

Amazon Traders Trapped in Bullish Option Bets as Stock Sinks (1)  
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(Updates with stock price in second paragraph, adds seventh paragraph.)

By Sofia Horta e Costa and Trista Kelley

Jan. 31 (Bloomberg) -- Options traders who piled into bullish bets on Amazon.com Inc. this week stand to lose their money today after profit at the world's largest Web retailer missed estimates by 26 percent.

The volume of calls rose to 113,681 contracts yesterday, the most since October and almost double the trading in puts, data compiled by Bloomberg show. The eight most-traded options were bullish. Calls giving the right to buy the shares at \$430 changed hands the most, more than tripling their price to \$6.20. The contracts, which expire today, had an exercise price 12 percent above the Jan. 29 close. Amazon shares slumped 7.4 percent to \$373.08 at 9:55 a.m. in New York today.

"Everybody got it wrong, seriously wrong," said Jiban Nath, an equity-derivatives strategist at Solo Capital Partners LLP in London. "A lot of people were going by what the analysts say. Amazon all these years had been doing amazingly well. The analysts all got the direction wrong and no one saw it coming."

The online retailer climbed after six of the last eight earnings releases, data compiled by Bloomberg show. It jumped 9.4 percent following the last report. The stock rose 4.9 percent yesterday, its biggest gain since Oct. 25.

#### Earnings Miss

Amazon reported fourth-quarter profit of 51 cents a share, less than the 69-cent average analyst estimate compiled by Bloomberg. Sales of \$25.6 billion for the three months through December trailed the \$26.1 billion average estimate.

Trading of bullish Amazon options surged this week. More than 51,000 contracts changed hands each day through yesterday, data compiled by Bloomberg show. That was 1.6 times more than the volume of puts, the most in almost two years. The CBOE Amazon VIX Index jumped 10 percent to 47 yesterday, its highest level in a year.

Amazon calls had the biggest losses among all U.S. options today, data compiled by Bloomberg show. The Amazon VIX slumped 35 percent to 30.48.

“If I had traded on that, I would have lost a lot of money,” Nath said. “I’m lucky I escaped on that one.”

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