

tradealert



Share Replica Income Strategy



BHP

**Call Option Yield:
Approx. 16% for 64 days**

BHP has a quality international portfolio of top tier resource projects with global production growth, a strong balance sheet as well as the ability to fund projects or acquisitions internally.

Recent price action in BHP indicates that buying support is occurring with the technical support levels of \$36- \$36.50 holding.

Following a recent steep decline in the share price due to a variety of macro factors, there is a case to be made that to a large extent the BHP share price has been “de-risked” and now presents a good buying opportunity.

Recent volatility has been good for option writing as option premiums for BHP are now at approximately 1 year highs. The initial premium income represents a return on investment of approx. 16%. The strategy involves then writing monthly call options over your long term holding for the next year.

The Share Replica Income Strategy buying a long term deep in the money call option and writing a short term out of the money call option. The strategy closely replicates a share covered call write and seeks to benefit from rapid time decay of out of the money short term call options.

Share Replica Income Strategy Details

- Buy BHP 3400 June 2011 Calls @ 730c
- Write BHP 4000 July 2010 Calls @ 117c

Total approximate cost is \$6.13 (\$6130 per contract).

Risk:	Limited to net premium paid.
Profit Potential:	Unlimited following expiry of written call options.
Margin Requirement:	Nil.
Net Delta:	31%

For all trade enquiries, please contact Nick via his direct contact details below or on 1300 733 300.

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