

# MGM Option Traders Bet Casino Operator Stock Doubles

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Options traders are doubling down on MGM Mirage (MGM), betting a new 67-acre (27 hectares) complex of gaming tables, hotels, condominiums and stores will restore the casino operator's profits.

Investors buying contracts to purchase MGM for twice its current stock price through January 2011 helped drive the number of bullish options on the shares to 1.5 times the level of bearish ones, the highest ratio since June 2008, according to data compiled by Bloomberg. Existing January 2011 \$20 calls increased 12-fold last week as the shares fell to \$9.50.

"It's an aggressive play," said Frederic Ruffy, the senior options strategist at WhatsTrading.com, the New York-based provider of options-market analysis. "They're looking for a substantial move higher."

MGM, the Las Vegas Strip's largest casino owner, is counting on the \$8.5 billion CityCenter resort, which opened to the public on Dec. 1, to reduce its \$13 billion long-term debt load. MGM shares have dropped 31 percent this year, following an 84 percent drop in 2008 that ended a nine-year rally.

The stock has lost 11 percent since Nov. 24, the day before Dubai World, the state-owned company that is MGM's partner in CityCenter, roiled global markets by seeking to delay payments on its own debt.

CityCenter is protected against default by its owners, MGM Chief Executive Officer Jim Murren said in a Nov. 27 interview. The shares fell to \$9.45 at 12:05 p.m. in New York.

## More Visitors

Travel to Las Vegas will rise 7 percent to at least 38 million visitors in 2010, Murren said Nov. 18. CityCenter's almost 6,000 rooms may steal guests from Las Vegas-based MGM's other resorts in the city and hold down room rates at Las Vegas Sands Corp. (LVS), Wynn Resorts Ltd. (WYNN), and Harrah's Entertainment Inc. as well as MGM, analysts say.

MGM will trim its annual loss to 52 cents a share in 2010 from 72 cents this year, according to the average estimate of 23 analysts in a Bloomberg survey. While the company earned \$1.04 a share in 2008, MGM said in March that it may not stay in compliance with financial covenants under its senior credit facility this year.

Trading of bullish MGM options jumped to a seven-week high on Dec. 23. Investors created new contracts, lifting the number of existing calls at the end of last week to 324,566, compared with 211,881 puts giving the right to sell.

Open interest for January 2011 \$20 calls jumped 12-fold to 21,652 on Dec. 23 for last week's biggest increase among the company's options, according to data compiled by Bloomberg and Trade Alert LLC, a

New York-based provider of market analytics. Open interest for January 2011 \$15 calls jumped more than fivefold the previous day to 23,084 for last week's second- biggest increase, the data show.

**"It's a long shot," Joshua Belanger, founder of [OptionSizzle.com](http://OptionSizzle.com), a Stamford, Connecticut-based provider of options market data. "But given how much these casino names can move, it could really give them some bang for their buck."**