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The "Youtuberisation" of investments

The Covid-19 crisis has changed the reality as we have lived it up to now and the investment world has not been immune to this transformation.

The lockdown effect resulted in millions of people spending their time at home consuming digital entertainment content through video platforms, social networks and online discussion forums. As a result, many users took advantage of this exponential increase in the number of users to introduce a subject that until now had been alien to a large part of their usual audience: investment in financial products.

Through online investment platforms such as Robinhood, hundreds of thousands of small savers entered the financial equity markets en masse, completely transforming the fundamentals that used to govern it. Following their "gurus" who explained through YouTube, Instagram or other social networks, how to obtain abundant profits easily and quickly, a large number of users invested their savings in particularly overvalued companies (fundamentally speaking), with high volatility and high profit expectations regardless of the real situation of the company. In this way, the phenomenon of "Meme Stocks" was created: shares of companies generally in the technology sector, recognised by popular culture and with a large number of references on social networks.

As many of you may have heard, the most talked-about case of "Meme Stock" was that of GameStop, an American company that manages physical video game shops and that was going through serious economic problems derived, in part, from the Covid-19 crisis.

It all started on a popular online forum called Reddit, where one of the threads mentioned the large number of short positions by major hedge funds, accumulated by the company GameStop. The message conveyed was related to the lack of morality involved in taking advantage of a global pandemic to sink a company's share value and make a huge profit in the process.

The debate spread exponentially to the Reddit platform and across the web, prompting millions of users to start buying shares in the company en masse, which went from a price of $17.25 at the start of 2021 to $347.51 at the end of January, multiplying its initial value 20-fold and bringing huge returns to small retail investors.

On the other hand, the big hedge funds that had bet on the fall in value of GameStop shares lost billions of dollars. Even one of them, Melvin Capital, had to receive a $3 billion injection to avoid bankruptcy. The Game Stop effect spilled over to other companies such as Nokia, BlackBerry and AMC, causing a snowball effect that sent their share prices skyrocketing.

Finally, in the midst of the maelstrom, the Robinhood platform was forced to limit trading in GameStop shares, in a way altering one of the fundamental pillars of the financial world: the free capital market. We can therefore say that this was the first digital revolution applied to financial investments, a kind of class struggle that will have established a turning point, where the small fry could finally eat the big fish.

The GameStop euphoria and all that it triggered wouldn't have been possible without digital investment platforms, which have brought financial investments closer to the mainstream, regardless of wealth and/or income level. This has led to a large amount of money entering the international stock markets, following only what the most famous youtubers say, what is published on the different economic profiles on Instagram or what is commented on in the most popular threads on platforms such as Reddit or Twitter, completely leaving aside the technical aspects that governed the world of financial investments until now. An ETF (BUZZ OS) has even been created which, through artificial intelligence, selects and invests in those companies that are being most commented on in social networks, blogs and internet forums.

Today, both the regulator (SEC) and the USA Treasury are looking into the case to clarify whether there was market manipulation and/or whether it will be necessary to create new rules to regulate investment through digital platforms.

At this point, it remains to be seen whether this episode will be recorded in history books as an isolated case or whether, on the contrary, this mass approach to the financial markets will lead to a recurrence of this type of small digital revolutions.