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What Are Meme Stocks? Everything You Need to Know

Original:

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Midway through May, [GameStop](#)'s stock price, along with those of other meme-driven companies like AMC, Koss BlackBerry, and Koss Corp., surged with the resurgence of "Roaring Kitty" on social media.

It is thought that Keith Gill, also known as Roaring Kitty, rekindled the meme stock boom that had pushed [GameStop](#) shares more than 1,000% back in 2021 with a post on the X platform with a well-known gaming meme that said "things are getting serious." Then, a big short squeeze that confused traditional investors and made news worldwide was organized by a group of online investors.

Meme stocks are equities that gain popularity quickly on social media sites and become highly valued. Recently, meme stocks have gained a lot of attention—particularly in the wake of the outbreak.

What precisely is a meme stock? Continue reading to learn more about investing in meme stocks.

Key Takeaways:

- Meme stocks are stocks of businesses that become well-known via social media, going viral and seeing rapid price rises
- Rather than the company's intrinsic value, the sentiments of retail investors have a significant impact on these equities.
- Memes have significant volatility, which makes them a dangerous option for investors.
- During the epidemic, trading in meme stocks increased significantly, with notable price fluctuations driven by websites like Reddit.
- The market may be significantly impacted by meme stock fluctuations, especially if there are

short squeezes that could harm institutional investors.

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What Are Meme Stocks?

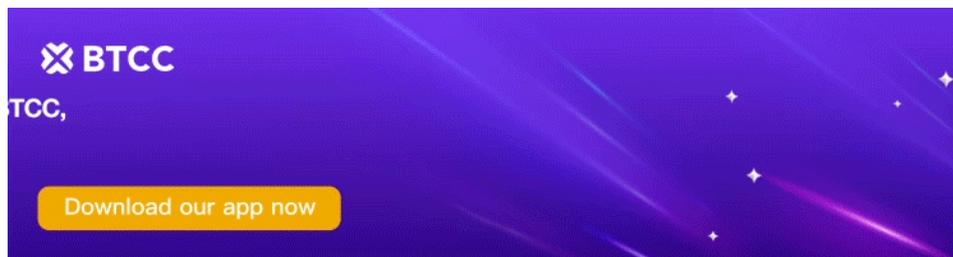
Company shares that gain a cult following among retail investors, usually through internet communities like Reddit, are called meme stocks.

Typically, meme stocks are companies that have underperformed in the past few years and have caught the eye of short-sellers, who wager on the future decline of a share price.

The chance to take on these institutional short-sellers by supporting a seemingly heroic underdog is a big draw for meme stock. The condition of a company's meme stock doesn't appear to reflect its real performance or future prospects, though.

Stocks of companies that are commonly associated with memes, like GameStop, AMC, and Nokia, may also evoke a sense of nostalgia among investors in their twenties and thirties who are part of the Millennial and Gen Z eras.

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Meme Stock History

Institutional investors were often believed to have more market influence than ordinary investors prior to the epidemic. Indeed, based on statistics from the Organization for Economic Cooperation and Development, the average public company's ownership was 43% held by the top 10 biggest institutional investors at that time.

Coordinating trades on Internet sites like Reddit, Twitter, YouTube, or Discord to generate significant price movements, small investors proved they may be a formidable force in 2021. Additionally, these investors pushed for changes in various cryptocurrency kinds and SPACs (special purpose acquisition companies).

Hedge funds frequently short GameStop Corp. in January 2021, but a group of investors on the Reddit site "r/wallstreetbets" worked together to cause a short squeeze in the company. Shorting a stock is a bet that the share price will go down by an investor or trader. When several traders quickly sell their negative stock positions, driving up the price, this is called a short squeeze.

After retail investors caused a short squeeze and losses for hedge funds, those firms tried to find the next meme stock by monitoring social media forums.

Brokerage firms' decision to stop trading in certain meme stocks caused controversy, as they claimed they couldn't post collateral at clearinghouses. Day traders and regular investors were understandably outraged by these changes, and congressional investigations into brokerage practices including payment for order flow ensued.

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Risks of Buying Meme Stock

Although investing in meme stocks can be a thrilling experience for trend-seekers, it's important to be warned that these stocks are extremely susceptible to market fluctuations caused by the ever-evolving social trends.

Take GameStop as an example. Their share price dropped significantly from its January 2021 peak of nearly \$500, and by 2022 it had settled at between \$15 and \$30.

The most recent upswing in the stock price may also turn out to be temporary, according to investment experts.

