



## Trade Alert - (MSFT) - BUY

**BUY the Microsoft (MSFT) *January* 2021 \$195-\$205 in-the-money vertical BULL CALL spread at \$9.20 or best**

## Opening Trade

**12-22-2020**

**expiration date: January 15, 2021**

**Portfolio weighting: 10%**

**Number of Contracts = 11 contracts**

The bull market in stocks is not dead, it is only resting. All we are doing now is working off an extreme overbought condition in the market that has persisted for weeks. This presents a chance to buy the best quality names before they take off once again.

This is a bet that Microsoft (MSFT) will not trade below \$205 by the January 15 option expiration in 16 trading days.

**Don't pay more than \$9.50 or you'll be chasing**

**If you don't do options, buy the stock outright.** It is a great long-term hold.

(MSFT) easily has a double in it over the next three years. It is rapidly gaining market share in the burgeoning Internet cloud at the expense of leader Amazon (AMZN). (MSFT) has also successfully converted its business model from a one-time only software sale to an immensely profitable annual subscription service.

Its CEO Satya Nadella is a genius and is responsible for the turnaround of Microsoft over the last five years. We have already earned a four bagger in the share price off the back of his Herculean efforts. For my most recent in-depth research piece on Microsoft, please see below.

I have another six stocks like this that I will be issuing trade alerts for the next time the market gives us a substantial dip.

Here are the specific trades you need to execute to obtain a \$10,000 position:

<b>Buy 11 January 2021 (MSFT) \$195 calls at.....</b>	<b>\$29.00</b>
<b>Sell short 11 January 2021 (MSFT) \$205 calls at.....</b>	<b><u>\$19.80</u></b>
<b>Net Cost:.....</b>	<b>\$9.20</b>

Potential Profit:  $\$10.00 - \$9.20 = \$0.80$

$(11 \times 100 \times \$0.80) = \$880$  or 8.6% in 16 trading days.

Trading

Orders
Log
Trades
Portfolio
Strategy Builder

Strategies
B/A: 29 9.05 9.55 71 Debit
Reverse
Add Stock
Make Delta Neutral
Bull Spread

Action	Ratio	LastTrdDay	Strike	Type	Mltplr	
Buy	1	JAN 15 '21	195	Call	100	X
Sell	1	JAN 15 '21	205	Call	100	X

+ Add Leg
X Clear All Legs

Place order: 11 DAY LMT 9... D Transmit Add to Quote Panel Profile

Option Chains

DEC 24 '20\* 3 DAYS
DEC 31 '20\* 10 DAYS
JAN 08 '21\* 18 DAYS
JAN 15 '21 25 DAYS
MORE



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

If you are uncertain on how to execute an options spread, please watch my training video by [clicking here](#).

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.

### **(MICROSOFT KNOCKS IT OUT OF THE PARK) (MSFT), (AMZN), (FB), (GOOGL)**

Armed with the best management and stickiest tech products in the U.S., Microsoft (MSFT) has shown why every tech investor needs to own shares.

We just took profits from deep-in-the-money MSFT bull call spread and I'd be looking to get back into this name on any and every dip.

This tech company is unstoppable and the data underpinning their greatness reaffirms my point of view. Microsoft said that 2 years of digital transformation has happened in the past two months.

The health crisis has shown that consumers cannot function without Microsoft and that will help fend off the regulatory monkey from their back.

Tech companies have had to reduce their future projections as the health scare has done great damage to consumer demand with many pulling guidance completely.

Overall, tech companies were locked in for a 5% earnings decline which was the best out of any industry, but they are coming in much higher than that.

Even more impressive, Microsoft's management disclosed that COVID-19 had "minimal net impact on the total company revenue." That was really all you need to know about Microsoft that possesses services that consumers can never get rid

of. Everything else is just a cherry on top.

To get into the weeds a little, Azure cloud-computing business and Teams collaboration software have become mainstay products as workers are forced to stay home and their companies need computing power and tools to support them.

Many of those products are bundled with products that may not fare as well, however — for instance, Microsoft combines revenue from on-premise server sales with its Azure business.

The “Intelligent Cloud” segment that includes Azure rose to \$12.28 billion in sales from \$9.65 billion a year ago, beating the average analyst prediction of \$11.79 billion.

“Productivity & Business Solutions,” which comprises mostly of the cloud software assets including LinkedIn, grew to \$11.74 billion from \$11.52 billion a year ago, beating analyst predictions of \$11.53 billion.

The most important nugget awaiting the masses was forward guidance. Microsoft expects continued demand across Windows OEMs, Surface and Gaming to shift to remote work play and learn from home.

The outlook assumes this benefit remains through much of Q4 though growth rates may be impacted as stay-at-home guidelines ease.

Reduced advertising spend levels will impact search and LinkedIn and the commercial business.

A robust position in durable growth markets means Microsoft expects consistent execution on a large annuity base with continued usage and consumption growth. LinkedIn will suffer from the weak job market and increased volatility in new, longer lead-time-deal closures.

A sign of strength and a pristine balance sheet was when Microsoft signaled that they could absorb higher costs by saying, “a material sequential increase” in capital-expenditure spending in the current quarter will “support growing usage and demand for our cloud services.”

Even best tech companies have mostly been trimming capex and freezing hiring in anticipation of weaker revenue targets.

I knew when Google (GOOG) announced 13% annual sales growth and Facebook (FB) saying that ad revenue “stabilized” meant that Microsoft would only do better.

Microsoft is not a one-trick pony like Google and Facebook either and simply doesn’t need a potential vaccine to boost sales moving forward. They preside over a vast empire of diversified assets.

Even if LinkedIn and the hiring that fuels it will suffer, the rest of its portfolio will keep churning out revenue in literally any type of economic environment.

Lastly, the tech market has been utterly cornered by policy makers who, according to the IMF, have thrown A STAGGERING \$14 billion of liquidity with a chunk of that following through into big tech shares.

The level of propping up from the Fed cannot be understated and their behavior feels as if there is no way anyone could ever underweight Microsoft because of the Fed’s unlimited balance sheet.

On top of that, we are getting a steady stream of positive health reports in the form of new Covid-19 vaccines and who knows when the next positive announcement will come.

To cap it off, they are led by the best CEO in the U.S., Satya Nadella, who is an expert on the cloud, and this company has to be either be the best or second-best company in the country along with Amazon.

Keep buying (MSFT) on every dip.

