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JP Morgan Pays \$2 a Share for Bear Stearns

By Andrew Ross Sorkin
March 17, 2008

In a shocking deal reached on Sunday to save Bear Stearns, JPMorgan Chase agreed to pay a mere \$2 a share to buy all of Bear less than one-tenth the firm's market price on Friday.

As part of the watershed deal, JPMorgan and the Federal Reserve will guarantee the huge trading obligations of the troubled firm, which was driven to the brink of bankruptcy by what amounted to a run on the bank.

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JPMorgan is buying Bear, which has 14,000 employees, for a third the price at which the smaller firm went public in 1985. Only a year ago, Bear's shares sold for \$170. The sale price includes Bear Stearns's soaring Madison Avenue headquarters.

Memories of scarier days

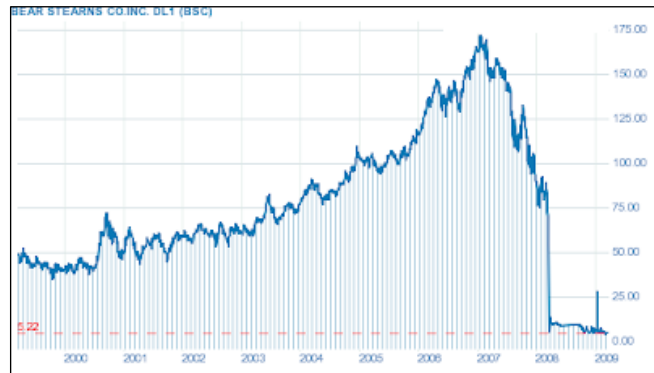
Current Views

Flat

If it was easy, it wouldn't pay so well

I was walking around Fairway Market in March 2008, pushing a toddler in an orange Bugaboo stroller with one hand and nibbling on not-yet-paid-for grapes with the other when my Blackberry started buzzing like mad. I looked down to see that completely surreal / absurd headline in today's am/FX sidebar. The stock closed at thirty-something on Friday, and this was clearly some kind of a typo. The purchase price must be \$20? Nope. \$2.

Bear Stearns stock, 1999 to 2008



Price was eventually renegotiated to \$10

Very shortly after this announcement, the Fed announced a cut in the discount rate. Stocks and USDJPY shot higher. I thought: USDJPY is a rates trade, not a stock market trade, and I called Lehman Tokyo to sell 50 USDJPY. By the time I finished the groceries, walked home, and unpacked them, USDJPY was 200 points lower.

The point of this short story is that USDJPY has been a US rates trade, not an equity trade, not a safe haven bet, and certainly not a Bank of Japan policy trade... For my entire career. I was thinking about this because I was going over what happened to USDJPY in 2023 and the various temporary dislocations between USDJPY and US yields.

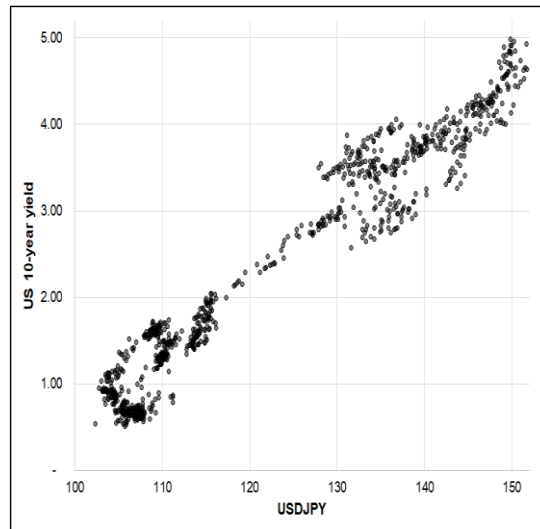
And while that story here reflects conditions in 2008 and what I'm going to write in the rest of this piece reflects conditions in 2023, even the shock cut to negative rates by the BOJ in 2016 impacted USDJPY for only a few hours and then USDJPY went straight down for six months. It only rallied when excitement over Donald Trump's procyclical fiscal stance emerged in November and US yields shot higher. And the story at the start of Alpha Trader is about the persistent but laggy USDJPY vs. yields relationship around the flashcrash in 2010.

[If you would like to hear an audio version of that story, you can hear it here.](#)

This is not to say that the USDJPY vs. US yields relationship is mechanical or guaranteed to work on every fractal. It's a general framework that works consistently over time but not continuously every single day or every single week.