In his role as chief market analyst at IG, Chris Beauchamp warns would-be meme stock traders that jumping into these names without doing their homework will certainly lead to poor results.

At most, you might get burned fingertips when these frenzy episodes cease, because they often terminate dramatically. It's easy to lose sight of the dangers involved in the thrill and concentrate on the possible benefits.

A promotional banner for BTCC, a crypto futures exchange. The background is green with a faint line graph. At the top center is the BTCC logo, a white 'X' shape. Below it, the text 'Level up your VIP status for more benefits' is written in yellow and white. Underneath that, 'BTCC - Your preferred crypto futures exchange' is written in white. At the bottom left, there's a button that says 'Download our app now' next to the Apple App Store logo. In the center, there's a button that says 'GET IT ON Google Play' next to the Google Play logo. At the bottom right, there's text that says 'Support fiat and crypto deposits'. The banner is decorated with several gold and blue coins.

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Meme Stock Examples

As previously indicated, GameStop Corp. was the first significant example of a meme stock. Investors gathered on the “r/wallstreetbets” Reddit thread. They caused a short squeeze, which increased the stock’s price. GameStop’s shares reached a peak of \$120.75 in January 2021.

When Roaring Kitty, a pivotal role in the initial short squeeze, reappeared on social media in May 2024 after a three-year hiatus, there was an unprecedented spike in interest in the stock.

Other meme stocks have been the smartphone manufacturer Blackberry Limited, the movie theater operator AMC Entertainment Holdings, Inc., and Bed, Bath and Beyond, Inc.

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Is Meme Stock a Good Investment?

Investors may be enticed by meme stocks due to their seemingly quick returns. (I mean, who doesn’t love a quick buck?). However, they carry a high degree of risk due to the fact that their value is not linked to the predictable performance, assets, and earnings of the company—the three main factors that normally contribute to a stock’s value and the growth of your earnings.

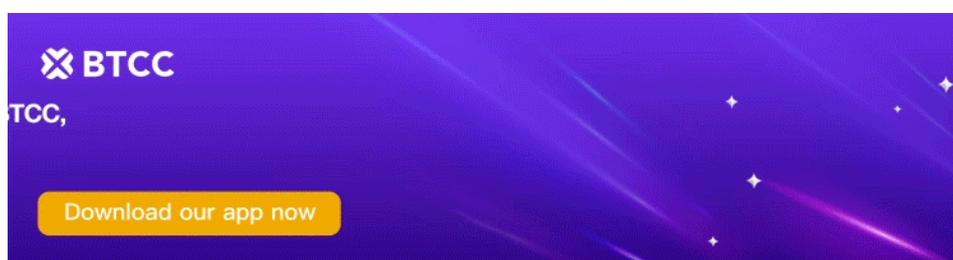
“Investing in meme stocks would be classified as speculating,” remarks Ford. “Betting money on an extremely uncertain economic venture is what speculating is all about.”

Investing in meme stocks is like gambling, according to Ford—maybe without the fun.

“It’s all based on a trend,” he assures. “The future of it is completely unclear to us. When it will end is a mystery to us. “The fact that it’s selling like hotcakes is driving up the price because there isn’t any real, underlying value being delivered.”

According to Ford, most individuals lose money on meme stocks since you can never tell when the stock will fall in value. However, a small proportion of people manage to make money on these companies.

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How to Trade Meme Stocks

Additionally, investors can gain exposure to meme stocks in means other than single-name equities. Buying and selling calls and puts is usually a breeze when it comes to options trading in joke stocks.

One alternative to researching and following individual meme stocks is to purchase an exchange-traded fund (ETF) that holds shares of popular companies on brokerage platforms. This will allow investors to obtain exposure to the phenomena without the hassle.

Investors should also be aware of the following risks when dealing meme stocks:

- 1. Diversify Your Portfolio:** Investors may benefit from including exposure to more broadly-based ETFs, blue-chip stocks, or dividend-paying companies in their portfolios, as opposed to merely buying trendy stocks. The more subdued price movements of these equities may serve to counteract the volatility of meme stocks.

2. **Set Stop-Loss Orders:** Investing professionals have the option to pre-set orders to trigger the automated sale of a certain stock upon reaching a specific price. When the price of the stock declines, a stop-loss order can be used to restrict losses or lock in profits if the shares rise.

FAQs

What is a meme stock?

Meme stocks are stocks that have experienced a sharp surge in value due to a large number of internet users deciding to purchase the company all at once. It is frequently possible to separate a company's core principles from its viral success.

