

## The Option Trade of the Day:

### RIO (Rio Tinto plc) – *Short Trade*

Today saw a huge buyer of **RIO Mar 40 puts**. This is a very short term trade with a maturity of only 8 business days away. However, due to its size and the technicals it is the “Trade of the Day”.

#### A few observations on this trade:

1. It was a large, repetitive, aggressive put buyer. The first SWEEP order occurred at approx. 9:41 and continued to grow minute by minute until a large block for 12,438 contracts (not a sweep) contracts traded. **After ~ 20 mins there was a total of 25,000 contracts on the tape.**
2. The price range executed was \$0.55 - \$0.70, with the big block occurring at \$0.70.
3. Many of the big Miners are going through mini corrections (VALE, BHP) and many are down more than RIO
4. There is also a story out from BHP’s CFO stating that they are preparing form “much lower” iron ore price, see below

#### My thoughts:

1. It has to be a HUGE trade for me to hold a trade with short time horizon. Considering the down move in the miners is fast, and that RIO has an air pocket to the 200d MA, I decided to hold this position overnight after hitting 2 targets.
2. **In the chart below, there is a clean break of the value area with little support until the 200d MA, \$35.47.**
3. **Note on the 1hr timeframe, there is also a VPOC (Virgin Point of Control) at \$35.20.**
4. If one is not comfortable holding Mar expiry options, further out options can also be purchased

RIO Daily Chart



**About RIO:** Rio Tinto plc is an international mining company. The Company has interests in mining for aluminum, borax, coal, copper, gold, iron ore, lead, silver, tin, uranium, zinc, titanium dioxide feedstock, diamonds, talc and zircon. Dually-listed company with RIO AU.

## World's Top Miner Sees Fading China Stimulus Curbing Iron Ore

- BHP CFO says preparing for a “much lower” iron ore price
- Producer could invest A\$25 billion in Australia over 10 years

By Perry Williams and David Stringer

(Bloomberg) -- BHP Billiton Ltd. is detecting a slowdown in the effect of Chinese government stimulus, the prime catalyst for last year's commodities sector rebound, and warns markets should brace for lower iron ore prices.

“We're seeing a moderation of the impacts of the stimulus which China was putting into its economy in 2016,” while new low-cost iron ore is also being added to the export market, Chief Financial Officer Peter Beaven said Thursday in Sydney. “We have got to be very cognizant that those fundamentals point to a softening, and our business and all the settings that surround it, have to be ready for a much lower iron ore price.”

China's spending on infrastructure including roads, airports, ports and railways, rose 17 percent last year, driving the country's 6.7 percent expansion in the economy. Growth in infrastructure spending is forecast to

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