



Weekly Market Review

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The past week provided a flood of data, from corporate earnings, GDP releases, updates on the labor market, consumer spending, the list goes on. However, it was GameStop, and other stocks rising at an astronomical pace that dominated the news cycle and the stock market's attention. Major indexes did finish the week in the red. Still, it is difficult to take anything from this as fundamentals were not the focus; rather, it was irrational, momentum trading leading to eye-popping market moves.

Observing some of the stocks' speculative action last week felt like watching an HBO's *Billions* episode, rather than CNBC. What started as a retail investor's YouTube video outlining his thesis on GameStop last summer morphed into a Reddit thread and quickly became one of the most interesting stock market stories in recent memory. In summary, hedge funds had a large, short interest in GameStop. Retail investors began discussing the stock on Reddit, and soon a wave of buying commenced, sending the stock exponentially higher and leading to losses for many short-sellers. This buying wave led to retail investors pushing the stock up over 1,600% in January alone. Many short-sellers still have not covered their positions (buying back the shorted stock at the current market value) leading to losses for short-sellers approaching \$20 billion. This phenomenon is referred to as a short squeeze, and while it does happen ([Volkswagen in 2008](#)), it is rarely led by retail investors beating out hedge fund managers.

As the GameStop trade morphed into this phenomenon throughout the week, other heavily shorted stocks saw a similar pattern. While many of these are not on GameStop's level, they have still led to losses for the short hedge fund managers, while retail investors experience record profits. As this pattern continues throughout the market, online brokerages, politicians, journalists, and many in the public took notice. The largest move was from some online brokers, like Robinhood, who went as far as restricting investors from buying additional shares or options from the list of "Reddit stocks." We could analyze all sides' views and how different parties reacted, but that is for another day.

From the looks of it, this saga is not going to end anytime soon. Chances are there will be hearings on Capitol Hill, new regulations from the SEC, and likely, many court cases. At times, the market can become irrational, but we must remember that the key to remaining on the right path is not reacting to these events. During such a market phenomenon, do not succumb to the fear of missing out and buy at these ridiculous prices. However, if you happen to own GameStop, reinvesting the proceeds with a long-term mindset can help ease any volatility the market experiences in the future.

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