



Trade Alert - (MSFT) - BUY

BUY the Microsoft (MSFT) *September* 2019 \$115-\$120 in-the-money vertical BULL CALL spread at \$4.50 or best

Opening Trade

8-24-2019

expiration date: September 20, 2019

Portfolio weighting: 10%

Number of Contracts = 22 contracts

With the Volatility Index (VIX) over \$20, the risk/reward for a very deep in-the-money vertical call spread in the highest quality names is extremely favorable, and you don't get any better quality than Microsoft (MSFT).

Adding this position during a horrific, 650-point swan dive inspired by a presidential Tweet is also a plus. He escalated the trade war, ordered all American companies out of China, and insulted his appointed Fed governor, all in just 340

characters. Well done, Mr. President!

In addition, this particular combination of strikes prices gives you huge support at the 200-day moving average.

I believe that Microsoft (MSFT) shares are oversold and that there is some nice cherry picking to be had here. This is a stock that you want to hide behind the radiator and keep forever.

I am therefore buying the Microsoft (MSFT) *September* 2019 \$115-\$120 in-the-money vertical BULL CALL spread at \$4.50 or best.

Don't pay more than \$4.70 or you'll be chasing.

If you don't do options buy the stock outright for an extreme oversold bounce.

This is a bet that Microsoft shares will **NOT** fall below \$120 by the September 20 option expiration date in 18 trading days. In other words, it is a bet that (MSFT) won't fall by more than \$14 in less than four weeks.

This is also a bet that we are not already in a recession, which I believe is still at least 12 months off.

Here are the specific trades you need to execute this position:

Buy 22 September 2019 (MSFT) \$115 calls at.....	\$20.00
Sell short 22 September 2019 (MSFT) \$120 calls at.....	<u>\$15.50</u>
Net Cost:.....	\$4.50

Potential Profit: $\$5.00 - \$4.50 = \$4.50$

$(22 \times 100 \times \$0.50) = \$1,100$ or 11.11% in 19 trading days.

Trading

Orders Log Trades Portfolio Strategy Builder

Strategies ▼ B/A: 70 4.40 4.70 4 Debit Reverse Add Stock Make Delta Neutral Bull Spread

Action	Ratio	LastTrdDay	Strike	Type	Mltplr	
Buy	1	SEP 20 '19	115	Call	100	×
Sell	1	SEP 20 '19	120	Call	100	×

+ Add Leg X Clear All Legs

Place order: 22 DAY LMT 4.... D Transmit Add to Quote Panel Profile

* Option Chain





The optics today look utterly different from when Bill Gates was roaming around the corridors in the Redmond, Washington headquarter and that is a good thing in 2018.

Current CEO Satya Nadella has turned this former legacy company into the 2nd largest cloud competitor to Amazon and then some.

Microsoft Azure is rapidly catching up to Amazon in the cloud space because of the Amazon-effect working in reverse. Companies don't want to store proprietary data to Amazon's server farm when they could possible destroy them down the road. Microsoft is mainly a software company and gained the trust of many big companies especially retailers.

Microsoft is also on the vanguard of the gaming industry taking advantage of the young generation's fear of outside activity. Xbox related revenue is up 36% YOY, and its gaming division is a \$10.3 billion per year business. Microsoft Azure grew 87% YOY last quarter.

To see how to enter this trade in your online platform, please look at the order ticket above, which I pulled off of *Interactive Brokers*.

If you are uncertain on how to execute an options spread, please watch my training video on "*How to Execute a Vertical Bull Call Spread*" by clicking here at <http://members.madhedgefundtrader.com/ltt-vbpds/>

The best execution can be had by placing your bid for the entire spread in the middle market and waiting for the market to come to you. The difference between the bid and the offer on these deep in-the-money spread trades can be enormous.

Don't execute the legs individually or you will end up losing much of your profit. Spread pricing can be very volatile on expiration months farther out.

Keep in mind that these are ballpark prices at best. After the alerts go out, prices can be all over the map.