

STOP THE WORLD – I MEAN GAME – I WANT TO GET OFF!!

Anybody who watched any news media last week has heard about **GameStop**, a little company on the verge of bankruptcy. But then the hedge fund short-sellers were taken on by a cohort of day-traders linked by the messenger board Reddit. It is easy enough to read the messy details online, but “short squeeze” and “gamma hedging” feature prominently. **Bottom line**, shares of GameStop, that were trading under \$20 a couple of weeks ago, spent last week widely fluctuating between \$60 and \$480, with often multiple \$100 price changes on the same day. The week ended with the shares at \$325, and billions of dollars lost by some Hedge Funds, even a few rumored to be bankrupt. While on the other hand, some online traders made many thousands of percent profit on their investment. It also caused outrage as online trading platform **Robinhood** and other brokerages imposed trading limits on GameStop and some other companies caught up in the frenzy.

Investors and lawmakers publically pummeled the culprits who limited trading, while others, such as Senator Sherman of California, suggested on CNBC that government intervention may be necessary to ensure share prices reflected their true value!! This was needed to “protect” the public from making bad investment decisions. No wonder people often ponder the mental acumen of many of our politicians.

This is not over yet. Time will tell if last week’s excitement will cause a change in regulations and, more importantly, going forward the role of the united actions of the “man in the street” to have a meaningful effect on the price of shares.

“Work from home” beneficiaries, such as Microsoft and Facebook, reported record and impressive earnings, but both ended the week sharply lower as did the major market indices. In fact, there was nary a winner in the Americas, or globally, with weekly losses of 3% or more common across the board.

Was the weakness related to the *GameStop* consternation or **is this the start of the post-Biden inauguration correction I have been warning about over the last few weeks?** The level of volatility may mean we will get any correction over in a week or two, or the selloff may be followed by a brief rally, before a more prolonged consolidation leading into the second quarter.

As always, I will be watching!!