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### Sentiment-Driven Market Valuations: Exploring Wall Street Bets

WallStreetBets is a hugely popular online community on Reddit where amateur traders gather to discuss stock picks, investment strategies, and to engage in highly speculative and risky trading. Known for its brash, irreverent, and meme-filled culture, the subreddit gained massive attention in early 2021 when its members banded together to drive up the stock prices of struggling companies like GameStop, taking on Wall Street hedge funds that had been betting against those companies<sup>1</sup>. The r/WallStreetBets movement showcased the power of social media-driven retail investor crowds and disrupted traditional stock market dynamics. While enabling some members to reap massive profits, it also led to significant losses for others caught up in the frenzied trading. WallStreetBets remains a raucous forum where members share YOLO ("you only live once") trades, celebrate wins and losses, and continue to embrace a high-risk, high-adrenaline approach to investing.

Ultimately, this culture has created a modern-day mob mentality approach to investing, where hordes of retail investors surge stock pricing in a more "strategic" valuation. After

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<sup>1</sup> Ryan, Patricia A., and Sriram V. Villupuram. "Financial Literacy – Evidence of Lack of Knowledge with Policy Suggestions." *Journal of Financial Education*, vol. 47, no. 2, 2021, pp. 103–16. *JSTOR*, <https://www.jstor.org/stable/48738996>.

analyzing discussion data within the subreddit, as of May 2024, the top 3 most mentioned companies within r/WallStreetBets over the past 30 days are<sup>2</sup>:

- Tesla Inc. (\$TSLA)
- Nvidia Corp. (\$NVDA)
- Trump Media & Technology Group Corp (\$DJT)

Investigating further, we can look at each company's current P/E ratio. P/E ratio or Price to Earnings ratio, is a metric used to determine the market valuation of a company against the company's earnings per share. Companies with lower P/E ratios earn more per share for the respective market valuation of the stock, as compared with companies with higher P/E ratios. Tesla currently trades at around \$181.19 per share, while their Earnings per Share (Diluted) for the trailing twelve months (TTM) ending in Mar. 2024 was \$3.92<sup>3</sup>. This means that Tesla's P/E Ratio as of now is around a 46 multiple. Nvidia has a stock price of \$887.89 per share, with a TTM EPS of \$12.05<sup>4</sup>, meaning there's a P/E ratio of around a 73 multiple. For Trump Media, their current share price is \$47.93, however there is no publicly available net income data, so we will use the available quarterly EPS data to create a proxy TTM EPS for the last 12 months. This leaves us with a \$0.37 EPS and around a 129 multiple for P/E ratio for Trump media<sup>5</sup>.

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<sup>2</sup> "Wallstreetbets Discussion Data." *WallStreetBets Discussion Data*, [www.quiverquant.com/wallstreetbets/](http://www.quiverquant.com/wallstreetbets/).

<sup>3</sup> "Tesla, Inc. (TSLA) Stock Price, News, Quote & History." *Yahoo! Finance*, Yahoo!, 3 May 2024, [finance.yahoo.com/quote/TSLA?.tsrc=fin-srch](https://finance.yahoo.com/quote/TSLA?.tsrc=fin-srch).

<sup>4</sup> "Nvidia Corporation (NVDA) Stock Price, News, Quote & History." *Yahoo! Finance*, Yahoo!, 3 May 2024, [finance.yahoo.com/quote/NVDA?.tsrc=fin-srch](https://finance.yahoo.com/quote/NVDA?.tsrc=fin-srch).

<sup>5</sup> "Trump Media & Technology Group Corp. (DJT) Stock Price, News, Quote & History." *Yahoo! Finance*, Yahoo!, 5 May 2024, [finance.yahoo.com/quote/DJT?.tsrc=fin-srch](https://finance.yahoo.com/quote/DJT?.tsrc=fin-srch).

- \$TSLA: 46.22 P/E ratio
- \$NVDA: 73.68 P/E ratio
- \$DJT: 129.54 P/E ratio

Clearly, these are historically high P/E ratios. For reference, the SP500 index's TTM P/E ratio stands around a 26 multiple<sup>6</sup>. However, we cannot conclude that there is a clear mispricing of the stock, per say, because these companies are growing quickly, and revenue growth tends to naturally be priced into these valuation metrics. Over the past 5 years, Tesla has revenue has grown 14.2% on average YoY<sup>3</sup>. For the other two, Nvidia revenue has grown 46.61% on average over the past 5 years<sup>4</sup> and Trump Media's revenue grew %183 from 2022 to 2023<sup>5</sup> (Relatively new public company so revenue data growth is very scarce). Note, that Trump Media grew in revenue to over \$4M last year, but also lost \$49M over that span.

