



Trade Alert - (PANW) – BUY

BUY the Palo Alto Networks (PANW) *January 21, 2028*
\$185-\$190 deep out-of-the-money vertical Bull Call spread
LEAPS at \$2.00 or best

Opening Trade

2-16-2026

expiration date: January 21, 2028

Number of Contracts = 1 contract

During the software share meltdown of the past six months, some deserved the punishment while others did not. Palo Alto Networks (PANW) is definitely in the latter category. If anything, the demand for the company's services as a result of AI will *increase*.

An 33% selloff in the (PANW) is the best entry point we are going to get for this LEAPS this year.

While the chance of winning a real lottery is something like a million to one, this

one is more like 10:1 in your favor. And the payoff is 150% in 24 months. That is the probability that (PANW) shares will rise by at least 15.00% over the next 24 months.

The logic behind this LEAPS is fairly simple.

After keeping interest rates too low for too long, then raising them too far too fast, what does the Fed do next? It then lowers interest rates too far, too fast.

I am using the very conservative \$185-\$190 strike prices, well below the one-year high. (PANW) Shares only need to return to where they were a few months ago to hit the maximum profit point in this position.

If that is not enough profit for you, perhaps you should consider another line of business.

I am therefore buying **the Palo Alto Networks (PANW) *January 21, 2028* \$185-\$190 deep out-of-the-money vertical Bull Call spread LEAPS at \$2.00 or best**

Don't pay more than \$2.50, or you'll be chasing on a risk/reward basis.

Please note that **these options are highly illiquid**, and it may take some work to get in or out. Executing these trades is more of an art than a science.

Let's say the **Palo Alto Networks (PANW) *January 21, 2028* \$185-\$190 deep out-of-the-money vertical Bull Call spread LEAPS at \$2.00** are showing a bid/offer spread of \$1.50-\$2.50, which is typical. You have to search for the true price.

Enter an order for one contract at \$1.50, another for \$1.60, another for \$1.70, and so on. Eventually, you will enter a price that gets filled immediately. That is the real price. Then enter an order for your full position at that real price.

A lot of people ask me about the appropriate size. Remember, if the (PANW) does **NOT** rise by 15.00% in 24 months, the value of your investment **goes to zero**. The best way to play LEAPS is to use a venture capital approach and buy LEAPS in ten different companies. If one out of ten increases ten times, you break even. If two of ten work, you double your money, and if only three of ten work, you triple your

money.

You never should have a position that is so big that you can't sleep at night, or worse, need to call John Thomas asking if you should sell at a market bottom.

Please also note that I don't follow LEAPS prices on a daily basis. I tend to buy them and forget about them. So if the stock suddenly doubles, which is possible, I ***WILL NOT*** send out a trade alert to take profits. That is up to you.

And once you buy a LEAPS, you are on your own. I am not going to send out a trade alert for you to take profits. Some 42 out of 43 of these have worked over the past four years, so I don't need to.

There is another way to cash in. Let's say we get half of your profit in the next three months, which, from these low levels, is entirely possible. Then you could earn half of the maximum potential profit in months. You can decide whether to go for the maximum return. It's a nice problem to have.

Notice that the day-to-day volatility of LEAPS prices is minuscule since the time value is so great, usually sporting net implieds of less than 10%. This means that the day-to-day moves in your P&L will be small. It also means you can buy your position over the course of a month, just entering new orders every day. I know this can be tedious, but getting screwed by overpaying for a position is even more tedious.

Only use a limit order. **DO NOT USE MARKET ORDERS UNDER ANY CIRCUMSTANCES. Just enter a limit order and work it.**

This is a bet that (PANW) will not fall below **\$190** by the January 21, 2028, option expiration in 24 months.

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

Buy 1 January 2026 (PANW) \$185 calls at.....	\$35.00
Sell short 1 January 2026 (PANW) \$190 calls at.....	<u>\$33.00</u>
Net Cost:.....	\$2.00

Potential Profit: $\$5.00 - \$2.00 = \$3.00$

$(1 \times 100 \times \$2.00) = \200 or 150% in 24 months.



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 Debit Spread*” by clicking here at

<https://www.madhedgefundtrader.com/ltt-vbcs/>

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.

