From Bloomberg News (and by line of a nominal doppelganger of mine), July 16, 2008:
SEC Subpoenas Wall Street in Hunt for `Manipulators' (Update2)
(http://www.bloomberg.com/apps/news?pid=20601087&sid=ansrs4i.J_Ek&dlbk)

By David Scheer

> "The SEC's enforcement unit demanded information from investment banks including Goldman Sachs Group Inc., Deutsche Bank AG and Merrill Lynch & Co., according to two of the people, who declined to be identified because the inquiries aren't public. The Washington-based regulator is seeking trading records and e-mails, one of them said."

The Hunt for the anti-Bear/Lehman Cabal is on. The SEC is determining if there is any substance to the claim that Goldman, Deutsche Bank and Merrill participated, even unwittingly, in a bear raid manipulation to profit from short positions in both stocks. One could also add Wachovia to the target list, but with less justification. Bear is gone, fled to JPM Chase's arms. Meanwhile, Lehman and Wachovia are trading at less than book value. Something has to give by way of a merger/acquisition with some willing "better" capitalized entity.

Seems that this is a secular manifestation of the Ninth of Ten Commandments (Eighth for Roman Catholics and Lutherans):

You shall not bear false witness against your neighbor

The claim against these three financial institutions and some hedge funds is that they knowingly spread rumors in order to drive the price down of their Wall Street midtown neighbor. This is momentum investing on the downside instead of upside. It would be legal if they really don't do anything to hasten the decline. Bottom feeders like Buffet and Weill provide a service to the market in that they provide demand for a value challenged asset. This situation, however, appears to be a case of artificially creating a bottom. In the NY Tines, Last week in the New York Times there was an in-depth look (http://www.nytimes.com/2008/07/08/business/08sorkin.html?_r=2&ex=1216353600&en=56ab8e3886156959&ei=5070&emc=eta1&oref=slogin&oref=slogin) on the art of rumor. Bad show, Chaps.

To round out the analysis, in the August Issue of Vanity Fair, Bryan Burroughs does a reprieve of **Barbarians at the Gate (http://www.vanityfair.com/politics/features/2008/08/bear_stearns200808)** in describing what he thinks happened. The *coup de gras* was in an arcane area of financial markets, these three investment banks leading the way in depressing the novation (defeasing of a credit default swap contract) market for Bear based contracts. The shame of the entire fall of Bear is that they provided arguably the best pre-payment risk modeling for mortgages which would certainly help in recovering mortgage underwriting to reverse attention from the no-payment risk concern of the current market regime. We shall hope that JPMC realizes it has that asset and promotes it as it has Risk Metrics.