

# Intel Options Traders Cautious

By: **Doris Frankel**

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(Reuters) - Many option traders appear to be taking a neutral to cautious stance on Intel Corp (INTC.O) heading into the technology bellwether's second-quarter results after the closing bell on Tuesday.

Although calls are outpacing puts into the chip maker's earnings, a number of traders have picked up protective put options, possibly betting that optimism heading into earnings is likely to fade in the aftermath of the report.

**"The option market is indicating a neutral to bearish bias in Intel with put buying very active right after the opening bell and continuing this afternoon," said Joshua Belanger, a founder of Web information site OptionSIZZLE.com.**

Shares in Intel have slid 8 percent since the start of April. The chip sector has been battered by fears that economic woes in Europe will hit end-demand for PCs and concerns that semiconductor margins might have peaked amid fast-growing inventories worldwide.

But analysts now expect a rebound in technology hardware upgrades or replacements by corporations -- after a two-year spending drought -- to underpin second-half sales of higher-margin server and notebook processors.

During the last hour of trade, options volume was 3.7 times greater than normal with about 121,000 puts and 194,000 calls traded, data from options analytics firm Trade Alert show.

Belanger noted the biggest orders have been bought in the July \$20 and August \$21 puts. On the other side of the board, the top orders have been in the August \$19 and July \$20 calls which traded on the bid, a strong indication that these options have been sold.

**"It appears that traders are either protecting their stock positions in Intel after the current run-up in the broad market or positioning themselves for a cautious outlook from the company," Belanger said.**

Investors often turn to put options, which grant them the right to sell shares at a fixed price any time until expiration, to protect a stock position or speculate on potential stock weakness.

An equity call option conveys the right to buy the shares at a preset price up to a certain date.

Option traders are pricing in about a 4.7 percent move up or down in the stock after Intel's report, according to Jud Pyle, chief investment strategist at Options News Network, a division of option market making firm PEAK6 Investments in Chicago.

Pyle said the unofficial "whisper" number, or current expectations of investors and analysts, is 45 cents, slightly higher than the average expectations on Thomson Reuters

I/B/E/S.

According to that data, Wall Street expects Intel to report second-quarter revenue of roughly \$10.25 billion, with a gross margin of 64.04 percent, and earnings of 43 cents per share, excluding items.

"The sentiment is neutral with some people taking speculative bets on the inexpensive July \$22 calls while many who are currently long stock are selling many of the July \$21 calls as a hedge or to collect premium," said TD Ameritrade chief derivatives strategist Joe Kinahan.

July options expire on Friday after the close.

"The expectation is that the earnings move will not be drastic and some would even classify it as muted," Kinahan said.

The stock was up 42 cents at \$20.99 late Tuesday afternoon on Nasdaq.

(Reporting by Doris Frankel, Editing by Chizu Nomiya)