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Body:
TLDR:

This post attempts to exonerate GameStop from “Meme Stock” status through an etymologic analysis of the term “Meme Stock” and deep dive into Chilean Sea Bass.

Background:

Have you ever heard of What Do You Meme? It’s a great game, I purchased it here https://www.gamestop.com/toys-collectibles/games-puzzles/card-games/products/what-do-you-meme%3F-card-game/10159187.html and the family has been playing it at get-togethers all summer long ever since. Not only do I think about the 2015 Justin Bieber classic “What do you mean” every time we play it https://youtu.be/NywWB67Z7zQ but also, yup, you guessed it - “Meme Stocks.” It almost feels silly asking but what are “Meme Stocks” anyways? In attempt to better understand this concept I’ll be exploring the following three questions in this post:

1. Where did the term come from?
2. How has the the term evolved over time?
3. How is the term being used now?

Question #1:

Where did the term “Meme Stocks” come from?

Considering how popularized “Meme Stocks” has become as a term it strikes me as odd there is neither a Wiki nor Investopedia page solely devoted to the topic on either site. Even Urban Dictionary only has two explanations on the topic https://www.urbandictionary.com/define.php?term=meme%20stock.

While I’m not sure if this is the first iteration of the term or not, in 2017 there was an experiment on Reddit called u/MemeEconomy, with an explainer here https://www.reddit.com/r/MemeEconomy/comments/5hbrnk/a_beginners_guide_to_trading_meme_stock, where it seems people began to think about and correlate the rise of certain memes with real-world investment ideas. One year later someone asked a question what “Meme Stocks” were in this post, https://www.reddit.com/r/RobinHood/comments/7kvzd7/explain_like_im_5_penny_and_meme_stocks, to which several people provided answers that reminded me of how I personally came to view “Meme Stocks” prior to 2021 - check out a few comments from the post:

- “‘Meme stock’ isn't exactly some official phrase or anything. It's just what people on here collectively refer to the generally shitty stocks that for some reason or another, get beaten to death via discussions on here and other investing subreddits (most often r/wallstreebets or r/stocks).
- “Typically, they're not good long term investments, or there is some irrational love from some redditors towards these stocks that is founded in trying to get rich quick or simply ride a wave of hype without any real knowledge of fundamentals or valuation.”
- “Meme stocks are by no means unsuccessful! They have some inherent value to them even beyond their ticker price. Having one makes your portfolio more exciting, they teach great lessons about how to handle your money, and can generate profit for you if handled correctly. edit: buuuuut, they still are memes. your portfolio shouldnt contain more than.. maybe 25% memes. Think of them as dessert in your meal”

The irony of this having been posted to the official Robinhood subreddit, given the numerous headlines over the past week declaring Robinhood the hottest new “Meme Stock” around, is not lost on me https://www.bloomberg.com/news/articles/2021-08-06/robinhood-takes-on-meme-stocks-mantle-and-their-violent-swings.

Question #2:

How has the term “Meme Stocks” evolved over time?

While I could be totally wrong, it seems as if the term “Meme Stocks” began working its way into online vocabulary 3-4 years ago. The term appears to have evolved since then and is now used in a strangely positive way, if going by Robinhood’s recent PR blitz at least.

So what changed? Let’s take a look at an article that reviews the rise of “Meme Stocks” in 2020 https://www.bloomberg.com/news/articles/2020-12-26/year-of-the-meme-stock-hertz-kodak-top-list-of-2020-highlights and presents some early explanations for the rapid growth of the term:

- “You saw an amazing amount of volume compared to normal and that came from the retail side… The dumb money was the smart money this year”
- “Lower-quality stocks -- those with negative earnings and substantial debt -- outperformed value stocks.”
- “The wild swings reflected bets by individuals, many of them new to the market, who looked to brokerage apps like Robinhood Markets to pass the time during the pandemic, especially after cashing stimulus checks.”
- “… many trades weren’t based on companies’ financials, but rather on alluring products or stories circulated through memes online by other traders. As a result, some bets turned out better than others.”

Interesting, so, that article suggests some of the top “Meme Stocks” from 2020 either had significant long-term debt (Kodak Eastman), were actively filing for bankruptcy (Hertz) or totally fraudulent (Nikola) and that the price movement was volatile because of “dumb” Retail Investors on Robinhood, new to the market and flush with “stimmy” cash… ■

Question #3:

How is the term “Meme Stocks” being used now?

Let’s recap:
1. “Meme Stocks” began emerging as a term on Reddit 3-4 years ago
2. The term has been historically associated with Retail Investors, unpredictability, volatility, momentum, risk and non-fundamental themes
3. Companies are increasingly attempting to frame themselves as “Meme Stocks”
4. “Meme Stocks” have repeatedly consisted of companies dealing with long-term debt and/or bankruptcy

You wouldn’t happen to know of any other companies that had long-term debt up until a few months ago, would you? I can think of one https://news.gamestop.com/news-releases/news-release-details/gamestop-announces-voluntary-early-redemption-senior-notes-0. If you’re noticing a pattern forming, I am too. Europcar Mobility Group, AMC, Koss, Bed Bath and Beyond - they all fit into this pattern as well - straddled with either long-term debt or expected to be bankrupted by way of COVID.

