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Assessment of Underlying Asset: ALCOA Corporation (AA) (NYSE: AA)

Price on April 9, 2024: \$30.00 per share

Expiration date: April 26 (14 days)

Company Description

Alcoa Corporation (NYSE: AA) is a leading producer of bauxite, alumina, and aluminum products globally. With operations spanning across the United States, Spain, Australia, Iceland, Norway, Brazil, Canada, and other international locations, Alcoa engages in bauxite mining, alumina refining, and aluminum smelting and casting. The company's diverse portfolio serves various industries, including transportation, construction, packaging, and industrial markets. Alcoa's commitment to innovation and sustainability underscores its position as a key player in the metals and mining sector.

Technical Analysis

1. Price Trends:

- AA's stock has faced significant downward pressure, showing a 52-week change of (-21.62%).

2. Moving Averages:

- The 50-day moving average (SMA50) and the 200-day moving average (SMA200) stands at \$28.61 and \$29.62 respectively, both indicating a downward trend.

3. Relative Strength Index (RSI):

- The RSI is currently at \$63.01, suggesting neutral sentiment without extreme overbought or oversold conditions.

4. Volume:

- The average volume over the past 30 days is 6,131,972 shares, reflecting moderate trading activity.

5. Support and Resistance Levels:

- AA's stock faces resistance at the 50-day moving average and finds support around the \$23.07 mark, representing its 52-week low.

AA Stock 12 Months Forecast



Fundamental Analysis

1. Financial Position:

- AA has a market capitalization of \$5.64 billion with a net cash position of negative -\$867.00 million.
- The company holds \$5,944.00 million in cash and carries \$1.81 billion in debt.

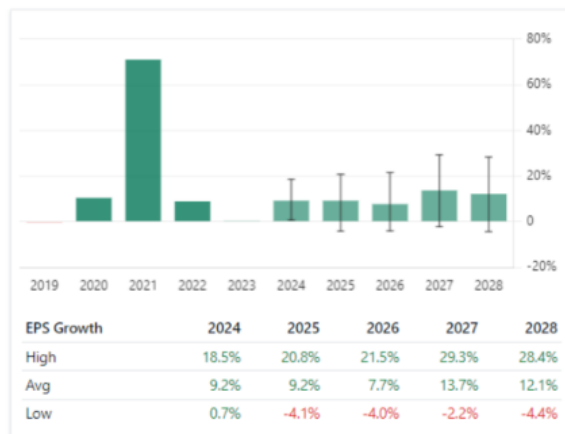
2. Earnings Performance:

- AA reported a net loss of -\$651.00 million in the last 12 months, with negative EPS of -\$3.65.
- Operating cash flow was \$91.00 million, while capital expenditures were -\$531.00 million, resulting in negative free cash flow of -\$440.00 million.

3. Valuation Ratios:

- Key valuation metrics include a Price-to-Earnings (P/E) ratio of -9.32, a Price-to-Sales (PS) ratio of 0.53, and a Price-to-Book (PB) ratio of 1.33, reflecting mixed valuation metrics.

EPS Growth



Overall Recommendation

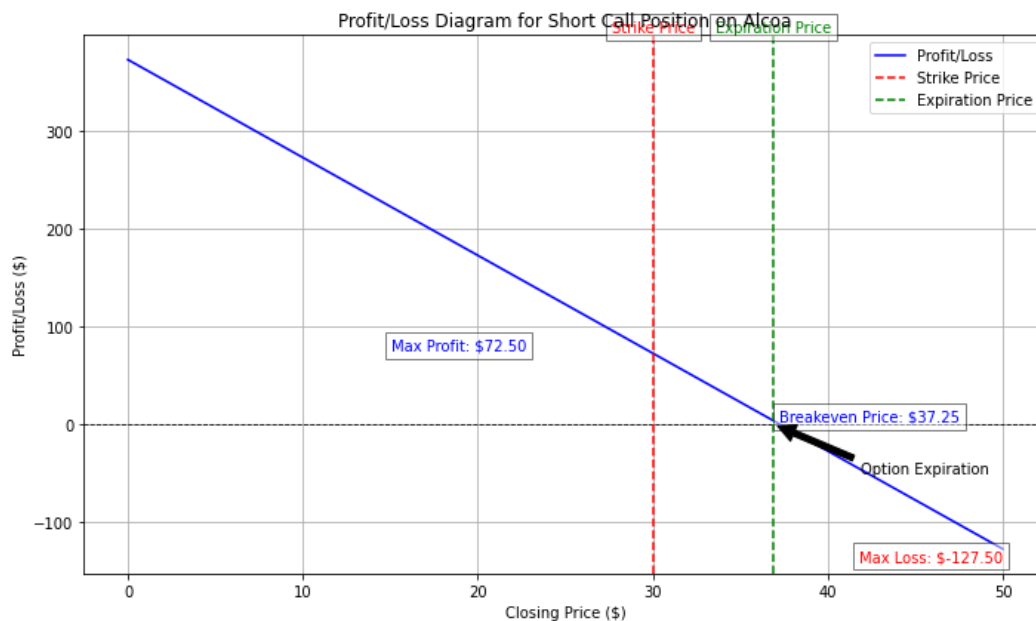
Based on the combined analysis of technical and fundamental factors, I recommend a **Short -call position on ALCOA**

Considering the technical and fundamental analysis, along with recent news of Alcoa's acquisition plans, caution is warranted for investors. The stock's downward trend, negative earnings, and challenging industry conditions suggest a cautious approach. Given the company's financial performance and market dynamics, a short-call position may be considered to capitalize on potential downside movement in AA's stock price.

Calculation/Visualization of P/L

I entered into a short call position on Alcoa (ALCOA) by selling 10 call options with a strike price of \$30 each and received a premium of \$7.25 per contract on April 9th. Eventually, on April 26, the closing price of the Alcoa was \$36.88. - Profit calculation: $(\$7.25 - (\$36.88 - \$30)) * 10 \text{ contracts} = \37 . Making me a profit of \$37.

Position	Number of contracts	Expiration date	Strike price	Premium	Expiry Price
Short Call	10	April 22	\$30	\$7.25	36.88



Post-Trade Analysis

1. Profitability Assessment

- The short call position on Alcoa (ACLCOA) resulted in a profit of \$37 upon expiration, indicating a successful outcome for the trade.

- Profit calculation: $(\$7.25 - (\$36.88 - \$30)) \times 10 \text{ contracts} = \37 .

2. Breakeven Analysis

- The breakeven point was determined at \$37.25, which is the sum of the strike price and the premium received per contract.

- Alcoa's closing price of \$36.88 remained below the breakeven threshold, contributing to the profitability of the trade.

3. Efficiency of Closing Position

- The decision to close the short call position at expiration was effective in realizing the profit generated from the trade.

- Closing the position allowed the trader to lock in the profit without exposing the position to further market risk.

4. Risk Management

- The maximum potential loss for the short call position was effectively managed, limited to the premium received per contract (\$7.25).

- Successful risk management was demonstrated by closing the position at a profit, avoiding any actual loss.

5. Market Conditions and Strategy Alignment

- The trade capitalized on favorable market conditions, as Alcoa's closing price remained below the strike price of \$30.

- The decision to enter a short call position aligned with the expectation of Alcoa's price staying below the strike price, which was validated by the closing price.

6. Lessons Learned and Future Considerations

- This trade underscores the importance of accurate analysis and strategy alignment with market conditions.

- Continuous monitoring of underlying asset movements and option premiums is essential for informed decision-making.

- Future considerations may include exploring additional options strategies or adjusting positions based on evolving market dynamics.

