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Stock Market Investing Tips, Techniques, and Resources



Predicting the Next Retail Investment Frenzy

By www.ProfitableInvestingTips.com

The retail investor frenzy is pivoting from Gamestop to silver. Because little of this is based on fundamentals, is retail frenzy sentiment prediction possible? We noted in our article about [market sentiment data](#) that you used to be able to predict stock price changes by watching what information people were searching for on Google the week before. That time frame has shortened and the focus today is on social media like Reddit where retail investors share their trades and pile on to promising trades like [Gamestop](#).

Trading and Investing Based on Market Sentiment

The usual clues to changes in market sentiment are to be found by following the VIX index, put to call ratios, the market aversion of or love for safe haven assets like the US dollar, and the breath stock prices. And, in a normal stock trading environment, investors and traders have time to consider their moves. That breathing space is getting shorter due to the emergence of a social media-driven feeding frenzy that has just pivoted from [Gamestop to silver](#) according to *Reuters*.

Silver broke above \$30 an ounce for the first time since 2013 on Monday as an army of retail traders stormed into the metal after betting billions of dollars on stocks last week, triggering risks of a multi-asset melt-up in global markets.

The action in silver, following thousands of Reddit posts and hundreds of YouTube videos suggests that a rise in the physical price could hurt large investors with bearish bets, also marks a foray into a much bigger and more liquid market than individual stocks.

This new force in the investing world has the power to drive prices on chosen targets higher in a big hurry only to leave the chosen target in a precarious position once the herd of retail investors moves on to their next target. Because all of this happens outside of the world of fundamentals, traders are left with the analysis of very short term market sentiment as their only recourse, other than avoiding these trades completely.

Investing According to You Tube and Reddit

Reddit calls itself the front page of the internet and includes a group of online “communities.” Prevalent among them during the stock trading frenzy are Wall Street Bets, Robinhood, investing, stock market, and options forums. Retail investors who follow these forums, share their trades, and invest based on the most recent posts managed to drive Gamestop to stratospheric levels before moving to other targets. Some of the posts offer reasoned explanations and some simply are opinions. The sentiment that they produce drives markets and can have huge impacts as more and more readers pile on. Investors post videos on You Tube as well in which they explain their reasoning, hoot about their profits, and try to convince more people to get into the game.

How Much of This Is Pump and Dump?

We wrote about the [bitcoin pump and dump](#) at the end of 2019. To the extent that someone has the money to trade, can afford to lose it, and have a professional skill set, they are welcome to bet on this sort of trading. Our concern is that those who are simply betting on stock or silver price rises and basing their bets on a quick look at a You Tube video, are more likely to get hurt in the end than make money. FOMO (fear of missing out) seems to be a big motivator in this situation. If you are going to make money in the midst of a retail investor frenzy you will need to move quickly, accept a reasonable profit, and leave before the rest of the crowd. Otherwise, you will be like too many who put the second mortgage on their home in order to buy bitcoin at \$19,000 before it fell back to \$6,000 or bought at \$40,000 before it fell back to \$33,000. In regard to silver, some of us still remember when the Hunt brothers tried to corner the silver market and Silver Thursday when the precious metal fell from over \$100 an ounce back to \$10 and later back to \$6.

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