11:54 am ET
Oct 27, 2015

Options Traders Bet on Apple’s Earnings Providing a Jolt

* By SAUMYA VAISHAMPAYAN

Options traders are betting that [**Apple**](http://www.wsj.com/public/quotes/main.html?type=djn&symbol=AAPL) Inc.[**AAPL +0.42%**](http://blogs.wsj.com/public/quotes/main.html?type=djn&symbol=AAPL?mod=inlineTicker)’s quarterly earnings will boot up a rally in its shares.

The maker of iPhones and Mac computers is scheduled to report fiscal fourth-quarter earnings after the bell on Tuesday. Analysts expect earnings of $1.88 a share, up from $1.42 a share a year earlier, according to Thomson Reuters. Revenue is forecast to rise to $51.1 billion from $42.1 billion a year ago.

(*To receive Moneybeat’s morning newsletter, click*

Trading in call options has outpaced trading in put options in recent sessions. A call grants the right to buy shares of a company at a certain price, called the strike, by a certain time. A put confers the right to sell shares.

Apple’s put-to-call ratio was 0.5 on Tuesday, less than its 22-day average of 0.7, according to options-data provider Trade Alert. The 10 most heavily traded Apple options were all calls, most of which granted the right to buy shares above Apple’s current price of roughly $116.

In particular, investors have recently been snapping up call options that grant the right to buy shares at $120, said JJ Kinahan, chief strategist at TD Ameritrade. “If you look at the straight options activity, it does seem to be bullish,” he said, adding that it’s not unusual to see that ahead of earnings.

The options market is pricing in a move of 6.1% in either direction through Friday, based on the price of an options strategy called a straddle, according to Trade Alert. A straddle involves buying a call option and a put option at the same price, near the price of a stock, in order to bet on the size of the move instead of its direction.

Earning are major drivers for stocks, so much of the expected move is likely to come after Apple reports. A swing of 6.1% on Wednesday would be Apple’s biggest move after earnings since April 2014, when shares rose 8.2%.

Apple shares are up 5.1% this month to $115.92, lagging gains in other technology stocks. **[Facebook](http://www.wsj.com/public/quotes/main.html?type=djn&symbol=FB)** Inc.[**FB -1.15%**](http://blogs.wsj.com/public/quotes/main.html?type=djn&symbol=FB?mod=inlineTicker) and [**Twitter**](http://www.wsj.com/public/quotes/main.html?type=djn&symbol=TWTR) Inc.**[TWTR -1.36%](http://blogs.wsj.com/public/quotes/main.html?type=djn&symbol=TWTR?mod=inlineTicker" \t ")** have both rallied about 16% in October, while Google parent [**Alphabet**](http://www.wsj.com/public/quotes/main.html?type=djn&symbol=GOOGL) Inc.[**GOOGL -1.18%**](http://blogs.wsj.com/public/quotes/main.html?type=djn&symbol=GOOGL?mod=inlineTicker) has advanced 15%.

“If you look at this incredible move that we’ve had over the past weeks…Apple really hasn’t participated that much,” said Mr. Kinahan. The Nasdaq has jumped nearly 9% this month, followed by the Dow’s 8.1% advance and the S&P 500’s 7.7% gain.

“It just seems like people feel that Apple should probably be joining the rest of the team,” he added, referring to the bullish options activity.