Why then, does the media seem so intent on painting Robinhood as a “Meme Stock,” with positive Retail Investor sentiment and involvement despite:

1. Having halted trading in a bunch of “Meme Stocks” in January, 2021 (infuriating Retail Investors)
2. Being currently Defendants in 30+ lawsuits
3. The CEO’s phone having been confiscated by the DOJ earlier this summer
4. Company founders heavily dumping stock on the day of their IPO

Even Thomas Peterffy, chairman of Interactive Brokers Group Inc., sounds skeptical. On Feb. 3rd, 2021 he said “It is not just little people on the long side here. There are huge players playing both sides of GameStop,” https://www.wsj.com/articles/this-hedge-fund-made-700-million-on-gamestop-11612390687 and then just recently on August 9th, 2021 https://www.ft.com/content/e35f869b-fd93-43f0-b9e8-43e6e2e631f1 “Every day we see maybe 10 accounts come to Interactive Brokers from Robinhood. In a year and a half, I’ve only seen one go the other way.” What gives?

Maybe you have enjoyed Chilean Sea Bass at some point in your life, maybe not. Did you know that Chilean Sea Bass is neither particularly Chilean nor Sea Bass at all? You might be wondering, what do you meme? What I meme is that Chilean Sea Bass is actually two species of “unattractive” fish - the Patagonian Toothfish and Antarctic Toothfish - both of which look and taste like Atlantic Cod. In 1977 a man by the name of Lee Lantz learned of this fish and it’s buttery taste and realized he could more easily sell the fish by repackaging it based on more attractive-sounding heuristics https://en.m.wikipedia.org/wiki/Patagonian_toothfish.

Now, you might be wondering, what does this have to do with “Meme Stocks”? Well, I’m suggesting that I think the term “Meme Stocks” is potentially being used by Institutional Investors to confuse and manipulate Retail Investors in a similar way as Mr. Lee Lantz and his repackaging of Patagonian and Antarctic Toothfish. Alright, if so, what’s the “ugly” thing being repackaged for people’s consumption? Those, my friends, I think are convertible bonds. The fallout from a bunch of CDS positions gone awry https://www.reddit.com/r/DDintoGME/comments/ooodfh/my_theory_of_everything. Let’s take a look at how I suspect they could be involved:

1. Prime Brokers serve as Clearing Brokers https://www.investopedia.com/terms/c/clearingbroker.asp, redistributing the debt they (Prime Brokers) have accrued by way of soured naked short CDS contracts made on behalf of “Family Offices” like Archegos Capital. Background here https://www.reddit.com/r/DDintoGME/comments/orkrur/the_man_behind_the_curtain
2. As Clearing Brokers, the underlying securities from the underlying convertible bonds of the soured CDS contracts might be loaned to Hedge Funds like Melvin Capital who are then paid a rebate by the Clearing Broker for holding the loaned shares, per https://www.investopedia.com/terms/s/securitieslending.asp:
1. “When a security is loaned, the title and the ownership are also transferred to the borrower. A loan fee, or borrow fee, is charged by a brokerage to a client for borrowing shares, along with any interest due related to the loan. The loan fee and interest are charged pursuant to a Securities Lending Agreement that must be completed before the stock is borrowed by a client. Holders of securities that are loaned receive a rebate from their brokerage.”
2. “Securities lending requires the borrower to put up collateral, whether cash, other securities, or a letter of credit.”
1. Remember when Melvin was “invested in” by Citadel and Point72? https://www.wsj.com/articles/citadel-point72-to-invest-2-75-billion-into-melvin-capital-management-11611604340
3. Maybe the riskier the loan, the larger the rebate? Bingo, per https://www.investopedia.com/terms/s/stock-loan-rebate.asp:
1. “When a security is loaned out, a loan fee is charged to the borrower of the shares, along with any interest due related to the loan. Holders of the securities that were loaned receive a portion of this fee as a rebate from their brokerage.”
2. *“When a short seller borrows shares to make delivery to the buyer, the seller must pay a rebate fee. This fee depends on the dollar amount of the sale and the availability of the shares in the marketplace. If the shares are difficult or expensive to borrow, the rebate fee will be higher.”*

Ok, that was a mouthful, but I believe the above demonstrates the ties and financial incentives between Clearinghouses, Prime / Clearing Brokers and the Hedge Funds being paid (via rebate) to take on the risk of the securities being loaned to them. I think the Melvin Capitals of the world then use the term “Meme Stocks” as one way to sway Retail Investors in an effort to reduce the exposure/risk of the underlying assets they’ve been loaned. Kind of like someone repackaging an “ugly” fish to make it more palatable.

So why does Robinhood want to be a “Meme Stock”? Maybe they don’t want to but have no choice due to the grim prospects of the business? Maybe they’re the new Chilean Sea Bass.

Conclusion:

GME, by virtue of having cleared it’s long-term debt obligations, at least in my opinion, is absolutely not a “Meme Stock” now that it is debt free and less-vulnerable to the Credit Insurance Casino https://www.reddit.com/r/Autisticats/comments/owdd16/casino_royale_credit_insurance.

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Remember, I’m just a Retail Investor who reads a lot, not a financial advisor.