

SPOTLIGHT OPTION TRADE



Long Calls in Software Leader that Bottomed at Key Support

TRADE SNAPSHOT

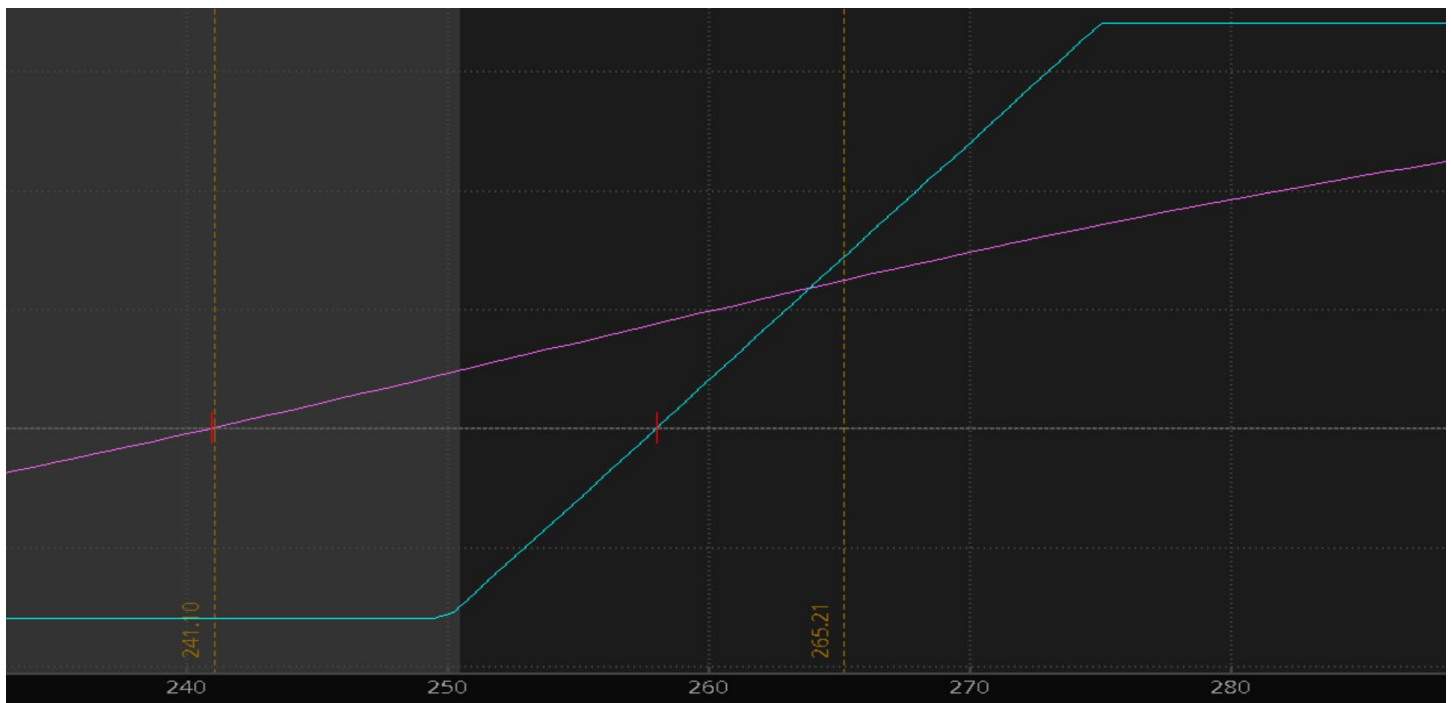
TICKER	MSFT
SECURITY	Microsoft (MSFT)
SECTOR	Tech - Software
CURRENT PRICE	\$241.75
LONG/SHORT	Long
TARGET	\$275
STOP	\$233
TIMEFRAME	3 Months

Trading Strategy: Long the MSFT February \$250/\$275 Call Spreads at \$8 Debit

Net Debit/Credit: Debit of \$8

Profitability Zone: MSFT Above \$258 on February OpEx

Options Volatility / Trade Simulator View:





Technical Analysis: MSFT may be putting in a medium-term bottom with the stock rebounding off a 61.8% Fibonacci, major VPOC from the flag in late 2020 and a weekly base above its 200-week with a large falling wedge pattern developing and weekly MACD recently crossing back into the bull zone.



