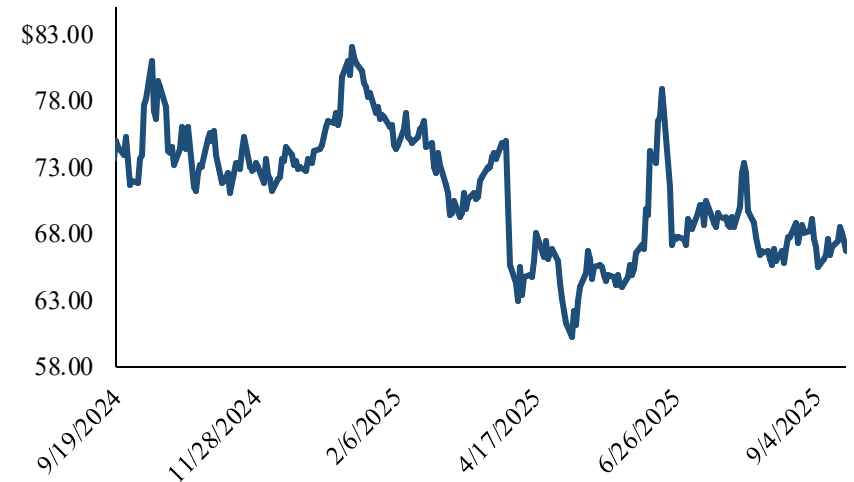


Brent Crude Oil | One-Year Price Chart



Position Details

- Brent Crude Oil | COH6
- Underlying Price: \$66.50
- Bear Put Spread
- Expiration Date: January 27, 2026

Energy Sector

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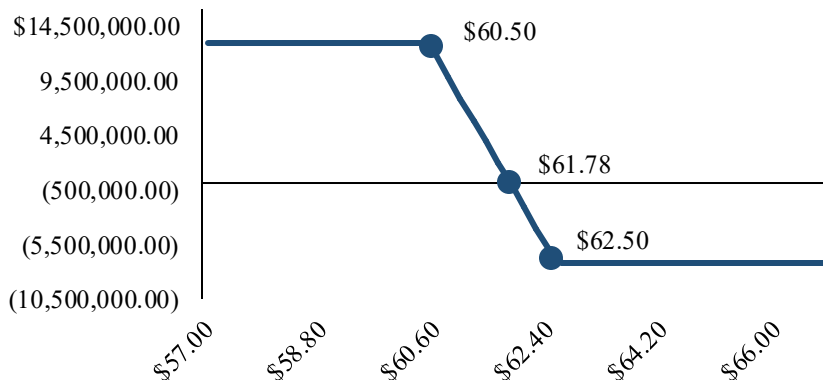
I. Product & Position Overview

Product & Position Overview

Product Description

- **Brent Crude Oil**
 - Brent Crude Oil, a global benchmark influencing oil prices across the Middle East, Europe, and Africa, is estimated to account for ~66.00% of globally traded crude. It is a low-sulfur and low-density product extracted from the North Sea oil fields
 - Brent Crude is primarily used in the refining process to produce distillate products, including diesel fuel and gasoline, causing price fluctuations based on transportation demands
 - The major consumers of Brent Crude Oil include the U.S., China, and India, while Saudi Arabia and Russia are top producers, making up ~22.00% of global supply

Payoff Diagram



Trade Breakdown

- **Bear Put Spread**
 - The strategy is positioned to capitalize on bearish price movements in the underlying within the duration of the contract
- **Setup**
 - We Buy – 10.00 k OTM \$62.50 Puts | COH6
 - We Sell – 10.00 k OTM \$60.50 Puts | COH6
 - Max Profit: \$12,800,000.00
 - Max Loss: (\$7,200,000.00)
- **Expiration**
 - Date: January 27, 2026

Exit Strategy & Potential Hedge Strategy

- **Bull Base & Bear Case**
 - **\$60.50 / \$61.00 / \$62.50**
 - Breakeven – \$61.78
- **Methodology**
 - The Energy Sector anticipates downward pressure in the underlying asset before the contract's expiration date
- **Hedge Strategy**
 - The Sector would hedge its position through reverse trading in response to bullish price movements in the underlying asset

