Twitter Thread by Money Africa



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The last few days have been buzzing in the financial market.

Gamestop. AMC. Short squeeze.

Those words have trended on social media in the last few days. Here’s what's been going down.

THREAD

Gamestock, a video retailer, has had its share price go sky high in the last few days.

Why is this so?

There has been a tug of war between two parties.

Large companies known as hedge funds versus retail investors led by wallstreetbets, a group on Reddit.

The hedge funds and a few other players in the market had shorted the stock.

Shorting, in essence, is a bet that the price of a stock will dip.

So, you borrow the stock, sell it, buy it back at a lower price and then return it to the lender.

The hedge funds decided to short the stock because it has poor fundamentals.

It struggled for a while.

So you would expect the price to dip, right?

A small band of investors on Reddit wallstreetbet, however, were furious by this.

So, they decided to buy up the stock, which pushed the price high.

Last week, the stock was trading at $65. Today it is trading a bit over $400.

In the last few days, the stock has done over 300%

The increase in share price leaves the short sellers in a tight spot.

They either have to put up some money or buy the stock to cover their position

The more they buy the stock, the more they get squeezed. Hence, the term short squeeze.

Melvin Group, a hedge fund,had to close its position—it made a big bet, but got squeezed as the price went higher.

For the wallstreetbet crew on Reddit, it has turned to a do or die matter.

Many investors piled in the stock yesterday.

Things got heated and many trading platforms had outages.

Some folk also sold their cryptocurrency holdings to get in the game.

Initially, the authorities and brokerage firms did not pay much attention to this.

People speculate all the time but the massive rally has had them also wary.

So, some brokerage firms have in essence suspended purchases of the stock.

You can sell down or exit but you can't buy more.

Now, where will this end?

Who do you think will win?

The hedge funds or the wallstreetbet crew?

Some have asked.

Should I get in?

You can liken this to a battle between elephants and ants.

The hedge funds have deep pockets and may be willing to wait it out (even though in the short term, the losses are quite steep).

The wallstreetbet camp has also been stirred up.

That, in turn, has drawn people speculating into the stock.

The wallstreetbet camp has also moved into Dogecoin, a cryptocurrency, and pushed it up by nearly 60% in the last 24 hours.

Nobody knows how this will play out. One thing is sure: It is best not to step in-between two brawling parties.

To learn more https://t.co/GMIpNBqcBv