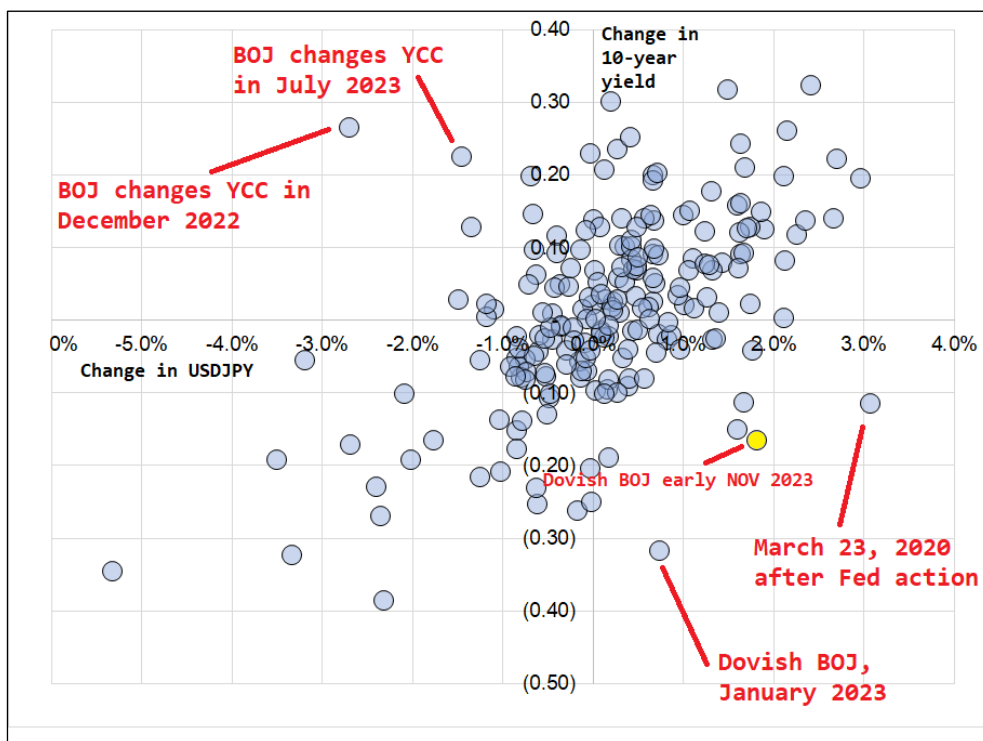
Turning to more recent times, this first chart is fun because of the shape of it. The chart on the next page simply plots the level of USDJPY vs. the level of US 10-year yields from 2020 to 2023. I know plotting levels against levels is not rigorous, I'm only showing you the chart because it's humorous in its Ouija-board-like message:

USDJPY vs. US 10-year yields scatterplot of levels, 2020 to now



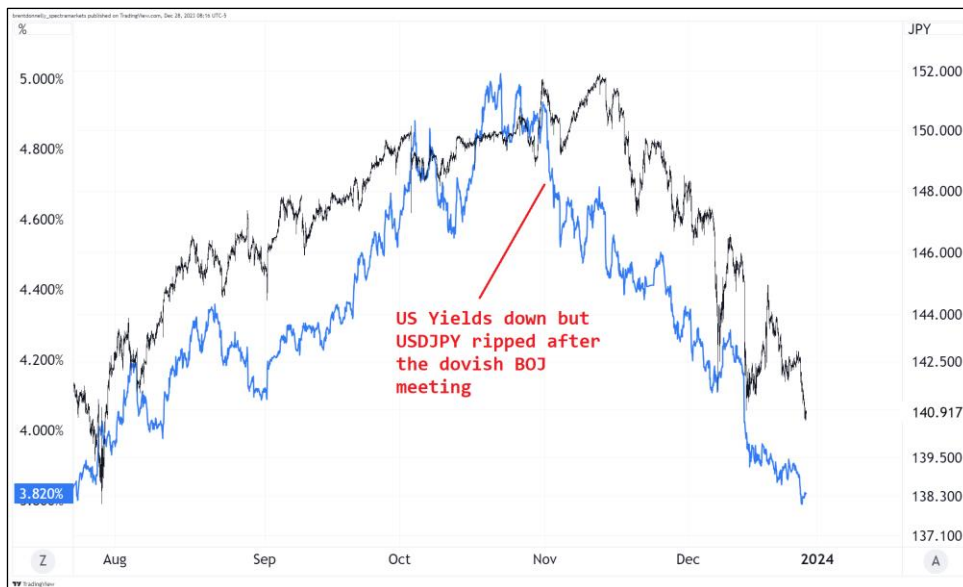
From the lower left to the upper right, as Dennis Gartman would have said. And if we look only at changes, we get a similar look. Note that I'm only using US 10-year yields here; I'm not even considering Japanese yields because they are so much less important. Most of the temporary one-off deviations from the standard trendline USDJPY vs. 10y relationship can be explained by BOJ announcements. This highlights the short-term nature of BOJ news on USDJPY. It matters a ton around announcement or NikkeiLeaks day, but then the US takes over and drives the bus again almost immediately.

