



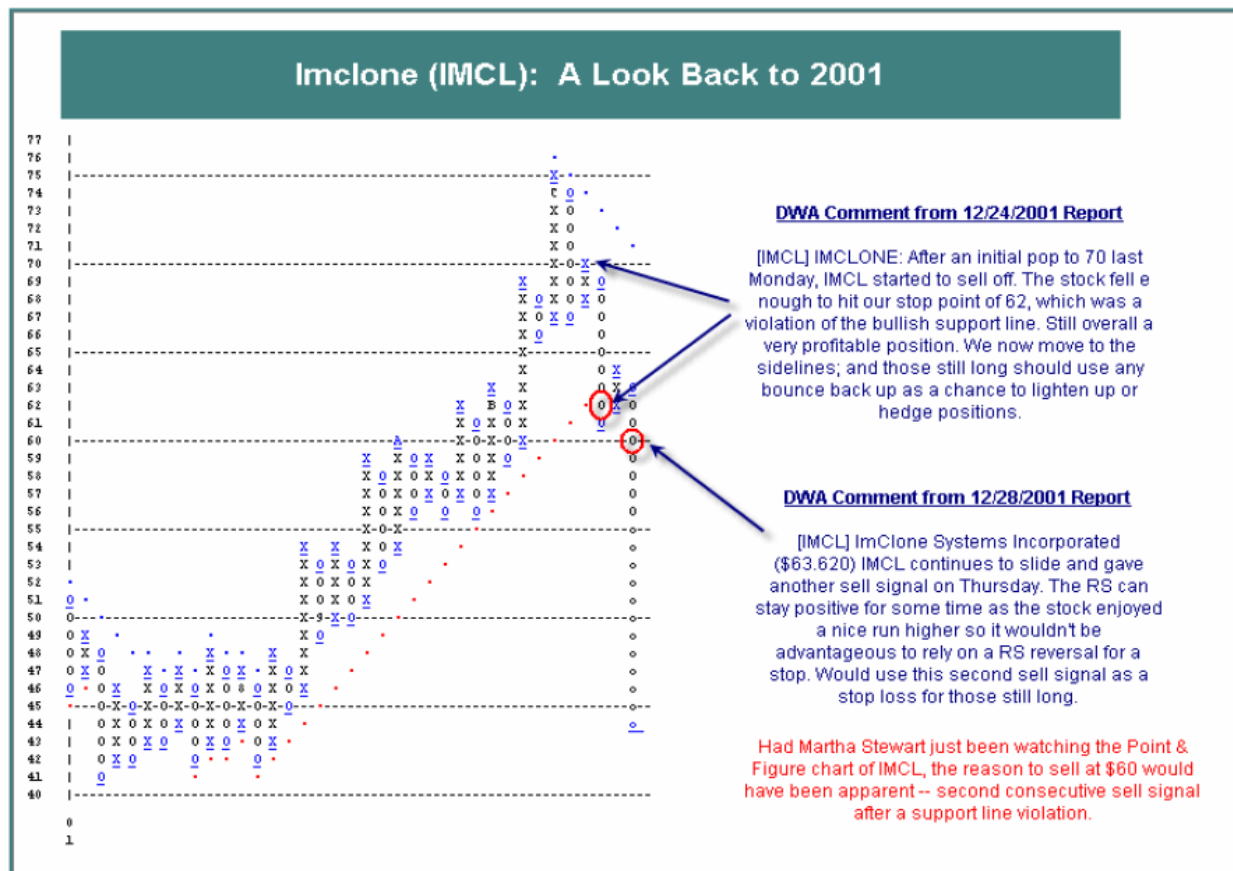
An Anatomy of a Collapse: Bear Stearns

By Dorsey Wright and Associates

www.dorseywright.com

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You can't open a financial media outlet without seeing a story on Bear Stearns [BSC]. One of the most recent stories I have seen about the stock, other than the fact JP Morgan could increase its bid to \$10 a share, is the SEC is probing into sell transactions on BSC and if someone had inside information. It makes me think back to the days of late 2001 when Imclone [IMCL] imploded on a bad FDA report, and sold off sharply from the 60's to an eventual low in the single digits. It was the sale of IMCL on reported insider information and subsequent lying to the Fed's that landed Martha Stewart in jail. The infamous scribble note to sell "at \$60" and what precipitated that note will go down in history. Of course had Martha Stewart just been looking at the Point & Figure chart of IMCL the reason she sold at \$60 would have been quite apparent. In fact, IMCL had been a buy recommendation of ours with a stop loss point of \$62 and another sell recommendation at \$60 on a second consecutive sell signal. Here's the exact quote from our reports back in 2001:



If we take a look at the Point & Figure chart of the Bear Stearns [\[BSC\]](#) in the spring of last year, 2007, it was quietly telling us that supply was gaining the upper hand. The Point & Figure Methodology is merely a logical organized way of recording the supply and demand relationship. The Point & Figure chart just takes a string of numbers, the high and low data, and put it into a logical organized fashion. If I gave you the following numbers, what do they mean?

8043208511

It probably doesn't mean anything. However, what if I put those exact same numbers into the following format? What does it mean to you?

804 - 320 - 8511

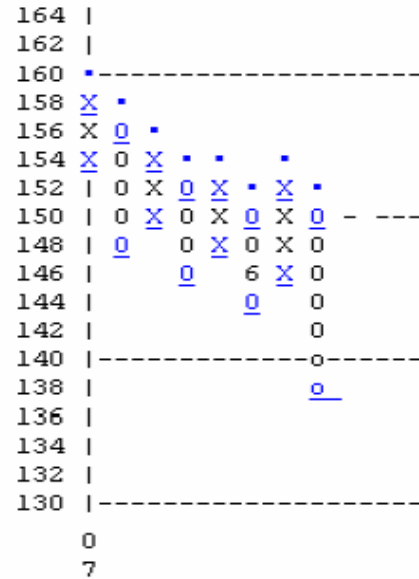
Now you know instinctively that is a phone number. The first three digits tell you the area code or a region. Then the next three digits pin points a smaller area within that region and the final three digits tell you the exact phone location. The Point & Figure chart merely takes the high and low string of data for a stock and put it into a very usable format that we can make sense out of. In fact, take a look at the string of data below and the corresponding Point & Figure chart.

BSC Daily High & Low

5/1/2007	157.29	153.74
5/2/2007	157.40	155.75
5/3/2007	157.00	153.33
5/4/2007	158.16	155.41
5/7/2007	158.22	155.33
5/8/2007	155.44	152.50
5/9/2007	156.08	152.94
5/10/2007	155.61	152.99
5/11/2007	156.55	153.50
5/14/2007	156.68	152.81
5/15/2007	155.78	150.16
5/16/2007	150.61	147.66
5/17/2007	150.25	147.32
5/18/2007	150.89	148.58
5/21/2007	152.00	148.30
5/22/2007	152.42	150.28
5/23/2007	154.17	152.08
5/24/2007	153.10	147.46
5/25/2007	148.30	145.55
5/29/2007	149.67	146.86
5/30/2007	150.24	147.14
5/31/2007	153.68	149.96
6/1/2007	153.95	149.38
6/4/2007	153.50	150.83
6/5/2007	152.00	149.21
6/6/2007	149.00	147.30
6/7/2007	149.50	144.22
6/8/2007	147.90	144.00
6/11/2007	149.40	146.66
6/12/2007	149.28	145.60
6/13/2007	149.58	146.16
6/14/2007	150.40	146.07
6/15/2007	152.95	148.47
6/18/2007	150.59	145.81
6/19/2007	148.09	145.85
6/20/2007	146.73	142.89
6/21/2007	146.28	140.44
6/22/2007	145.58	142.40
6/25/2007	143.25	136.13

