

Brazilian Chaos

A potential 190% return trading the
political turmoil in Brazil

Bloomberg



Brazil's Biggest Fortunes Plunge \$6.2 Billion in Temer Crisis

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CNBC



Brazil stocks plunge on emerging political scandal, post worst day since 2008

FRED IMBERT, EVELYN CHENG

CNNmoney

Brazil stocks plunge 10%; market halted for 30 minutes

Brazil's stock market, Bovespa, plunged more than 10% immediately after opening Thursday, wiping out almost all of its gains for the year. Officials halted trading for 30 minutes.

EWZ



EWZ- option chain

CALLS									PUTS			
Size	Bid	Ask	Size	Last	Strike	Expiry	Underlying	Last	Size	Bid	Ask	Size
8	13.25	14.10	297	13.60	20.00	18-Jan-2019	EWZ	1.14	87	0.92	1.37	87
93	11.80	14.55	579	—	21.00	18-Jan-2019	EWZ	1.54	11	1.34	1.60	11
48	11.30	13.20	788	15.71 c	22.00	18-Jan-2019	EWZ	1.90	44	1.58	1.85	44
21	10.75	11.60	538	11.40	23.00	18-Jan-2019	EWZ	1.80	13	1.84	2.14	13
33	10.05	10.70	14	10.61	24.00	18-Jan-2019	EWZ	2.35	13	2.14	2.45	13
32	9.35	10.20	697	10.86	25.00	18-Jan-2019	EWZ	2.30	90	2.43	2.70	90
21	8.75	9.55	535	13.93 c	26.00	18-Jan-2019	EWZ	2.90	10	2.80	3.15	10
32	8.10	9.15	802	13.76 c	27.00	18-Jan-2019	EWZ	3.04	13	3.20	3.55	13
63	7.55	8.50	730	8.70	28.00	18-Jan-2019	EWZ	1.97 c	13	3.60	3.95	13
300	6.95	8.00	671	8.20	29.00	18-Jan-2019	EWZ	4.70	13	4.00	4.40	13
82	6.45	7.50	715	6.85	30.00	18-Jan-2019	EWZ	4.50	13	4.45	4.85	13
76	5.95	6.85	711	7.00	31.00	18-Jan-2019	EWZ	5.07	11	5.00	5.35	11
72	5.50	6.05	65	5.74	32.00	18-Jan-2019	EWZ	5.50	77	5.25	5.85	77
71	5.05	5.55	26	5.50	33.00	18-Jan-2019	EWZ	3.85 c	695	5.75	6.40	695
73	4.65	5.20	76	5.00	34.00	18-Jan-2019	EWZ	7.05	690	6.20	7.00	690
77	4.25	4.70	11	4.56	35.00	18-Jan-2019	EWZ	7.25	697	6.70	7.60	697
342	3.85	4.35	11	4.85	36.00	18-Jan-2019	EWZ	8.31	689	7.30	8.20	689
85	3.55	4.05	83	3.73	37.00	18-Jan-2019	EWZ	9.45	680	7.95	8.90	680
30	3.25	3.70	43	4.20	38.00	18-Jan-2019	EWZ	5.75 c	645	8.70	9.60	645
11	2.97	3.40	57	3.20	39.00	18-Jan-2019	EWZ	6.40 c	678	9.30	10.25	678
30	2.70	3.10	11	3.15	40.00	18-Jan-2019	EWZ	7.75 c	637	9.95	10.95	637
57	2.44	2.87	66	3.00	41.00	18-Jan-2019	EWZ	—	69	10.65	11.70	69
11	2.22	2.63	61	2.49	42.00	18-Jan-2019	EWZ	—	531	11.35	12.45	531
11	2.02	2.42	53	4.80 c	43.00	18-Jan-2019	EWZ	9.28 c	564	12.10	13.20	564
11	1.83	2.21	47	2.08	44.00	18-Jan-2019	EWZ	11.20 c	64	12.90	14.00	64
64	1.64	2.03	72	2.31	45.00	18-Jan-2019	EWZ	14.00	469	14.00	14.80	469

EWZ- Trade Math

Buy the Jan 2019, 33 Strike (currently at 5.50)

Simultaneously sell the Jan 2019, 40 Strike (currently at 3.15)

For a spread cost of 2.4

So if EWZ closes at or above 40 by Jan19 we will make 7 on the spread (40-33), less the cost of the spread (2.4) = $4.6 / 2.4 = 190\%$

Bear in mind. You can do any variation of this. You may want to buy the call outright in which case you'll make more money if the market moves higher. We suggest the spread as it decreases our risks and cost of entry.

What it will look like on the IB platform

[Order Management]

New Order

Orders

Trades

Stock

Option

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Forex

Fund

Bond

Warrant

CFD

Structured Product

Commodity

Spread

Strategy

Underlying Symbol

Underlying Contract

Vertical

EWZ

Go

ISHARES MSCI BRAZIL CAPPED E (EWZ Stock SMART USD) Stock Spread Vertical

Action	Symbol	LTD	Strike	P/C	Class	Ratio	Quantity	Bid	Ask	Estimated Cash	Currency
BUY	EWZ	18JAN19	33.0	CALL	EWZ	1	1	5.05	5.55	-555.00	USD
SELL	EWZ	18JAN19	40.0	CALL	EWZ	1	1	2.7	3.10	270.00	USD

	Quantity	Net Price	Order Type	Exchange	TIF	Bid	Ask	Estimated Cash	Currency
DEBIT	1	2.4	LMT	SMART	GTC	1.95	2.85	-285.00	USD

Preview Order

Clear

What it will look like on the Options Express platform

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	ACTION	QUANTITY	MONTH	STRIKE	CALL/PUT	
EWZ	<input type="button" value="Buy To Open"/>	<input type="text" value="1"/>	<input type="text" value="Jan19"/>	<input type="text" value="33"/>	<input type="text" value="Call"/>	Last: 5.50 B: 5.05 M: 5.30 A: 5.55
EWZ	<input type="button" value="Sell To Open"/>	<input type="text" value="1"/>	<input type="text" value="Jan19"/>	<input type="text" value="40"/>	<input type="text" value="Call"/>	Last: 3.15 B: 2.70 M: 2.90 A: 3.10

[Add A Leg](#)

PRICE

DEBIT

DURATION

[NBBO: B:1.95 M:2.40 A:2.85](#)

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Straight play

Or buy EWZ (currently at 32.75) for a bounce. Sell it at 40 for a 22% return

So in summary. For a roughly 20% move in EWZ you can make close to 200% using options where your risk is known but sits at 100% should the options expire worthless.