

# tradealert



## Share Replica Income Strategy



### Woodside Petroleum (WPL)

**Call Option Yield:  
9.8% for 55 days**

Woodside is one of Australia's top 10 companies by market capitalisation and the nation's largest publicly traded oil and gas exploration and production company.

Crude oil prices have moved back above USD\$80 per barrel for the first time since early January. A break above \$80 per barrel should be the catalyst for a move higher in WPL.

Following a steep decline in the share price throughout January and February, the share price has consolidated comfortably above \$40.00.

Buy the long dated call option to take advantage of further upside appreciation over the coming months, then write a short term Apr 4764 Call @ 76c on the next rally. At expiry, look to again write short term call options in the next available month to take in more premium.

*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 WPL 3970 Dec 2010 Calls @ 77.2c (1008 shares per contract).
- Write WPL 4764 Apr 2010 Calls @ 76c on a rally in the share price (1008 shares per contract).

*Total approximate cost is \$6.96 (\$7006 per contract).*

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

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