

GameStop. EconomyDrop?

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When a mob of right wing trash invaded the Capitol shutting down electoral government at the federal level, investors must have thought it was cool because markets zoomed to new highs. But when a mob of juvenile investors spiritually led by an entity known as Roaring Kitty decided to dump their fictitious net worth into a company on a downward trajectory called GameStop, they converted a loser into at least a temporary win for themselves.

A combination of pandemic isolation, Internet, social media stupidities, and maybe even a bit of getting even with the class of master thieves, led an online forum on Reddit called WallStreetBets, consisting of mainly youngish investors, to build on Roaring Kitty's heavily promoted \$53,000 gamble on a company that has 5000 stores selling used gaming hardware and software when the trend for these products has moved to downloads and digital.

They favored a no fee, instant deposit, brokerage firm called Robinhood which permits instant investing on deposits that will take 5 days to clear. So these day traders pile into carefully hyped companies and earn more than enough to cover questionable deposits. Market value rose from \$4.5 billion to \$22.7 billion in a week even though it lost \$11 billion on Thursday when brokerage firms and the SEC began limiting trading.

Such trading spread to similar, mostly failing, firms, like AMC, owner of a movie theater chain that has been closed by Covid for almost a year. Also once big named and now close to defunct companies like Nokia and Blackberry.

But the kids caused serious problems among grown-up investment schemes like hedge funds and exchange traded funds in general. These outfits get rich by picking the bones of pre-deceased failing companies. They borrow, or borrow to buy, financial securities, like stocks and options, with a promise to pay, or return, at a set price and time. If the price drops they buy at a lower price to replace the higher

valued items that they've already cashed in. But if the value rises it will cost more than the initial investment to pay it off.

These funds, and the markets in general, had their worst week since October. Fright can be deadly in a market running on flammable fumes. Price to earnings ratio of the S&P 500 are at the highest level since the dotcom bubble burst in 2000. Bitcoin value has shot through the roof as has companies like Tesla. With asset prices much higher than previous bull markets, the world in a once in a century pandemic that has killed millions and the threat of a climate crisis that may end it all, this concatenation of real and likely events may actually be just what we need – a provocation to action.

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