II. Macroeconomic Thesis

Macroeconomic Thesis

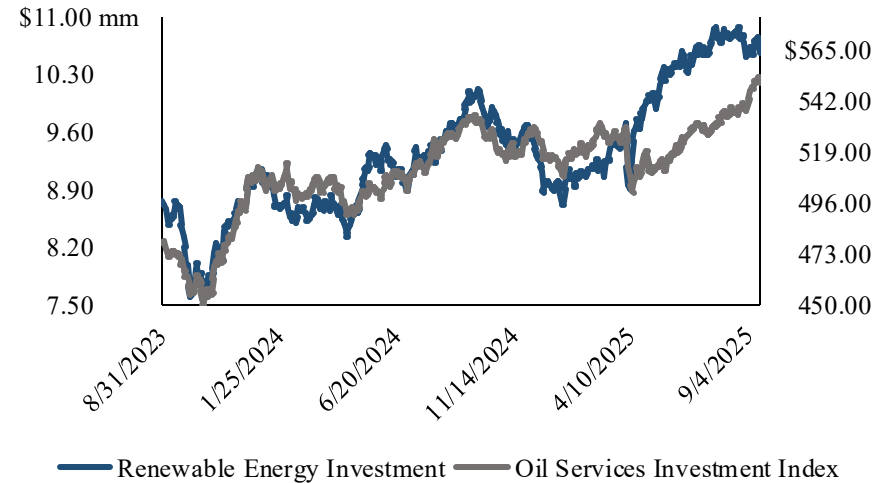
Macroeconomic Summary

- **Indian Resistance to Sanction Pressures Builds Supply Glut**
 - India continues to absorb discounted Russian crude oil despite 50.00% tariffs by the U.S. and growing international pressures
 - President Trump is seeking the support of the EU through collaborative 100.00% tariffs on China and India to diminish funding for the Russia-Ukraine war
 - The EIA revised its 2025 outlook to forecast oversupply. Raising global oil supply growth by 200.00 k Bbl/d while global oil demand growth slows, only being lifted by 60.00k Bbl/d

- **AI Energy Demand Pushes Alternatives Into Broader Market**
 - China begins construction on a 30.00 MW, 100.00% pure hydrogen power project, making it the largest in the world, reinforcing its momentum towards its “dual-carbon” goals
 - U.S. data centers are forecasted to raise their share of electricity from 4.00% to 12.00% by 2030 as AI usage grows. U.S. total energy demand is set to climb 25.00% by 2030, boosting the appeal of low-carbon constant power over oil-based alternatives
 - Global renewable energy investment hit \$386.00 bn through 2Q2025, up 10.00% y/y. Trump and Starmer will sign the Atlantic Partnership for Advanced Nuclear Energy Agreement to accelerate SMR deployment instead of toxic energy sources

- **Chinese Stimulus Signals Deep-Rooted Economic Distress**
 - China’s debt concerns, weak consumer confidence, and trade tensions are set to decrease the demand for crude oil imports
 - Strains from \$13.00 T in government debt and lower-than-expected new bank loans threaten stimulus efforts
 - Chinese new home prices fell 2.50% y/y as new home sales dropped 7.00% YTD, highlighting China’s weakening consumer. Factory output slowed to 5.20% and retail sales to 3.40%, marking the weakest growth in both figures since last August

Renewable Energy vs Oil Services Investments | Two-Year Chart



Market Pros & Cons

- Investor rotation out of energy commodities into higher return securities
- OPEC supply hikes steadily outpace global demand forecasted by the EIA
- The dollar remains under pressure as Trump pushes for a weaker dollar
- Ukrainian attacks on Russian oil infrastructure limit discounted outflows



III. Risk Analysis

Risk Analysis

Directional & Magnitude Risk

- **Delta Analysis**

- The Delta value for this trade is (0.0553)
- For every \$1.00 change in price of the underlying asset, the strategy will gain or lose \$0.0553 in value
- The Delta is low due to the bear put spread, the position gains directional exposure as the underlying gradually declines

- **Gamma Analysis**

- The Gamma value for this trade is 0.0020
- Gamma has a moderate impact for this trade, changing Delta by 0.0020 for every \$1.00 move in the underlying asset. The trade benefits from low gamma by limiting Delta's sensitivity to prices

