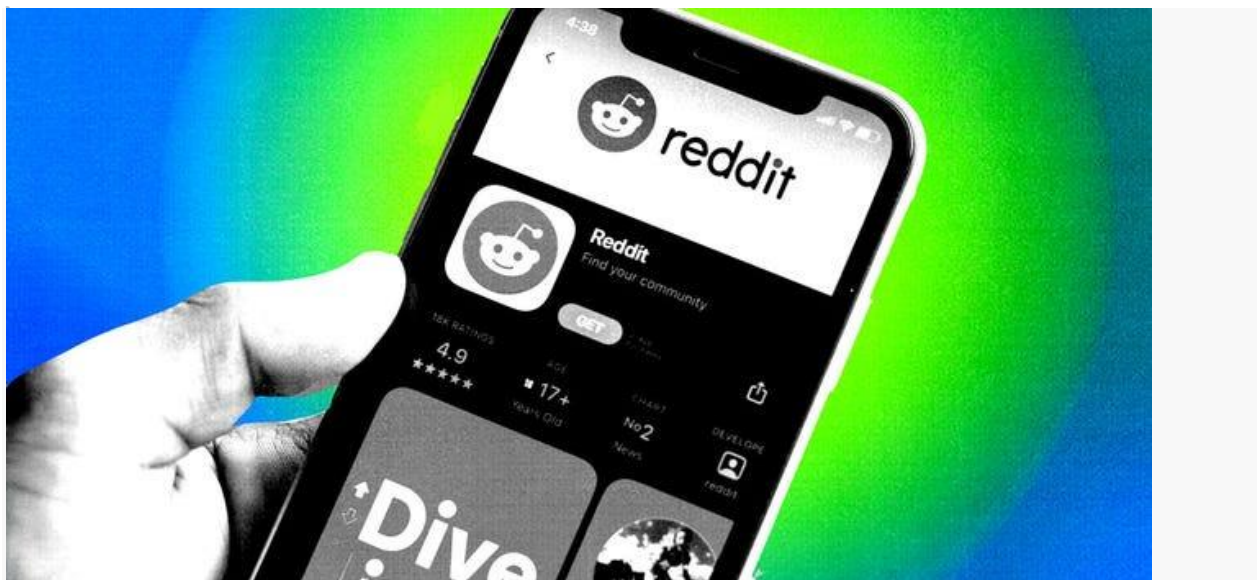


# MARKETS INSIDER

## A CIO explains why newly minted meme stocks like Reddit and Trump Media are skyrocketing



SOPA Images/Getty Images; Jenny Chang-Rodriguez/BI

- **Extreme bullishness is fueling the return of meme stock investing, CIO Stash Graham told Business Insider.**
- **He says volume for retail options trading is at levels last seen during the meme-stock mania of 2021.**
- **Last week, options trades on meme stocks such as Gamestop reached a one-year high.**

The meme stock frenzy that defined the 2021 stock market is back in force, with retail investors once again betting big on speculative stocks.

For instance, shares of Reddit and Trump Media have catapulted upwards, notching gains as high as 60% and 90% since last Monday.

That's despite the firms' questionable fundamentals; by nature, meme stocks don't move based on future outlooks or company performance, but instead trade like wagers, typically boosted by social media.

While those two firms also benefited from high-profile market debuts, enthusiasm for meme stocks isn't exclusive for them. This week also saw the OG meme stock Gamestop spike, while MicroStrategy — which has pivoted towards amassing a trove of bitcoin — has soared with few fundamentals to back it.

To Stash Graham, this rising appetite for risk-on investing is all part of a broader "everything rally," referencing the seemingly endless surge that stock markets have been riding for months now.

"Financial conditions right now, I would say, are your primary reason why we are where we are," The CIO of Graham Capital Wealth Management told Business Insider. "They are, on historical norms, very loose right now."

It ties back to the first dovish signal the Federal Reserve put out in late 2023, indicating that interest rate policy could soon reverse. That in turn has boosted investor confidence higher, with leading surveys all noting extreme bullishness, Graham cited.

For meme stocks, that's translated into a surge in derivatives trading among retail investors, he said. In fact, this activity is back to highs last seen three years ago, when meme stock mania first took over markets.

"It's very consistent with what was seen in 2021," he said. "That was the highs for the market, very into 2021; and then 2022 was obviously a historic drawdown in financial asset prices."

In the past week, retail traders drove big moves in meme stock options trading, according to [Bloomberg data](#). Trump Media recorded its second highest number of options traded on Monday, while [Gamestop](#) topped its own record for the year on Tuesday.

But such a level of derivatives activity is worrisome, Graham said, as these are all-or-nothing trades. And taking lessons from 2021, that's unlikely to be sustainable.

"That's the negative part about excessive speculation: you get valuations that just fundamentally don't make any sense," he said. "And then eventually, say maybe a quarter or two, the company has to generate earnings or earnings growth that justify these valuations or you start to see selling pressure. Then selling pressure becomes other selling pressure and short interests increase and then just the trade unwinds."