

Markets

Everywhere You Look Under Surging Stocks Is Fervid Retail Buying

By [Sarah Ponczek](#)

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- ▶ Firms with high retail interest are up average 93% in a month
 - ▶ Daily turnover for those is 20 times what was normal last year
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In this article

Everyone knows retail investors dived back into the market as stocks rebounded. Now, evidence is starting to build that their buying has become a key driver of the beaten-down shares that are dominating the rally.

Companies that have been soaring are in many cases the same firms that have seen skyrocketing interest at brokerages popular with individual investors. Turnover is surging: average daily volume for these stocks has occasionally been 30 times what it was in 2019.

Maybe small-time investors are just having a great run of stock-picking, but market watchers are being forced to ask to what degree retail interest has become a self-fulfilling prophesy in many parts of the market. Rallies in companies they're drawn to are a big part of the broadening gains that on Monday erased the S&P 500's loss for 2020.

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SPX
S&P 500
 3,351.28 USD
 ▲ +2.12 +0.06%

NCLH
NORWEGIAN CRUISE
 13.99 USD
 ▼ -0.25 -1.76%

1075541D
RETIREMENT GROUP/THE
 Private Company

TWTR
TWITTER INC
 37.14 USD
 ▼ -0.55 -1.46%

AAL
AMERICAN AIRLINE
 13.03 USD
 ▼ -0.01 -0.08%

“Some of these names where it’s just pure momentum, they have an outsize impact on the trade,” said John Ham, associate adviser at New England Investment and Retirement Group. “You see much more of an impact on airlines and cruise ships and low-dollar amount names.”

Retail Favorites

Stocks that have seen the largest increase in interest on Robinhood over the last month that are also in the Russell 3000

Company	Performance Since 5/8	Performance Between 2/19-3/23
American Airlines	+100% ▲	-64% ▼
Hertz	+69 ▲	-66 ▼
Delta	+63 ▲	-62 ▼
Spirit Airlines	+142 ▲	-76 ▼
MGM Resorts International	+52 ▲	-71 ▼
Invesco Mortgage Capital	+151 ▲	-71 ▼
United Airlines	+92 ▲	-67 ▼
Boeing	+73 ▲	-69 ▼
Carnival	+75 ▲	-72 ▼
Norwegian Cruise Line Holdings	+116 ▲	-81 ▼
Average	+93 ▲	-70 ▼

Source: Robintrack, Bloomberg
 Data through 6/8/2020

Fascinated with industries that fell most in the coronavirus crash -- airlines, cruise operators, auto sellers -- and egged on by Twitter impresarios and in chat rooms, tiny day traders are betting big on the recovery. And their trading has been at the very least prescient. Lured by zero trading fees, a historic selloff and probably boredom while stuck at home, the group often viewed as “dumb money” opened record new trading accounts in the first quarter. While Wall Street icons denounced the rally, retail traders kept on buying -- a decision that’s paid off as the S&P 500 jumped more than 40%.

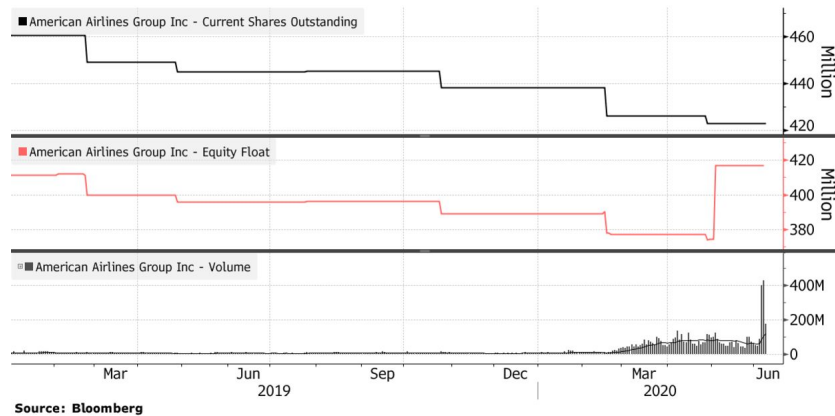
Their favorites list includes Norwegian Cruise Line Holdings Ltd., American Airlines Group Inc., United Airlines Holdings Inc., and Carnival Corp. The 10 Russell 3000 stocks that have seen their popularity rise the most over the last month on the Robinhood investing app, according to website Robintrack, are up an average of 93% since early May -- nine times the S&P 500’s return.

Conversely, six of the S&P 500’s 10 best performing stocks over the last month appear on a list of companies that have seen the biggest pickup in interest among users of Robinhood. On the surface of one particularly baffling phenomenon -- firms whose shares are surging despite having filed for bankruptcy -- the fingerprints of retail investors are everywhere.

Turnover in day-trader stocks has spiked, with average daily volume across the 10 companies roughly 20 times higher than what it was in 2019, data compiled by Bloomberg show.

High Turnover

Trading has surged in stocks like American Airlines



American Airlines, for example, has seen an average 101 million shares change hands each day over the last month -- 23 times what was normal last year. The airline has 423 million shares outstanding, of which 417 million float -- meaning those that are available to the public. Loosely put, that means every American Airlines share publicly available is traded every four days. (Since it's likely that many of these shares are held for longer periods by institutions, a smaller -- but still sizable -- pool of the company's stock is trading even more frequently.)

Norwegian Cruise Lines, up more than 100% in the last month, has seen its average daily volume balloon to 73 million -- 37 times the 2019 norm. With 254 million shares in the firm's equity float, hypothetically every share could be traded in less than four days.

Clients of TD Ameritrade Holding Corp. similarly gravitated toward companies poised to benefit most from an economic reopening in May, according to a release of the brokerage's Investor Movement Index, which has tracked clients' positioning since 2010. Some of the most popular buys included Norwegian and Southwest Airlines Co., up near 70% since mid-May.

"Although a lot of people may say that it's crazy, it has turned out pretty well," said JJ Kinahan, the chief market strategist at TD Ameritrade, who added their purchases have mostly come down to a few areas -- airlines, cruise lines, and energy stocks. "Retail investors for the last few months have been a little bit ahead of the curve. There's been a lot more perhaps optimism among retail traders around the turnaround than there has been from professionals. This continues to show that."

While many of the retail crowd's favorite stocks show up on the rally leader board, though, they're also those that fell most during the sell-off. To put it into context, the same group of 10 stocks that have seen increased interest on Robinhood and are up more than 90% in a month fell an average of 70% from Feb. 19 through March 23, double the S&P 500's decline.

"There's a very well documented tendency for investors to buy 'lottery

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tickets’,” said Jason Thomas, chief economist at AssetMark. “If you’re looking for a huge return in the near-term, a huge bump, you’re not going to go buy a consumer staples company. You’re going to buy something that is either a biotech where it’s basically an option, a binary kind of a thing, or just pick whatever has been hit the hardest.”

– *With assistance by Vildana Hajric, and Claire Ballentine*

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