USDJPY vs. US 10-year yields (weekly change) scatterplot of weekly changes, 2020 to now



That yellow dot was a particularly annoying period for believers in the USDJPY vs. yields relationship as you can see in the next chart. That week, USDJPY went up almost 2% as US yields dropped 17 bps. But it was transitory.

USDJPY vs. US 10yy with red commentary marking the time of the yellow dot in the last chart



As Stoney used to say in my Citibank glory days part 1 (1995-1998)... “If it was easy, it wouldn’t pay so well.” And while these leads that happen when yields move before USDJPY can be treacherous, there is also the matter of USDJPY leading yields sometimes. That makes it even harder and more complicated. And then you have the occasional year like 2018 where the relationship temporarily breaks down for an extended period. There can always be temporary “sell bonds / sell USD” trades if you have highly-synchronized global growth like we had in 2018.

USDJPY vs. US 10yy during synchronized global growth USD selloff 2017/2018



Conclusion: USDJPY is almost always a US rates trade, despite the painful leads and lags that can feel like torture when you’re waiting for the jaws to close. While we occasionally see other regimes (such as 2018) and one offs (such as BOJ days in 2022/2023)... The baseline framework should be to assume that USDJPY and US yields are correlated despite frustrating and variable lags. And whichever variable has the most momentum is setting the tone for direction in both. BOJ matters for a day or two. But yields have mattered for 20+ years.

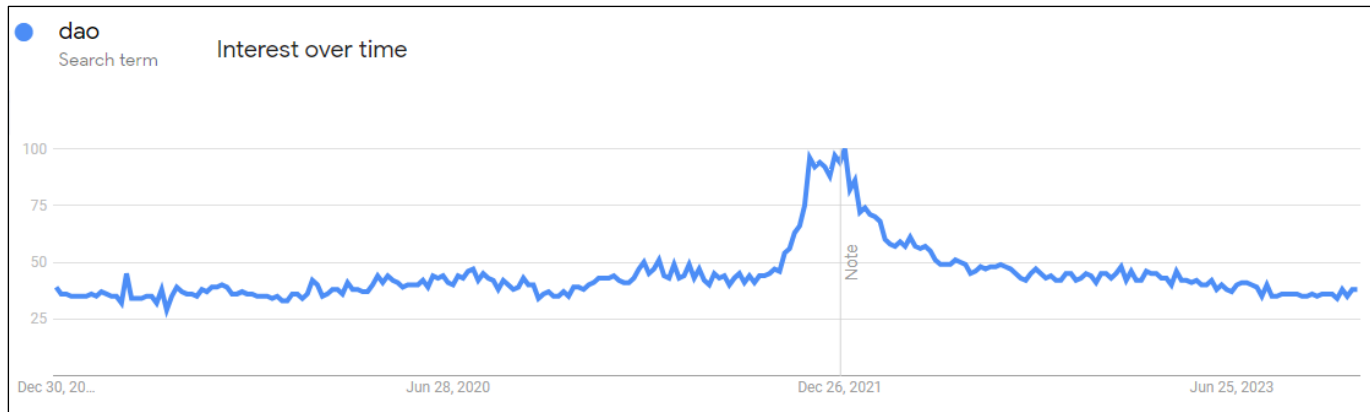
Rhymes with bitcoin

Every June and December, I update my history of crypto spreadsheet. It's a fun and moderately interesting way to see the evolution of the altcoins and how precarious their lives can be at the top of the league tables.