Implied Volatility Risk

- **Vega Analysis**

- The value of Vega for this trade is 0.0104
- The implied volatility for this trade is 35.00%
- For every 100.00 bps change in implied volatility, the contract's value will gain or lose \$0.0104
- Greater volatility increases our chances for profit as large price swings have the potential to push the underlying in-the-money

Time Risk

- **Theta Analysis**

- The Theta value for this trade is (0.0050)
- The trade experiences a loss of \$0.0050 for every 1.00 day change towards the expiration. Time decay accelerates in magnitude as the option moves closer to expiration, increasing Theta sensitivity
- Theta is negative as time decay reduces the trade's daily value, diminishing the chances of landing in-the-money. A (0.0050) theta suggests a moderate rate of time decay, gradually reducing the options premium until the positions approaches expiration

Interest Rate Risk

- **Rho Analysis**

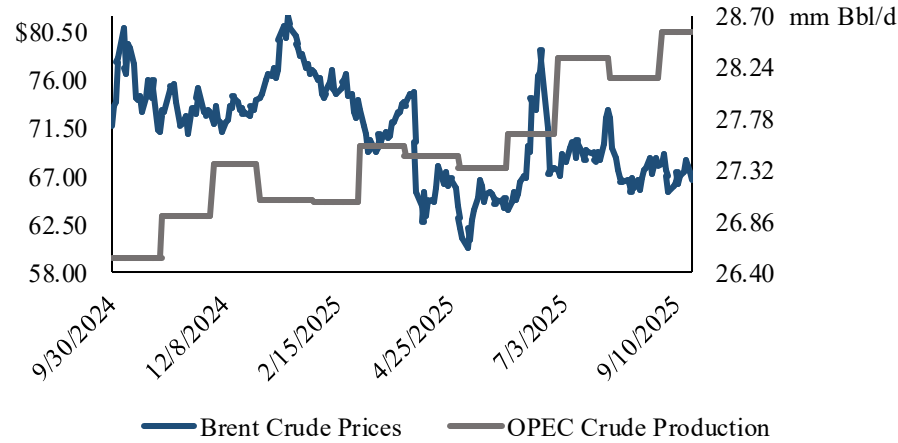
- The Rho value for this trade is (0.0027)
- For every 100.00 bps change in interest rates, the option strategy will gain or lose \$0.0027 in value
- The timeline of this trade includes 2.00 Federal Reserve meetings with ~50.00 bps expected, increasing the importance of Rho for this trade. If the Fed decides to hold rates throughout the duration of the trade, profits could be impacted



