ESTER

Investment idea:

"Selling Alcoa shares makes a profit! 3 reasons to connect now!"

Alcoa Inc. (Aluminum Company of America) (#AA) – is the largest American metallurgical company producing aluminum, extracting bauxite, producing alumina and products from aluminum and alloys.

Alcoa is one of the three world leaders in aluminum production. Total revenue for 2017 is amounted to $ 11.65 billion.

Alcoa Inc. was founded in 1888.

Reasons to sell Alcoa shares in August:

1. **Slowdown of the world economy and trade war.** Amid a slowdown in the global economy and escalating the US - China trade conflicts. Demand for raw materials and, in particular, for aluminum fell to two-year lows.

Alcoa

Fig. 1. Aluminum Futures Chart

The graph shows a steady downward trend in aluminum futures. This actually indicates the preservation of the downward dynamics of this asset in the context of the aggravation of the trade war and the slowdown of the world economy.

And since the main activity of Alcoa Inc. is the extraction of aluminum, the shares of this company will also sink on the reducing the cost of aluminum.

2. **Alcoa's disappointing profitability.** Alcoa Inc. last two quarters suffers losses due to lower demand for aluminum and the consequences of the trade war.

Third quarter earnings expectations remain very low.

- Income: 2.65V;
- Earnings per share (EPS): -0.07.

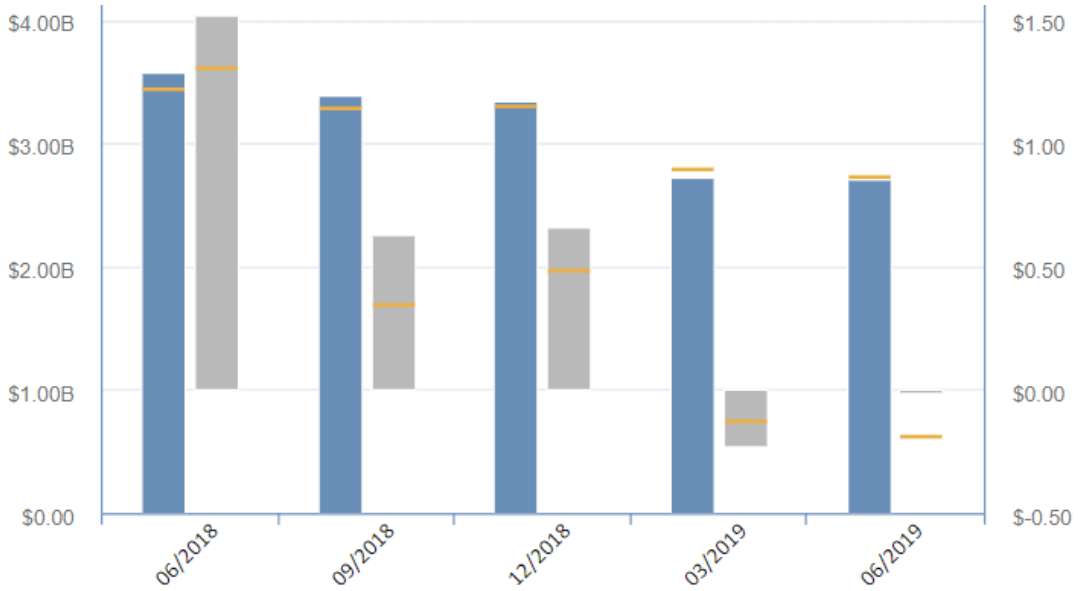

Fig. 2. Alcoa Inc. profitability chart Blue column - income, gray column - EPS, orange line - forecast

Considering the downward trend in Alcoa Inc.'s earnings, which can be seen in the chart above, this trend will continue in the third quarter.

3. Technical factors. Technically stock Alcoa Inc. are near the annual low, while maintaining a common two-year downtrend. The limiting factor is the oversoldness of these shares, which was formed on the last few trading days. In fact, in June and July, these shares were traded in flat, which offloaded the general oversold of this asset.

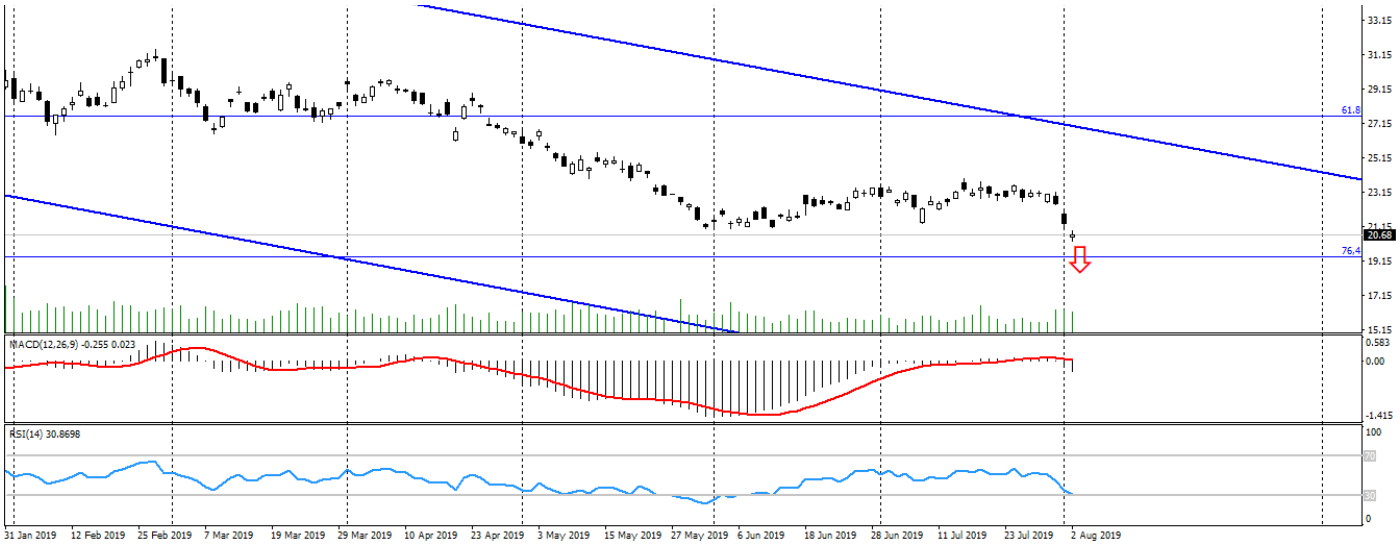

Fig. 3. Alcoa Inc. shares chart

The slowdown in decline and the formation of a long flat is the risk factor for this investment idea, which could in time change the technical picture of the market.

The main issue is to connect to the idea on the resumption of decline

The recommended connection period to the idea is from August 5 to 9, 2019.

The period of working out the idea until September 13, 2019.

The recommended starting amount is $ 10,000.

The potential profit is from 300% to 400% of the lot size.

Connect

** Entry points, exact profit, protective orders and transaction hedging - check with the manager when you connect!*