

The Charlotte Observer

BUSINESS

Bank of America sees shares fall below \$5, down 4%

By Andrew Dunn
Tuesday, Dec. 20, 2011

Bank of America Corp. shares closed below \$5 on Monday for the first time since the height of the financial crisis.

The day's trading marked the lowest the price has fallen since March 2009. But it also likely dealt a psychological blow to investors who have already shown they are bearish on the Charlotte-based bank.

"At the end of the day, people want to own a stock that appears to have nominal value in its price," said Alex Miles, chief investment officer of Charlotte-based Kingfisher Capital. "There's sort of this natural aversion, investor aversion, to stocks below \$5."

The stock closed at \$4.99, down more than 4 percent from Friday. During trading hours, the stock fell as low as \$4.92.

The decline came on a bad day for the market overall. The Dow Jones Industrial Average fell more than 100 points, about 1 percent, and the S&P 500 fell by 14.13 points, more than 1 percent.

But Bank of America's decline also came on a higher-than-average trading volume, which Miles said is an indicator of institutional selling.

The last time the bank traded below \$5 was in early 2009, as the government pumped billions into Bank of America and its peers amid widespread speculation that banks would be nationalized.

Now investors' fears are predominantly driven by the ongoing uncertainty in Europe and in the U.S. government.

Bank of America in particular has been weighed down by ongoing legal risks in its mortgage portfolio.

Its stock has fallen more than 60 percent this year.

Miles and other analysts speculated Monday that Bank of America might try a reverse stock split to boost the value of its shares, as peer Citigroup did.

In May, Citigroup announced a 1-for-10 reverse stock split, which brought the share price from a similar low of around \$4.50 to more than \$40. It has since fallen below \$25.

Bank of America does not generally comment on stock prices, and a spokesman did not offer one Monday.