



« Investors Have Completely Lost Faith In Deutsche Bank » A Top 10 Shareholder Admits

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After a day of « rock solid » Lehman-isms, emergency bond buyback plans, and a stock price still unable to close green, Deutsche Bank is on the ropes (despite CNBC proclaiming that « it doesn't feel like a Lehman moment. ») However, as dawn breaks across the motherland, something more insidious is breaking for Germany's largest bank. Deutsche faces an uphill task rescuing its stock from record lows, especially, [as Reuters reports](#), a top 10 shareholder exclaims « investors have completely lost faith in the bank, » and a fast recovery from this crisis was unlikely.

Given the way the credit market is trading, perhaps 'the major shareholder' has a point...



[As Reuters details](#), Germany's flagship lender has trailed its rivals in bouncing back from the 2008 financial crisis, hamstrung by having to pay out billions of dollars in fines to end a string of legal disputes and ageing technical infrastructure.

It is the last of the major European banks to embark on a painful restructuring of its bloated investment bank, in the face of tougher regulation that reduced profitability, and the cost of that overhaul contributed to it posting its biggest annual loss on record last month.

Shareholders are worried about the ability of management to execute a two-year turnaround plan, announced last October, against the backdrop of a deteriorating global economic outlook and negative interest rates.

« Investors have completely lost their faith in the bank, » a top 10 shareholder told Reuters, adding that a fast recovery in the share price was unlikely given the magnitude of the problems weighing on the company.

Several investors told Reuters they feared Deutsche would need to tap markets for more capital – despite raising a total of nearly 20 billion euros (16 billion pounds) from investors in 2010 and 2014 – to deal with regulatory and legal issues.

« We believe that Deutsche Bank has a capital shortfall of up to 7 billion euros, depending on the outcome of a range of litigation issues, which could necessitate a highly dilutive capital increase, » Citi analysts wrote in a note last week.

Several investors said they felt time was running out for the bank to show successes – such

as returning to profit or stabilizing its share price – after other large lenders had moved on and closed the chapter of financial crisis.

« There's no benefit of the doubt, » another top 10 investor said, adding currently investors were voting with their feet. « Two years (as planned by Cryan for the revamp) is a long time. There's no margin for error. »

Questions are also being raised about the quality of the bank's supervisory board.

« We miss competence in financials on the supervisory board, » said the first top 10 shareholder, adding that support for Chairman Paul Achleitner was also waning and a new face was needed for a fresh start for the bank.

« However, at this stage, there's no obvious candidate to succeed him, so he will likely be kept in charge until the end of his mandate in May 2017, » the shareholder said.

Of course there is always the « government put » but in this case – with Europe's new bail-in « reforms » DB co-CEO Cryan's hopes that « the government would intervene, » could well leave everyone from equity to depositors taking and haircut (to zero in the former case).

* * *

So finally, as emergency bond buyback plans are thrown out in desperation.. [because that will not be enough to solve this problem, as a Deutsche banker readily admits...](#)

WHAT NEEDS TO BE DONE. Simple?

1. Recognize the problem. It is not oil, it is not in the banks..it is a run on central bank liquidity, especially dollar based and there needs to be much more (\$) liquidity. Keynes said to deal with overinvestment boom you cut you don't raise rates. QE is impractical but getting the dollar down would greatly lift dollar based liquidity. So for a starter Fed shd stop raising rates and clearly signal an extended time out.
2. Draghi shd follow up with a one 2 punch, not to get rates down but open the refi spigot to banks and ease liquidity concerns.
3. China needs to come clean. Devalue, stabilize reserves and then allocate 1 tn+ to short up strategically important institutions. Stop intervening in equity markets.
4. And Basel 3 (?4) should be delayed specifically regarding leverage ratios and threat of higher. As a token move there shd be deemphasis of the SSM/bail in rules until there is clarity from the ECB on liquidity sources for stressed banks.
5. how about some fiscal stimulus
6. on negative rates — instead of making them punitive on the banks allow the banks to earn the spread, make them punitive to savers.. Cash shd be charged interest — put the micro chip in large denom notes/tax cash withdrawals.. encourage spending not saving .. mortgage rates can be negative and banks can still earn a spread. The spread is the problem not the rate.

The existential fear in Deutsche Bank's analyst is tangible, as is the implied threat: « don't do these things, and if Deutsche Bank and its \$60 trillion in derivatives blow up, it will be on

you. »

And so, we leave you with the question we asked just last year – « [Is Deutsche Bank The Next Lehman?](#)«



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