

Share Replica Covered Call Writing



BlueScope Steel (BSL)

**Call Option Yield:
9.5% for 15 days**

BSL is the only Australian manufacturer of flat steel products and is one of the lowest-cost steel producers in the world, accounting for 80% of the Australian market with 20% being imported.

BSL is showing strength today following a strong lead from the US markets overnight, with the steel sector being one of the best performing.

After trading at \$3.30 on the 11th January, BSL fell 26% from top to bottom in a three week period versus 9% in comparison to the overall market. This overcorrection presents an excellent opportunity to enter at these levels after a stabilisation in price.

Recent volatility has caused option premiums to escalate which allows us to approximately receive a very healthy 9.5% yield for 15 days.

The Replica Covered Call Write involves 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 Covered Call Write Details

- Buy BSL 225 Dec 2010 Calls @ 68c (1332 shares per contract)
- Write BSL 281 Feb 2010 Calls @ 6.5c (1332 shares per contract)

Total approximate cost is \$0.615 (\$820 per contract).

Risk:	Limited to net premium paid.
Profit Potential:	Unlimited following expiry of written call options.
Margin Requirement:	Nil.
Net Delta:	41%

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

Nick Katiforis: (03) 8660 7388

nick.katiforis@stonebridgegroup.com.au



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