



Trade Alert - (MSFT) - BUY

BUY the Microsoft (MSFT) *January* 2020 \$135-\$140 in-the-money vertical BULL CALL spread at \$4.60 or best

Opening Trade

12-11-2019

expiration date: January 17, 2019

Portfolio weighting: 10%

Number of Contracts = 22 contracts

You don't get any better quality than Microsoft (MSFT) in the tech world. It is the safest stock in which to invest today. This is a stock that you want to hide behind the radiator and keep forever. It is also one of the great turnaround stories of the decade.

In addition, this particular combination of strikes prices gives you huge support at the 50-day moving average at \$144.00. Please note this option spread will be

profitable whether the market goes up, sideways, or down small over the next four weeks.

I am therefore buying the Microsoft (MSFT) *January* 2020 \$135-\$140 in-the-money vertical BULL CALL spread at \$4.60 or best

Don't pay more than \$4.60 or you'll be chasing.

If you don't do options buy the stock outright for a long term play.

This is a bet that Microsoft shares will **NOT** fall below **\$140.00** by the January 17 option expiration date in 27 trading days.

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 January 2019 (MSFT) \$135 calls at.....\$17.00

Sell short 22 January 2019 (MSFT) \$140 calls at.....\$12.40

Net Cost:.....\$4.60

Potential Profit: $\$5.00 - \$4.60 = \$0.40$

$(22 \times 100 \times \$0.40) = \880 or 8.70% in 27 trading days.

Trading

Orders
Log
Trades
Portfolio
Strategy Builder

Strategies
▼
B/A: 1,654
4.55
4.75
4
Debit
Reverse
Add Stock
Make Delta Neutral
Bull Spread

Action	Ratio	LastTrdDay	Strike	Type	Mltplr	
Buy	1	JAN 17 '20	135	Call	100	×
Sell	1	JAN 17 '20	140	Call	100	×

+ Add Leg
Clear All Legs

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

Option Chains

JAN 03 '20*
24 DAYS

JAN 10 '20*
31 DAYS

JAN 17 '20
38 DAYS

JAN 24 '20*
45 DAYS

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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.

