



Written by [Bob Adelman](#) on August 24, 2011

Bank of America Blames Stock Price Decline on Analyst

The bank's sharp retort caught Blodgett by surprise:

I was eating a tuna sandwich when I saw the news clip across Bloomberg TV. I almost choked.

But actually I'm not claiming anything. I'm just pointing out what seems to me to be self-evident, which is that the market doesn't believe that Bank of America's assets are worth what they say they are worth....

Lest some folks at Bank of America actually believe that the bank's collapsing stock price has something to do with me, I should point out that the stock [has suffered a] 50+% collapse so far this year. And an 85+% collapse in the past 5 years.



After reviewing some of the bank's current difficulties — mortgage litigation expenses, second mortgages going bad, commercial real estate loans continuing to default, exposure to European banks, and its sovereign debt problems — Blodgett suggests that the bank's stated \$222 billion of equity capital could actually be half that amount. And that is putting pressure on the bank to sell off some of its core assets in order to meet international banking requirements for bank capitalization [under Basel III](#), global bank standards for bank capital and liquidity.

And those efforts to sell off assets aren't going well. Bank of America owns 10 percent interest in China Construction Bank Corporation, worth about \$20 billion according to the bank. It tried to sell its interest to another bank for \$17 billion, but the second bank [renege](#)d on the deal at the last minute. B of A has decided to keep at least half of its interest in CCBC and will try again to sell the balance.

Goldman Sachs, which is having its own separate difficulties, [just downgraded](#) B of A, explaining that a settlement over fraudulent practices related to mortgage-backed securities has been rejected, opening the door for continuing litigation, more legal fees, and a final bill much larger than the bank hoped for.

Bank of America overpaid for Merrill Lynch in a [shotgun wedding](#) enforced by the Treasury Department in 2008 and now owns real estate that some analysts think may be worth \$1 billion. B of A paid \$50 billion for the company.

It has [sold](#) its international credit card business for an undisclosed amount, and [sold](#) the worst of its mortgages to Fannie Mae for just \$500 million.

Current CEO Brian Moynihan says he's [doing the best he can](#), laying off 10,000 people, and working the phones to find buyers for the bank's damaged assets.

The pressure on Moynihan is the looming deadline to meet the Basel III bank capital requirements by



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the fourth quarter of 2012. As noted by [Charles Scaliger](#) at *The New American*,

At root, Basel III is an attempt to harmonize across international boundaries the most critical feature of modern fractional-reserve banking: the fraction of total assets required to be held in reserve for a bank to be deemed "sound" by those that regulate it....

Thus modern banking has become, on an international scale, a thoroughly dishonest scheme in which governments grant bankers all sorts of privileges and licenses to allow their fraudulent operations, in exchange for the opportunity to take fiscal advantage of them.

In looking over Blodgett's claims, one is reminded of Hans Christian Anderson's tale of "The Emperor's New Clothes," wherein the emperor is finally called out for the fraud that he is by a little child:

A child, however, who had no important job and could only see things as his eyes showed them to him, went up to the carriage. "The emperor is naked," he said.

"Fool!" his father reprimanded, running after him. "Don't talk nonsense!" He grabbed his child and took him away. But the boy's remark, which had been heard by the bystanders, was repeated over and over again until everyone cried:

"The boy is right. The Emperor is naked! It's true!"

The Emperor realized that the people were right but could not admit to that. He thought it better to continue the procession under the illusion that anyone who couldn't see his clothes was either stupid or incompetent. And he stood stiffly on his carriage, while behind him a page held his imaginary mantle.

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