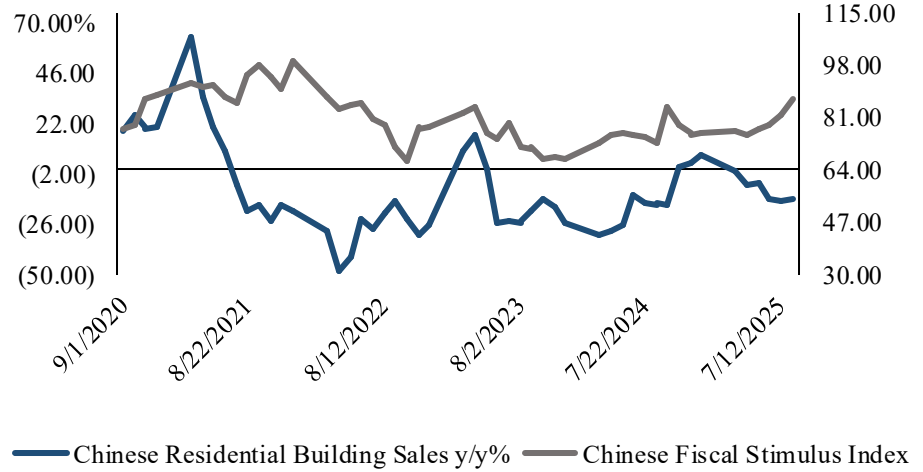
IV. Technical Bias & Fair Value

Technical Bias & Fair Value

Brent Crude Prices vs OPEC Crude Oil Production | One-Year Chart



Chinese Residential Sales y/y% vs Chinese Fiscal Stimulus | Five-Year Chart



Monte Carlo

Output	Short Put	Long Put
Value	\$2.99	\$3.88

Synopsis

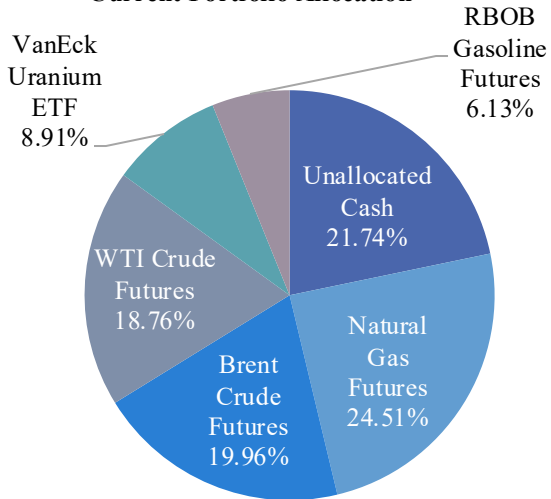
- The graph on the left highlights that OPEC production has steadily increased from ~26.80 mm Bbl/d to nearly 29.00 mm Bbl/d over the past year. Brent prices have experienced sustained downward momentum, excluding short-term fluctuation due to major geopolitical and macroeconomic events. The divergence between rising supply and stagnant prices signals an oversupplied market. With OPEC continuing supply hikes of 137.00 kBbl/d, Brent faces more downside risk, with demand unable to match the surplus
- The right graph displays the struggles of the Chinese housing market despite increased fiscal stimulus. The growing reliance on stimulus with diminishing economic activity indicates that the risk of rising debt levels is not paying off. The growing possibility of both a housing bubble and eventual defaults on numerous levels of government debt cannot prop up overall demand



V. Capital Allocation

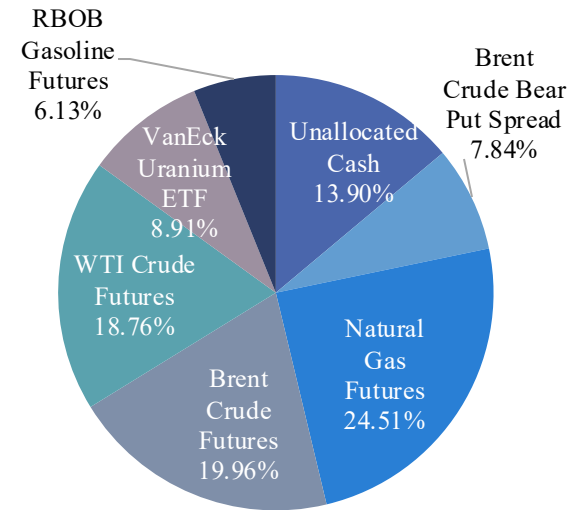
Capital Allocation

Current Portfolio Allocation

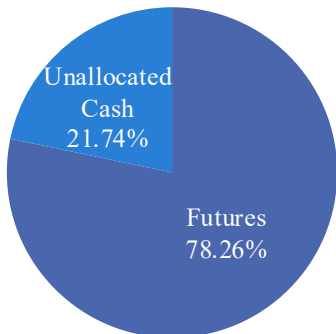


Transaction Summary		
Ticker	Position Change	
	Contracts	Allocation
Natural Gas Futures	0	\$0.00
Brent Crude Futures	0	\$0.00
WTI Crude Futures	0	\$0.00
VanEck Uranium ETF	0	\$0.00
RBOB Gasoline Futures	0	\$0.00
Brent Crude Bear Put Spread	+20000	\$7,200,000.00
Allocation Change		\$7,200,000.00

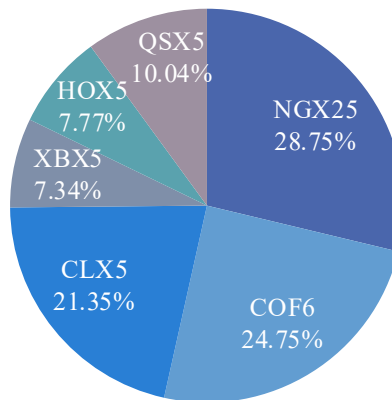
Proposed Portfolio Allocation



Current Position Allocation



Benchmark Allocation



Proposed Position Allocation

