
Weekly Market Flash

Our Last Word for 2021: Stonks

December 30, 2021

Last week, in place of our usual weekly commentary, we provided a somewhat longer than usual analysis of some of the key factors influencing our thinking as we head into 2022. This week, as we are but one day away from bidding goodbye to 2021, we will end the year on a rather lighter note with one of those “year in a word” sentiments of the kind that proliferate in the run-up to the ball dropping in Times Square and endless renditions of Auld Lang Syne. Our word: Stonks.

Stocks for Quality, Stonks for Chat Rooms

Contrary to popular opinion Elon Musk did not invent the word stonk, though he may have used it more liberally than anyone else in the past twelve months. Across the pond, “stonk” is a longstanding British term often used to add a layer of excitement or intensity to some other adjective. “That was a stonking good drinks party the other night over at the Brampton-Smythes” one might be heard saying. It can also stand on its own: “I was stonked when I aced the oral interview for Balliol College, Oxford” or something of the sort. Kind of like “chuffed” only more emphatically so.

In any event, stonks blasted into the consciousness of securities market observers on this side of the Atlantic back in the spring, when a bunch of also-ran companies like GameStop and AMC suddenly vaulted into the stratosphere for no apparent reason. A gaggle of retail traders with a proclivity for hanging out in the WallStreetBets chat room on Reddit decided that they liked these companies and even more liked the idea of taking down a few prominent hedge funds that were holding short positions. At some point along the way the prodigious Mr. Musk tweeted “Game Stonk!” and that was all she wrote.

Sticking It to the “Smart” Money

Unsurprisingly, these “meme stonks” have had their volatile ups and downs over the ensuing months, and in recent weeks we have seen something of a turn back towards quality (meaning stocks that have actual solid fundamentals as opposed to simply an army of trader bros amping up the volume in the chat rooms). But they have made a mark that we imagine will live to see another day, for the same reason that social media-inspired phenomena have gained an upper hand in other realms of the nation’s business including journalism, entertainment and politics.

The amplification effect of the social media platforms is able to effect real-world consequences, as those hedge funds shorting GameStop and its ilk learned to their dismay. The so-called smart money – the lean and mean financial boutiques with their incandescently brilliant Goldman and McKinsey alums and seductive pitch books enticing the wealthiest among us to open their wallets – often finds itself now doing little more than trolling the social media sites to figure out what comes next. Who’s buying what company’s one-day call options and what’s the likelihood of it going viral? One is reminded of that scene in “Trading Places” where one guy on the floor says “The Dukes are going to corner the frozen orange juice market!” and the other guy says “Let’s get in on it!”

We make no predictions as to how the meme darlings of 2021 will fare in the months and years to come. But we have seen enough of the power of social media, having permeated nearly every facet of our lives in its still-brief existence, to refrain from laughing this away as a bizarre once-off phenomenon. In the long

run, we still believe that a stock price is no more and no less than an encapsulation of the potential for an enterprise to generate free cash flows. But between today and the long run there is plenty of opportunity for other factors to dominate. “Stonks” indeed will live to see another day, one way or another.

Happy New Year to all!

Masood Vojdani
President & CEO

Katrina Lamb, CFA
Head of Investment Strategy & Research

Investment Advisory Services offered through MV Capital Management, Inc., a Registered Investment Advisor. MV Financial Group, Inc. and MV Capital Management, Inc. are independently owned and operated.

Please remember that past performance may not be indicative of future results. Different types of investments involve varying degrees of risk, and there can be no assurance that the future performance of any specific investment, investment strategy, or product (including the investments and/or investment strategies recommended or undertaken by MV Capital Management, Inc.), or any non-investment related content, made reference to directly or indirectly in this newsletter will be profitable, equal any corresponding indicated historical performance level(s), be suitable for your portfolio or individual situation, or prove successful. Due to various factors, including changing market conditions and/or applicable laws, the content may no longer be reflective of current opinions or positions. Moreover, you should not assume that any discussion or information contained in this newsletter serves as the receipt of, or as a substitute for, personalized investment advice from MV Capital Management, Inc. To the extent that a reader has any questions regarding the applicability of any specific issue discussed above to his/her individual situation, he/she is encouraged to consult with the professional advisor of his/her choosing. MV Capital Management, Inc. is neither a law firm nor a certified public accounting firm and no portion of the newsletter content should be construed as legal or accounting advice. A copy of the MV Capital Management, Inc.’s current written disclosure statement discussing our advisory services and fees is available for review upon request.