Cryptocurrency	Symbol	Dec-23	Jun-23	Dec-22	Jun-22	Apr-22	Dec-21	Jun-21	Dec-20	Jun-20	Dec-19	Jun-19	Dec-18	Jun-18	Dec-17	Jun-17	Dec-16	Jun-16	Dec-15	Jun-15	Dec-14	Jun-14	Dec-13	Jun-13
Bitcoin	BTC	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1
Ethereum	ETH	2	2	2	2	2	2	2	2	2	2	2	2	2	2	2	2	2	2	2	2	2	2	2
Tether	USDT	3	3	3	3	3	3	3	3	3	3	3	3	3	3	3	3	3	3	3	3	3	3	3
Binance Coin	BNB	4	4	4	5	4	3	4	9	8	8	7	14	15										
Solana	SOL	5	10	13	9	7	5	13																
XRP (Ripple)	XRP	6	6	7	6	6	7	7	4	4	3	3	2	3	2	3	3	3	2	2	2	2	6	3
USD Coin	USDC	7	5	5	4	5	8	8	11															
Cardano	ADA	8	7	9	7	9	6	5	8	11	13	11	11	8	5									
Avalanche	AVAX	9			12	10	11																	
Dogecoin	DOGE	10	8	8	10	14	12	6									13	9	6	4	8	7	15	
Polkadot	DOT	11	13	11	11	12	10	9	7															
Polygon	MATIC	12	11	10			14																	
TRON	TRX	13	9	15	14						12	10	10	11										
Chainlink	LINK	14						15	10	13														
Toncoin	TON	15																						
Litecoin	LTC		12				14	5	7	6	4	7	6	6	4	4	4	4	3	3	4	2	2	2
Binance USD	BUSD		14	6	8	13		11																
Dai	DAI		15	12																				
SHIBA INU	SHIB			14	15	15	13																	
Crypto.com Coin	CRO						15			9														
Terra	LUNA					8	9																	
TerraUSD	UST					11																		
Uniswap	UNI							10																
Bitcoin cash	BCH						12	6	5	5	5	4	4	4										
Wrapped bitcoin	WBTC				13			12																
Bitcoin SV	BSV							13	6	9	9	9												
Stellar	XLM							14	15	11	12	6	7	10					9	6	7			
Monero	XMR							15			15	14	13	12	11	10	5	13	14	14				
EOS	EOS								10	7	6	5	5	12										
Tezos	XTZ							12	10															
Acash Coin	ACA							14																
UNUS SED LEO	LEO									14	13													
Dash	DASH										15	15	14	9	7	7	7	5	7	12	4			
MIOTA	IOTA											12	9	7	8									
NEO	NEO												13	13	13									
NEM	XEM													8	6	11	5							
QTUM	QTUM													14										
Bitcoin gold	BTG														15									
Ethereum Classic	ETC															5	6							
BitShares	BTS															9			8	5	5			
Stratis	STRAT															11								
Zcash	ZEC															12								
Golem	GNT															14								
Siacoin	SC															15								
MaidSafeCoin	MAID																8	8	11	12	6	13		
Augur	REP																9							
Steem	STEEM																10	14						
Iconomi	ICN																12							
Factom	FACT																14		15					
Waves	WAVES																15							
TheDAO	DAO																	6						
Lisk	LSK																10							
Nxt	NXT																11	10	8	9	3	6		
DigiDAO	DGD																12							
Hyperspace	AMP																15							
Peercoin	PPC																	7	9	10	5	5	4	
Namecoin	NMC																	12	11	13	8	7	3	
Bytecoin	BCN																	13	13	12				
Banx	BANX																		10					
BlackCoin	BLK																			15				
PayCoin	XPY																				9			
Counterparty	XCP																					11	15	
FuelCoin	FC2																					14		
NuShares	NSR																					15		
Omni	OMNI																						10	4
Vericoïn	VRC																						11	
BitShares PTS	PTS																						14	9
Quark	QRK																							8
Megacoin	MEC																							10
WorldCoin	WDC																							11
Primecoin	XPM																							12
Feathercoin	FTC																							13
Infinitecoin	IFC																							14
Novacoin	NVC																							5
Terracoin	TRC																							7
Devcoin	DVC																							8
Freicoïn	FRC																							9
Digitalcoin	DGC																							10
Yacoin	YAC																							11
BBQCoin	BQC																							12
ixcoin	WDC																							14
CHNCoin	CNC																							15

The rise of SOL, the appearance of TON, and the rise of AVAX are the notable features of this chart, while LTC has been relegated once again from the Hot 15.

Are DAOs still a thing?



Final Thoughts

Well written piece via Sue Badeep Bows.


<https://www.benlandautaylor.com/p/why-we-cant-have-nice-things>

Finally, I have decided I am a Detroit Lions fan for the next 8 weeks. Go muscular feline apex predators!

Have a \$2 day.

good luck ↑↓ be nimble

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