

The Wild GameStop Ride and a Rebound in Vehicle Sales

GameStop Saga is Ugly

While the GameStop saga really ratcheted up toward the end of January, it was a saga that had been brewing for quite some time. In a nutshell, the modern-day David vs. Goliath story pits a growing group of small, activist-investors against Wall Street's hedge funds in battle that feels like a continuation of the Occupy Wall Street movement from almost a decade ago. But this time, Wall Street is losing (at least for now), but so are a lot of smaller investors as GameStop's price has fluctuated wildly.

Here is some perspective:

- On January 4th, GameStop was trading around \$17/share
- On January 27th, GameStop was trading around \$347/share
- On February 3rd, GameStop was trading around \$92/share

While you probably know the story, the saga began with two hedge funds named Citron Research and Melvin Capital taking short positions in GameStop, expecting it to fall. But there was a lot of chatter and trading activity from a Reddit community called WallStreetBets that decided to push back and drive the price of their favorite stock higher. Along the way, brokerage houses like Schwab, TD Ameritrade, and Robinhood got involved by restricting trading, politicians from both sides of the aisle made fiery speeches and Wall Street genuinely appeared worried. The result was that:

- GameStop leapt 1,700% in January alone (that is not a typo) and
- Short-sellers lost over \$23 billion on GameStop in January alone, according to S3 partners.

Wall Street's worries led to a spike in volatility at the end of the month and a decline in the overall market as many hedge funds had to sell equities in order to cover their short-losses.

Want proof? On January 27th, equities posted their worst day since October, as the S&P 500 dropped 2.6%. And on that same day, the New York Stock Exchange saw a record 23 billion shares change hands, which was 64% higher than the year's daily average of 14 billion shares.

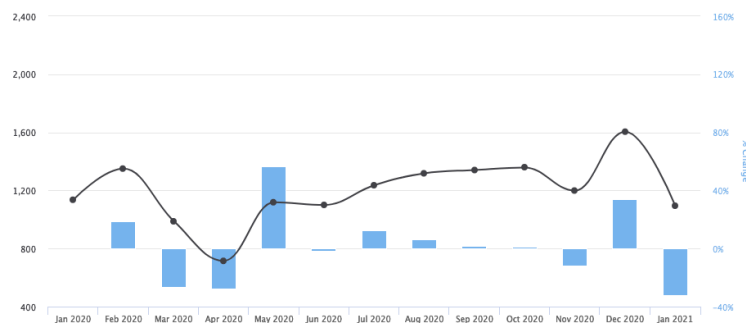
Further, Wall Street is worried that this GameStop saga might very well fundamentally alter the way stock markets work. Because what happened/is happening to GameStop is also happening to Bed, Bath & Beyond, AMC, Nokia, BlackBerry, American Airlines and Blockbuster.

Vehicle Sales Rebound in January

The Bureau of Economic Analysis publishes sales of motor vehicles at the beginning of each month, including domestic sales and imports. Domestic sales are defined as sales of autos produced in the U.S., Canada, and Mexico. Imports are U.S. sales of vehicles produced elsewhere.

For the month of January, "Unit Sales" rose to 16.6 million for the best rate since almost a year ago, when unit sales hit 16.8 million in February 2020. The results point to strength for motor vehicles sales in January but also for the year, which saw year-over-year growth of 9.9%, helped along by the Federal Reserve's close-to-zero interest rate policy.

U.S. New Vehicle Sales: Autos and light trucks



More Data Later This Week

More economic data will be released later this week, including Factory Orders on Thursday and Consumer Credit data on Friday.

Sources: bea.gov, economy.com

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