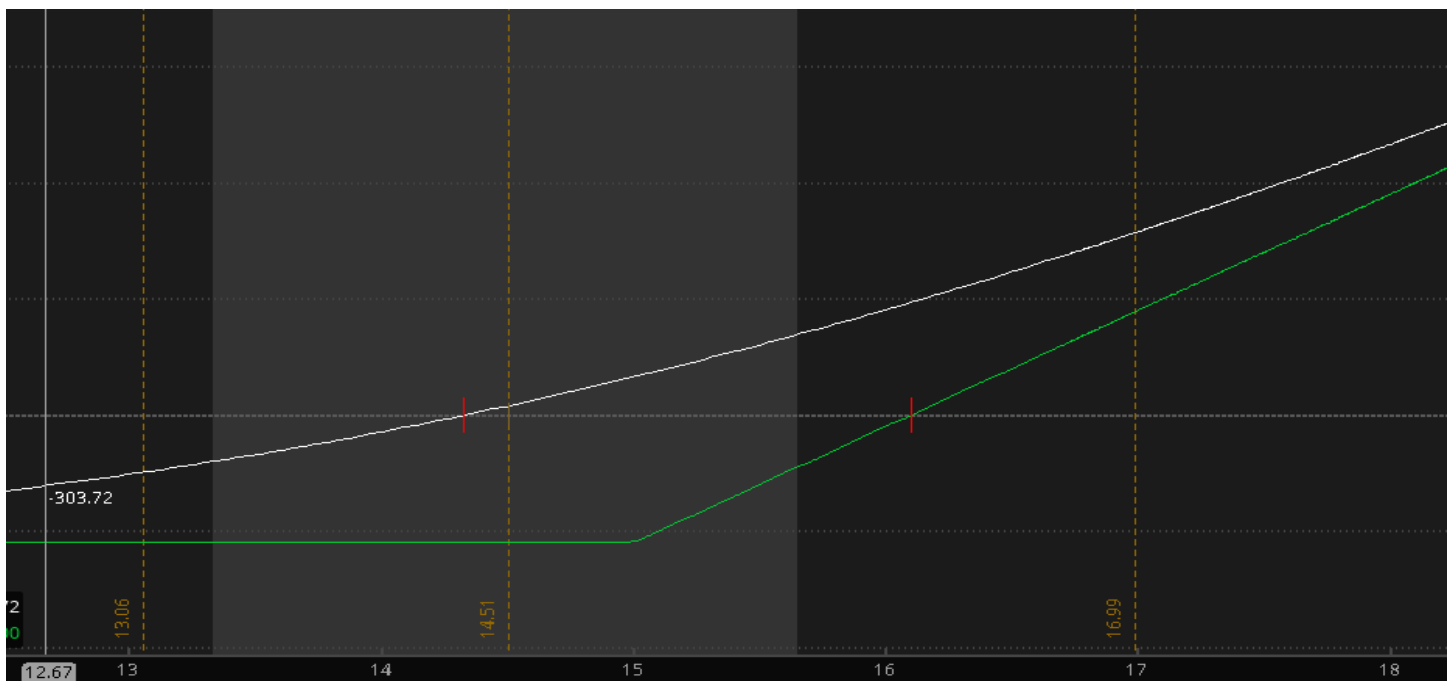
Trading Strategy: Long the VALE June \$15 Calls \$1.10 or Better

Net Debit/Credit: Debit \$1.10

Profitability Zone: VALE Shares Above \$16.10

Greeks: Delta 46; Gamma 10; Vega 4; Theta 0

Options Volatility / Trade Simulator View:

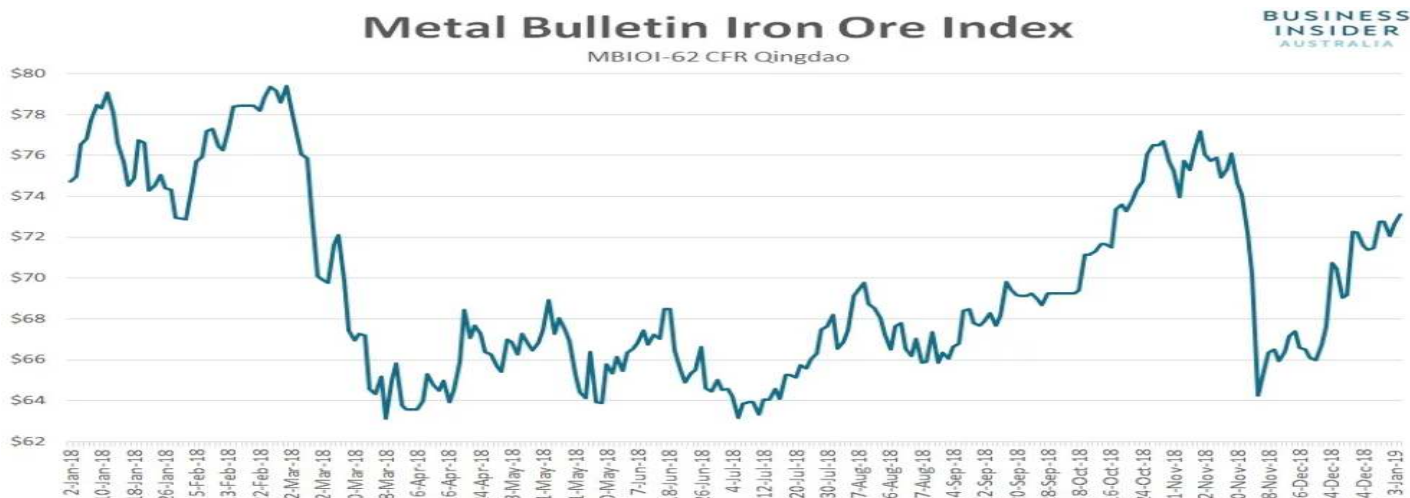




Technical Analysis: VALE shares are working out of a pullback trend after defending key support and the weekly cloud, back above all key moving averages on the weekly timeframe and MACD nearing a bullish crossover that can accelerate a trend move higher.