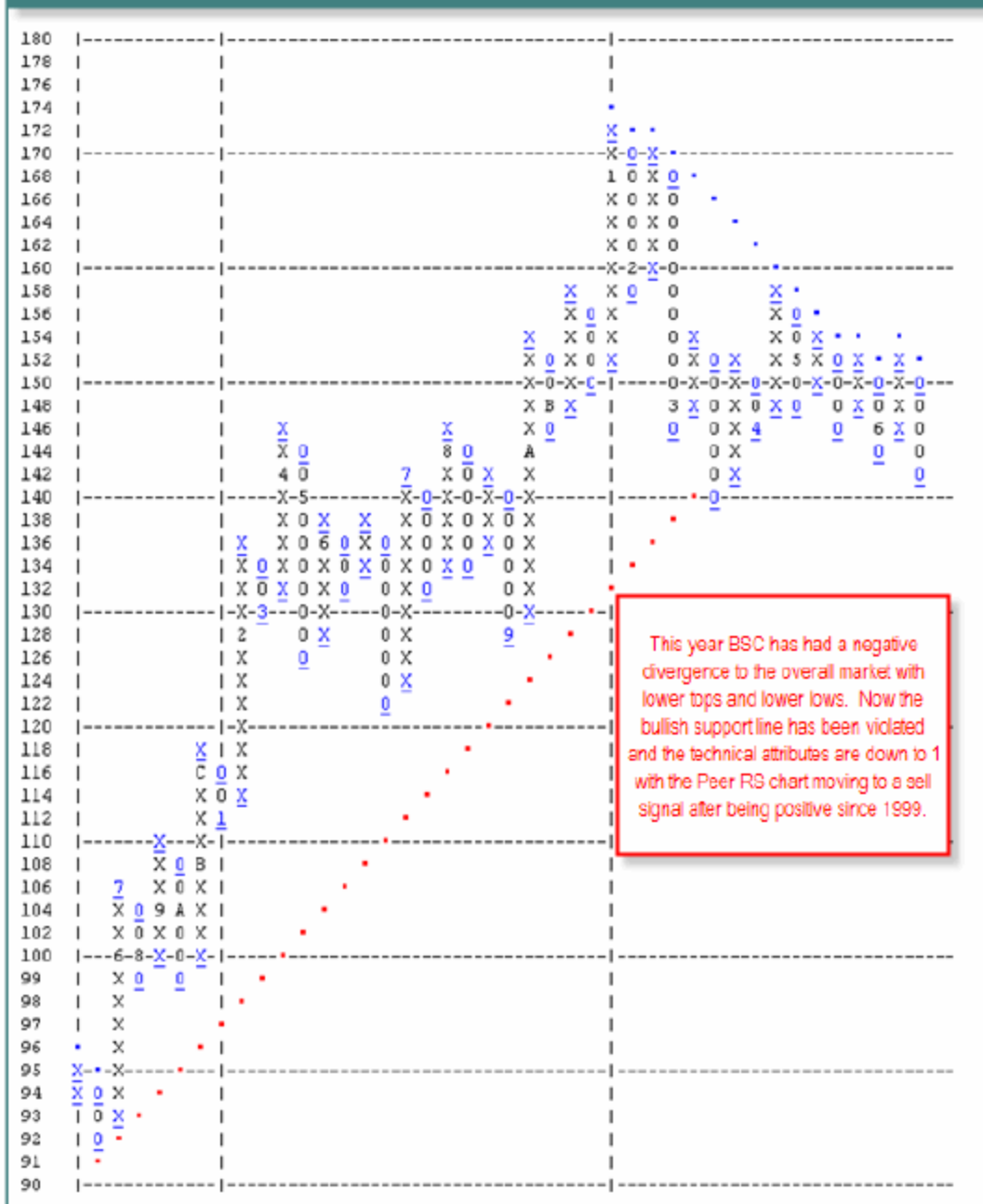
The Point & Figure chart is simply a logical, organized way of showing supply and demand (price) in a stock.