- \$TSLA: 14.20% Rev. Growth YoY (5 year average)
- \$NVDA: 46.61% Rev. Growth YoY (5 year average)
- \$DJT: 183% Rev. Growth YoY (Past year)

Cross-referencing this data with industry specific competitors we can pick 3 market and industry related competitors to the respective companies on our list. For Tesla and the United States electric vehicle market, the next highest amount of EVs sold came from Chevrolet. Tesla led the US charge, selling over 610k electric vehicles, Chevrolet sold over 62k<sup>7</sup>. Analyzing Gm's

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<sup>6</sup> "S&P 500 Pe Ratio - 90 Year Historical Chart." *MacroTrends*, [www.macrotrends.net/2577/sp-500-pe-ratio-price-to-earnings-chart](https://www.macrotrends.net/2577/sp-500-pe-ratio-price-to-earnings-chart).

<sup>7</sup> *Electric Vehicle Sales Report — Q4 2023* —, [www.coxautoinc.com/wp-content/uploads/2024/01/Q4-2023-Kelley-Blue-Book-Electric-Vehicle-Sales-Report.pdf](https://www.coxautoinc.com/wp-content/uploads/2024/01/Q4-2023-Kelley-Blue-Book-Electric-Vehicle-Sales-Report.pdf).

(General Motors owns Chevrolet) current stock price and TTM EPS, we see that General Motors has a P/E ratio of 6.25<sup>8</sup>.

For Nvidia, their recent successes have propelled a quick takeover of the GPU production market, growing to more than 98% of the market for GPUs, due to a complete lack of meaningful competition. The next biggest competitor to Nvidia that is also not widely mentioned on WallStreetBets, is Intel<sup>9</sup>. Their current P/E ratio sits at 32.19<sup>10</sup>. Lastly, for Trump Media, the next closest competitor is IAC inc., which is an American holding company that owns brands across 100 countries<sup>11</sup>, mostly in media and Internet. IAC inc. has a current PE ratio of 22.21 as of right now<sup>12</sup>.

- (\$TSLA ) 46.22 vs (\$GM) 6.25 P/E
- (\$NVDA) 73.68 vs (\$INTC) 32.19 P/E
- (\$DJT ) 129.54 vs (\$IAC) 22.21 P/E

Clearly, this retail investor driven culture has pushed market valuations to extremely high levels, far exceeding those of relevant industry competitors. The astronomical P/E ratios indicate that these companies are being valued more on speculative frenzy rather than fundamentals.

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<sup>8</sup> “General Motors Company (GM) Stock Price, News, Quote & History.” *Yahoo! Finance*, Yahoo!, 3 May 2024, [finance.yahoo.com/quote/GM?.tsrc=fin-srch](https://finance.yahoo.com/quote/GM?.tsrc=fin-srch). Accessed 05 May 2024.

<sup>9</sup> Odell, Laura A., et al. “Key Actors in Leading-Edge IC Markets.” *Supply Chain Risk in Leading-Edge Integrated Circuits*, Institute for Defense Analyses, 2021, pp. 2-1-2–12. *JSTOR*, <http://www.jstor.org/stable/resrep30900.5>.

<sup>10</sup> “Intel Corporation (INTC) Stock Price, News, Quote & History.” *Yahoo! Finance*, Yahoo!, 5 May 2024, [finance.yahoo.com/quote/INTC?.tsrc=fin-srch](https://finance.yahoo.com/quote/INTC?.tsrc=fin-srch). Accessed 05 May 2024.

<sup>11</sup> “IAC Inc - Company Profile and News.” *Bloomberg.Com*, Bloomberg, [www.bloomberg.com/profile/company/IAC:US?](https://www.bloomberg.com/profile/company/IAC:US?)

<sup>12</sup> *IAC Inc. (IAC) Stock Price, News, Quote & History - Yahoo Finance*, [finance.yahoo.com/quote/IAC/](https://finance.yahoo.com/quote/IAC/).

While revenue growth has been strong for these companies, it does not fully justify the wild disparities in P/E multiples compared to peers. Tesla trades at a P/E over 7 times higher than GM, Nvidia at over double Intel's P/E, and Trump Media's P/E dwarfs that of the diversified media giant IAC.

The WallStreetBets phenomenon taps into the powerful influence of social media and online crowd dynamics. The subreddit's culture and encouragement of high-risk, high-reward bets create a feedback loop where members pile into the same hyped stocks, driving prices higher in a self-fulfilling prophesy. This modern-day "herd mentality" allows narratives to overwhelm traditional fundamental analysis. The massive run-ups leave WallStreetBets' favorites vulnerable to severe price corrections should narrative dominance fade. Only time will tell if the propagation of these companies is truly sustainable in the long run.

In conclusion, the WallStreetBets movement has reshaped how stocks are valued in today's social media era. Fueled by online crowd behavior, it has minted fortunes for some but also amplified market irrationality. As it continues disrupting traditional investing, distinguishing hype from fundamentals will remain critical for investors. These guys are clearly betting big.

## Sources

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