Fundamental Analysis: The \$72B industrial metals company with a focus on Iron Ore trades 8.45X Earnings, 2.13X Sales, 11.8X FCF and 6X EBITDA with a 3.5% dividend yield and substantial cash. VALE has accumulated a sizable amount of cash flow and could look to special dividends, buybacks, or acquisitions, recently a \$500M deal for New Steel and could fund a \$1B Brazilian copper project. VALE has moved off 2018 highs with concerns on the slowing China market for Steel, but shares look set to re-rate on the capital allocation potential. On 12-11 Macquarie upgraded shares to Outperform. Hedge Fund ownership jumped 23.9% in last quarter's filings, Impala Asset Mgmt. taking a large new position. China has started to take easing steps that could boost demand for Steel and Iron Ore. Goldman and Morgan Stanley have been out negative on Iron Ore prices for 2019 seeing weaker demand and rising supply. However, Iron Ore has been resilient and prices are climbing rapidly nearing recent highs.



Options Activity:

Date	Description	Volume	Open.Int	Price	%Change	Delta	Impl Vol	Prob.ITM	Premium Paid	Symbol
1/8/2019	VALE 100 15 FEB 19 15 CALL	10,595	1,608	\$0.37	15.63%	0.32	40.20%	27.96%	\$392,015	.VALE190215C15
1/8/2019	VALE 100 21 JUN 19 14 CALL	1,652	622	\$1.25	-3.85%	0.53	38.12%	42.75%	\$206,500	.VALE190621C14
1/4/2019	VALE 100 21 JUN 19 13 CALL	1,011	129	\$1.85	44.53%	0.001	#ERROR!	0.00%	\$187,035	.VALE190621C13
12/24/2018	VALE 100 15 MAR 19 11 PUT	6,248	1,509	\$0.50	35.14%	-0.25	48.63%	32.97%	\$312,400	.VALE190315P11
12/11/2018	VALE 100 15 MAR 19 12 PUT	3,965	2,826	\$0.70	-14.63%	-0.35	43.84%	44.37%	\$325,130	.VALE190315P12
11/28/2018	VALE 100 18 JAN 19 14 CALL	25,569	7,282	\$0.62	77.14%	0.43	42.11%	37.39%	\$1,636,416	.VALE190118C14
11/27/2018	VALE 100 21 JUN 19 12 PUT	4,508	3,998	\$1.20	-4.00%	-0.36	40.71%	49.44%	\$549,976	.VALE190621P12
11/23/2018	VALE 100 15 JAN 21 12 PUT	6,000	235	\$2.37	18.50%	-0.33	37.69%	58.68%	\$1,422,000	.VALE210115P12
11/16/2018	VALE 100 18 JAN 19 16 CALL	20,856	33,605	\$0.49	8.89%	0.34	37.82%	28.14%	\$1,021,944	.VALE190118C16
11/2/2018	VALE 100 17 JAN 20 17 PUT	5,917	695	\$3.45	-13.75%	-1	--	100.00%	\$2,041,365	.VALE200117P17
11/1/2018	VALE 100 15 MAR 19 14 CALL	3,220	726	\$2.31	20.94%	0.69	42.17%	59.97%	\$756,700	.VALE190315C14
10/5/2018	VALE 100 15 MAR 19 19 CALL	2,513	5	\$0.42	-20.75%	0	#ERROR!	0.00%	\$105,546	.VALE190315C19
9/19/2018	VALE 100 15 MAR 19 16 CALL	1,950	50	\$0.80	15.94%	0.36	38.71%	26.66%	\$165,750	.VALE190315C16
8/29/2018	VALE 100 21 JUN 19 15 CALL	2,520	696	\$1.20	10.09%	0.4	38.78%	28.28%	\$292,320	.VALE190621C15
7/12/2018	VALE 100 21 JUN 19 15 PUT	6,670	44	\$3.15	-10.00%	-0.56	39.92%	71.41%	\$2,201,100	.VALE190621P15
6/26/2018	VALE 100 17 JAN 20 12 CALL	7,789	3,976	\$2.23	6.19%	0.6	34.48%	44.15%	\$1,736,947	.VALE200117C12
6/25/2018	VALE 100 21 JUN 19 12 PUT	1,300	241	\$1.66	14.48%	-0.39	39.43%	55.75%	\$231,400	.VALE190621P12
6/7/2018	VALE 100 18 JAN 19 13 CALL	5,246	491	\$1.92	-22.27%	0.63	36.65%	51.93%	\$1,007,232	.VALE190118C13

Potential Catalysts: Capital Allocation News

Disclaimer:**Not Investment Advice or Recommendation**

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