

Trade Alert - (MSTR) – BUY

BUY the MicroStrategy (MSTR) *March 2022* \$400-\$450 in-the-money vertical Bull Call spread at \$38.00 or best

Opening Trade

12-8-2021

expiration date: March 18, 2022

Portfolio weighting: 10%

Number of Contracts = 1 contract

If you don't do options, buy the stock. My target for (MSTR) next year is \$1,000, up 57% from here.

That is because I am hugely bullish on the short and long-term outlook for Bitcoin, the largest, most liquid, and most respectable of the crypto currencies.

I am therefore buying the **MicroStrategy (MSTR) *March 2022* \$400-\$450 in-the-money vertical Bull Call spread at \$38.00 or best.**

Don't pay more than **\$42.00** or you'll be chasing.

MicroStrategy (MSTR) is a company that provides business intelligence, mobile software, and cloud-based services. The firm develops software to analyze internal and external data in order to make business decisions and to develop mobile apps.

While these businesses are nice to be in, the real investor interest is focused on the company's Bitcoin strategy.

MicroStrategy issued \$650 million worth of five-year convertible bonds paying 0.75%, and another \$1 billion in debt. All of this has been invested into Bitcoin since August 2020. (MSTR) has also filed with the SEC its intention to issue \$1 billion worth of additional shares and pour the money entirely into Bitcoin.

That brings (MSTR)'s total Bitcoin holdings to 114,042, worth \$6.72 billion. It is probably the single largest bet on cryptocurrencies anywhere in the world today.

As a result, the principal driver of (MSTR)'s share price is not the underlying business but Bitcoin, which correlates 96% to the movement of Bitcoin. MicroStrategy's current market capitalization is \$7.72 billion.

It is in effect Bitcoin with a turbocharger.

When Bitcoin reached its \$67,700 all-time high in February, the price of (MSTR) share rocketed to \$1,320. When Bitcoin corrected back to \$28,000, (MSTR) dove down 69% to \$410. The shares have returned to an upswing since May 15.

MicroStrategy is run by CEO Michael J. Saylor, who has been with the company since its foundation in 1989. Google his name and you will discover a font of arguments in favor of his bitcoin strategy. He compares investing in Bitcoin now to buying shares in Facebook (FB) in its early days before they rose tenfold.

Saylor sees the total Bitcoin market soaring from \$2 trillion today to \$100 trillion, an increase of 50 times. That would make one single Bitcoin worth \$2.4 million compared to today's \$58,881.

Is a potential 50-fold gain enough for you?

Quite simply, a major portion of the new money being created by massive government borrowing and spending, as well as the Federal Reserve's quantitative easing, is going into Bitcoin. This is occurring on a global basis.

You are also seeing a lot of switching out of traditional flight-to-safety assets such as gold (GLD) and the US dollar (UUP) going into Bitcoin. Bitcoin is also a great inflation hedge and we are going to have plenty of that in our future.

The high volatility of Bitcoin has similarly translated into atmospheric implied volatilities for (MSTR) equity options, which is about 73% versus an S&P 500 volatility of 11%. That means you can earn enormous amounts of money on relatively small investments, provided that the share goes our way. (MSTR) options are traded on NASDAQ with expirations going all the way out to 2023.

I am taking advantage of that skew via LEAPS, which are one year or longer dated option positions called Long Term Equity Anticipation Securities. To learn everything you'll ever need to know about LEAPS, [click here](#).

If for any reason Bitcoin falls and (MSTR) shares drop below \$400, the investment is a total write-off.

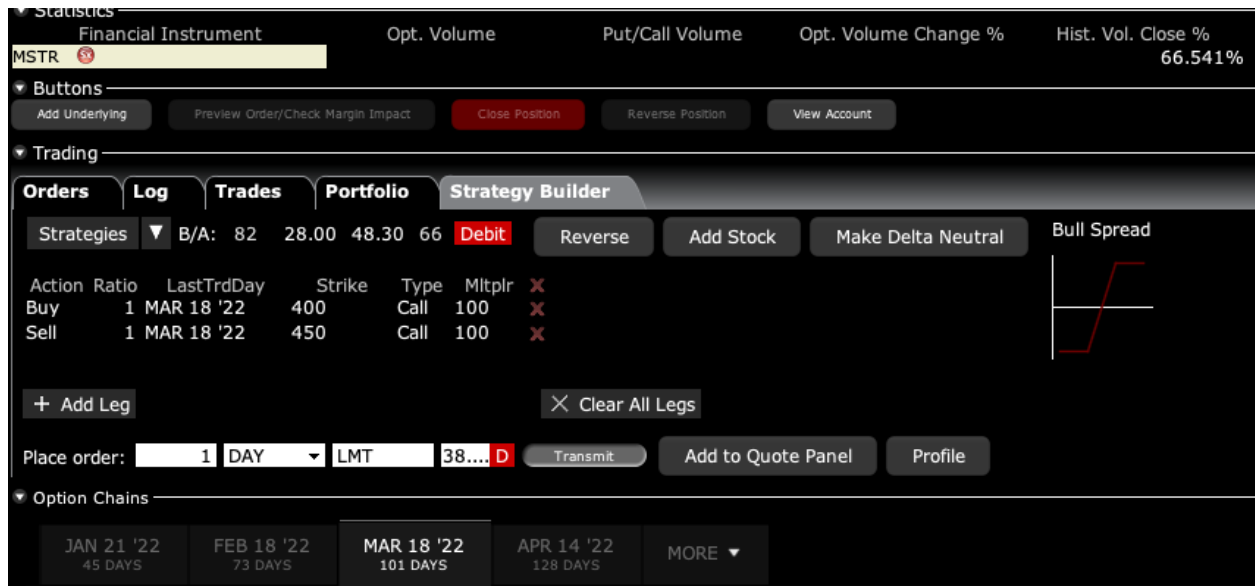
This is a bet that MicroStrategy (MSTR) will not fall below \$450 by the March 18, 2022 options expiration day in four months.

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

Buy 1 March 2022 (MSTR) \$400 calls at.....	\$268.00
Sell short 1 March 2022 (MSTR) \$450 calls at.....	\$230.00
Net Cost:.....	\$38.00

Potential Profit: $\$50.00 - \$38.00 = \$12.00$

$(1 \times 100 \times \$12.00) = \$1,200$ or 31.57% in 4 months on each \$3,800 investment.





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 on *“How to Execute a Vertical Bull Call Spread”* 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.

MicroStrategy

