

(Comment by Keith Sharp: options discussion in red)

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## Who Else Is Flirting With Disaster?

Posted by David Gaffen

In the options market, where a gamble on a Bear Stearns meltdown paid off, investors are repeating their bets on a number of other financial stocks, several of which have cratered today as investor worry about the banking sector multiplies. **The declines in major banking stocks have reached post-tech-bubble proportions**, and yet some believe more pain is on the way.

“We believe financial stocks **have further downside of as much as 50% based upon 1990/1991 multiples of tangible book values**,” writes Oppenheimer analyst Meredith Whitney, in a morning note.

Shares of **Lehman Brothers** are down 45% today, as bearish investors target the investment bank as another that may face funding problems, despite the firm’s denial that this is an issue. In 2007 Lehman was the largest underwriter of global mortgage-backed securities, and ranked second to **Bear Stearns** in underwriting U.S. mortgage-backed debt, according to Thomson Financial.

Trading in March options shows heavy volume in put options at \$30 and \$25 strike prices, which are now trading in the money, as shares were at \$22.35 of late. However, the debacle bets have multiplied in the April options, where more than 25,000 put contracts have traded at the \$15 strike price, compared with open interest of 2,400 contracts coming into today.