BSC Resulting Point & Figure Chart



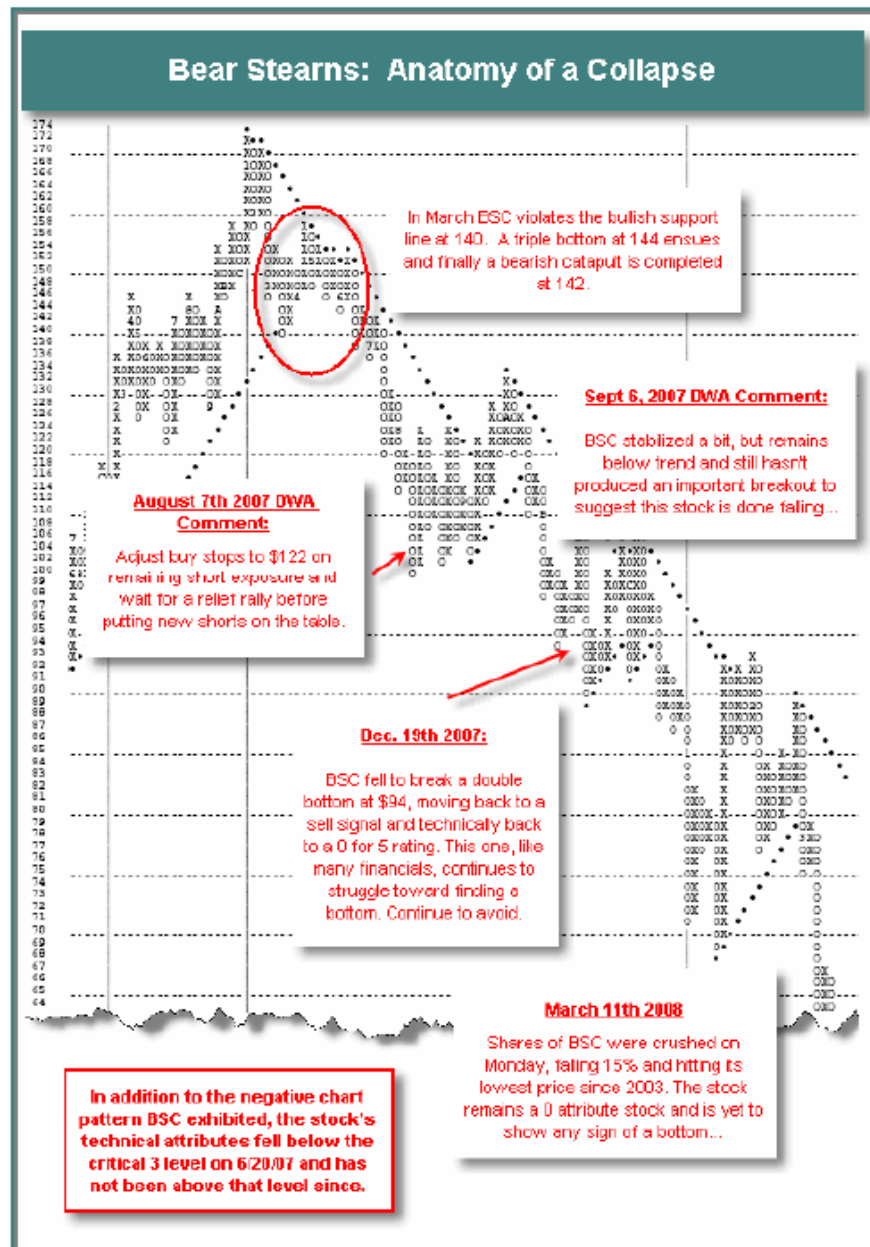
The Point & Figure chart shows a much clearer picture of supply and demand for BSC than just looking at a large set of data points. The lower tops and lower lows clearly show that supply has the upper hand.

Bear Stearns (BSC): Bullish Support Line Violated & Technical Attributes Down to 1



This chart is of Bear Stearns in the spring of 2007. Notice that just looking at the high and low data you wouldn't have known that it was clearly showing a series of lower tops and lower lows. In fact, if we put this chart into a longer term context, it would have shown that the long term bullish support line was being violated.

The ensuing months didn't alter the picture for BSC. The stock continued to show negative relative strength versus both the market and the peer group as it maintained a negative technical attribute rating. As well, we continued to see the Point & Figure chart give sell signals to tell us that supply still firmly had the upper hand over demand. So while we never know whether a breakdown like that of Imclone at \$62 and Bear Stearns at \$142 will lead to a sharp decline that takes the majority of investors money away, we do know that the supply and demand picture is changing for the issue and we'd rather error on the side of caution and move our money out of harm's way. We can always make up opportunity but its hard to make back that money.



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