Fundamental Analysis: Microsoft continues to represent a rare combination of strong secular positioning and reasonable profitability-based valuation within the software space. Server Products and Windows OEM growth normalization are headwinds, but MSFT remains positioned well in leading IT budget categories and continues to expand margins. MSFT has a \$1.78 trillion market cap and trades 21.6X Earnings, 40X FCF and 17X EBITDA. Analysts have an average target of \$300 with short interest low at 0.5% of the float. MSFT is also under owned by institutions currently. MSFT represents a solid combination of a strong secular growth story in software with an attractive valuation. Azure is still showing rapid growth at scale, taking share in a huge cloud market. RBC cut its target to \$310 from \$380 after the latest report noting larger-than-expected slowdowns in the cyclical consumer businesses and mixed commercial outlook with potential operating margin headwinds in FY23.

Options Activity:

Date	Ticker	Contract	Volume	Price	OI	Delta	IV	Premium	Last	Current OI	Price %
11-09-2022	MSFT	MSFT 100 17 FEB 23 200 PUT	12,399	\$6.25	2,477	-0.22	38.24%	\$7,807,590	\$2.95	29,058	▼ 52.8%
11-15-2022	MSFT	MSFT 100 20 JAN 23 220 PUT	10,204	\$5.08	9,791	-0.23	34.86%	\$5,254,545	\$3.7	20,862	▲ 27.17%
10-11-2022	MSFT	MSFT 100 16 DEC 22 230 CALL	1,879	\$13.94	825	0.52	37.19%	\$2,630,600	\$15.21	19,485	▲ 9.11%
06-09-2022	MSFT	MSFT 100 15 SEP 23 400 CALL	1,370	\$3.84	151	0.11	26.69%	\$526,080	\$0.83	13,368	▲ 78.39%
06-21-2022	MSFT	MSFT 100 15 SEP 23 400 CALL	6,862	\$2.43	741	0.08	26.72%	\$1,921,360	\$0.83	13,368	▲ 65.84%
10-20-2022	MSFT	MSFT 100 16 DEC 22 235 PUT	6,750	\$13.12	2,535	-0.45	37.1%	\$8,741,250	\$3.94	12,889	▲ 69.97%
10-26-2022	MSFT	MSFT 100 17 FEB 23 210 CALL	10,013	\$35.65	54	0.75	38.67%	\$35,678,520	\$43.33	12,722	▲ 21.54%
09-01-2022	MSFT	MSFT 100 16 DEC 22 220 PUT	10,775	\$5.45	765	-0.18	36.97%	\$5,926,250	\$1.12	11,276	▲ 79.45%
11-17-2022	MSFT	MSFT 100 17 FEB 23 270 CALL	8,808	\$5.65	1,071	0.27	29.92%	\$5,020,560	\$4.55	10,443	▲ 19.47%
04-25-2022	MSFT	MSFT 100 20 JAN 23 215 PUT	3,341	\$9.35	2,327	-0.17	37.02%	\$3,123,835	\$2.92	9,525	▲ 68.77%
11-07-2022	MSFT	MSFT 100 (Weeklys) 9 DEC 22 245 CALL	6,361	\$2	360	0.19	29.31%	\$1,284,922	\$3.5	9,493	▼ 75%
08-09-2022	MSFT	MSFT 100 15 SEP 23 420 CALL	1,820	\$2.88	952	0.09	25.69%	\$564,200	\$0.66	9,386	▲ 77.08%
07-06-2022	MSFT	MSFT 100 16 DEC 22 215 PUT	1,000	\$6.4	176	-0.16	36.87%	\$620,000	\$0.73	7,586	▲ 88.59%
09-07-2022	MSFT	MSFT 100 16 DEC 22 215 PUT	1,971	\$4.57	1,575	-0.16	37.4%	\$916,515	\$0.73	7,586	▲ 84.03%
11-10-2022	MSFT	MSFT 100 16 JUN 23 250 CALL	13,940	\$23.26	5,330	0.53	32.78%	\$33,177,200	\$20.92	7,486	▼ 10.06%
11-23-2022	MSFT	MSFT 100 17 MAR 23 250 CALL	4,132	\$16.8	2,875	0.53	30.71%	\$6,962,420	\$13.85	6,660	▼ 17.56%
11-28-2022	MSFT	MSFT 100 17 MAR 23 250 CALL	5,430	\$13.5	6,660	0.47	31.53%	\$7,384,800	\$13.85	6,660	▲ 2.59%
11-02-2022	MSFT	MSFT 100 15 SEP 23 225 CALL	6,004	\$31.05	196	0.59	35.43%	\$19,783,180	\$39.97	5,757	▲ 28.73%

Potential Catalysts: Earnings Late January; UBS and Barclays Tech Conferences in Early December

Disclaimer:

Not Investment Advice or Recommendation

Any descriptions "to buy", "to sell", "long", "short" or any other trade related terminology should not be seen as a recommendation. The Author may or may not take positions in any of the names mentioned, and is not obligated to disclose positions, nor position sizes.

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