

Ransom the European Financial System. Buy Italian Banks

The cool thing about the Euro is that it doesn't really work, and yet, the politicians in Europe insist on having it. This creates periodic buying opportunities. Here is an indirect Euro 'we'll hold it together come hell or high water' trade.

The uncertainty surrounding the fate of the Italian government is destroying bank stock prices. An interesting 'lets ransom the European banking system' trade is to buy a bunch of Italian banks. Ideally, one would choose the smallest banks which are systemically important and whose demise would take the whole lot with them as well. At current prices, one doesn't have to be too fussy. Any bank too important to fail will do. A basket is convenient. Many of the candidates are insolvent but it won't matter. The trade here is to stare down the ECB. Banks like Unicredit, Intesa San Paolo, BMPS and Banco Popolare are just as good as any for the trade.

- Unicredit, 3.33
- Intesa SP, 1.142
- BMPS, 0.1875
- BP, 0.9835

The latter two banks are more interesting because they are smaller and weaker and will price better on entry and on exit. It brinksmanship to be sure, but Europe doesn't have the stones to let Italy under, and that means rescuing all her systemically important banks.

Disclaimer: I do not have any position in the above stocks nor do I intend to take any. This post is purely an academic speculation and not a recommendation or solicitation to trade in securities.