Is it wise for me to buy meme stocks?

Although meme stocks aren't always poor businesses, the market may be overvaluing them. If the price moves against you, it could be a good idea to make sure you understand the company before investing and that the money you are using is something you can afford to lose.

What is the surge in meme stocks?

Amidst COVID-19 pandemic lockdowns in January 2021, the meme stock boom got underway. At that point, a number of cheap stocks were discovered by online users, many of which were owned by short sellers who were placing bets on stock price decreases. As more individuals discussed these businesses online, more investors were interested, driving up prices.

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Where to Trade Tokenized Futures?

BTCC have also launched tokenized stock and commodity USDT-margined futures. Now you can trade gold, silver and stock on BTCC. These tokenized futures contracts are innovative products invented by BTCC, and users can trade stocks and commodities with USDT on our platform. Below are the details of the newly-added trading pairs.

Tokenized Futures - Contract specifications

Product	Trading hours (UTC+0)		Leverage	Tick Size	Min. Lot Size	Liquidation Level
	Summer time	Winter time				
GOLDUSDT (Gold)	<u>Trading hours</u> 23:00 on Sunday - 21:45 on Friday	<u>Trading hours</u> 22:00 on Sunday - 20:45 on Friday	150x	0.01	1	30%
SILVERUSDT (Silver)	<u>Daily break</u> Every day 22:00 - 23:00	<u>Daily break</u> Every day 21:00 - 22:00	150x	0.001	100	
AAPLUSDT (Apple)	<u>Trading hours</u> 14:30 - 21:00 Every day from Monday to Friday	<u>Trading hours</u> 13:30 - 20:00 Every day from Monday to Friday	50x	0.01	1	
TSLAUSDT (Tesla)			50x	0.01	1	
METAUSDT (Meta)			50x	0.01	1	
TSMUSDT (Taiwan Semiconductor Manufacturing Company Limited)			50x	0.01	1	
MSFTUSDT (Microsoft)			50x	0.01	1	

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BTCC has an [iOS](#) app and [Android](#) app if you prefer to trade on the go.

iOS QR Code



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Why Trade Tokenized Futures on BTCC

To trade tokenized futures, you can choose BTCC crypto exchange. [BTCC](#), a [cryptocurrency exchange](#) situated in Europe, was founded in June 2011 with the goal of making crypto trading reliable and accessible to everyone. Over 11 years of providing crypto futures trading services. 0 security incidents. Market-leading liquidity.

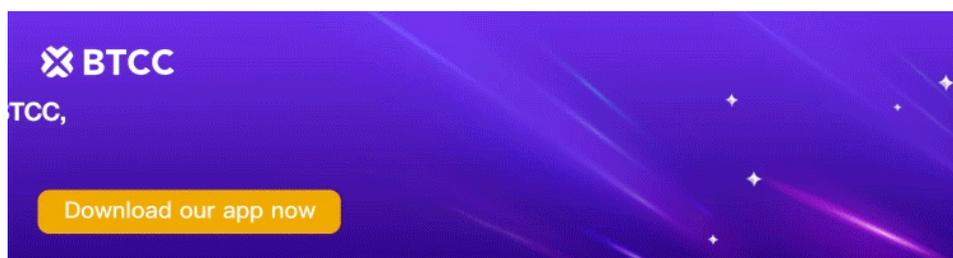


Traders may opt to trade on BTCC for a variety of reasons

- **Secure:** safe and secure operating history of 11 years. Safeguarding users' assets with multi-risk management through the ups and downs of many market cycles
- **Top Liquidity:** With BTCC's market-leading liquidity, users can place orders of any amount—whether it's as small as 0.01 BTC or as large as 50 BTC—instantly on our platform.
- **Innovative:** Trade a wide variety of derivative products including perpetual futures and tokenized USDT-margined stocks and commodities futures, which are innovative products invented by BTCC.

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BTCC FAQs

1. Is BTCC safe?

Since its inception in 2011, BTCC has made it a priority to create a secure space for all of its visitors. Measures consist of things like a robust verification process, two-factor authentication, etc. It is considered one of the most secure markets to buy and sell cryptocurrencies and other digital assets.

2. Is it possible for me to invest in BTCC?

Users are encouraged to check if the exchange delivers to their area. Investors in BTCC must be able to deal in US dollars.

3. Can I Trade BTCC in the U.S?

Yes, US-based investors can begin trading on BTCC and access the thriving crypto asset secondary

market to buy, sell, and trade cryptocurrencies.

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