

From GameStop to Newsmax: Meme Stocks and Modern Investing

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In early 2021, a handful of out-of-favor stocks, including GameStop and AMC Entertainment, suddenly skyrocketed in price, defying all traditional valuation logic and heralding the rise of the "meme stock" phenomenon.

A *meme stock* is a company whose shares jump sharply due to viral attention and enthusiastic online followings rather than because of business fundamentals. What began as a niche internet rebellion—fueled by social media forums and a new generation of retail investors—has since evolved into a movement that challenges how investors think about market valuation, volatility, and investor behavior in modern finance.

This article explores the financial and economic implications of meme stocks for today's investing philosophy. It traces the phenomenon from its GameStop origins to recent surges like Newsmax and examines how it is reshaping investors' understanding of market movements.

The Birth of the Meme Stock Phenomenon: GameStop, AMC, and the Reddit Rally

In January 2021, GameStop — a brick-and-mortar video game retailer many analysts consider to be in terminal decline — became the epicenter of an unprecedented stock market frenzy. Organized by a Reddit community, legions of small investors began snapping up GameStop shares and call options, propelling the stock to unimaginable heights.

The numbers were staggering: GameStop's share price surged by around 1,600% in a matter of weeks in January 2021. Major institutional short sellers suffered billions in losses. The David vs. Goliath narrative of ordinary "David" traders banding together to squeeze Wall Street "Goliaths" captured the public imagination.

Almost overnight, AMC Entertainment (AMC), the country's largest movie theater chain, hit hard by pandemic closures, was swept up in a similar frenzy. AMC's stock suddenly spiked over 800% during the January 2021 frenzy as Reddit traders rallied to buy and hold the shares. Like GameStop, AMC was heavily shorted by hedge funds, making it a ripe target for a short squeeze. These online investors hoped to force short sellers to buy back shares at huge losses by driving up the price. This retail-driven surge defied conventional wisdom and proved that a coordinated swarm of amateur traders on social media could move markets in a way previously thought impossible.

One of the most profound implications of the meme stock era has been reconsidering what drives a stock's value. Traditionally, investors have looked at earnings, cash flow, growth prospects, and other fundamentals. Meme stock surges have turned that fundamental analysis on its head: a stock's price can explode simply because enough people decided to buy and hold it en masse.

Crucially, the meme stock phenomenon has called into question the idea that markets price in all available information. During the peaks of GameStop, AMC, and other meme stock surges, prices reflected collective belief (or, at times, collective delusion) rather than intrinsic value.

While the initial meme stock wave subsided by late 2021, the spirit of the movement has not

disappeared. The latest chapter in this saga has been the rise of Newsmax Media as a meme stock in 2025. Newsmax, a conservative news channel and media company went public on the NYSE at the end of March 2025, immediately becoming the focus of a fervent trading frenzy. On its first day of trading, Newsmax's stock opened at \$14 (after being priced at \$10) and astonishingly surged over 500% within hours, hitting about \$62.50 by midday?

The stock ultimately closed its debut up roughly 400% and continued to climb the next day. By its second trading day, Newsmax's valuation had eclipsed \$16 billion, making the modestly sized channel more valuable than decades-old media stalwarts?. However, on Wednesday, the company's share price fell a staggering -76.83%.

The upward catalyst in this case was not a classic short squeeze (there was little time for short interest to build) but rather political and ideological enthusiasm: Newsmax's CEO had positioned the company as a benefactor of the "Trump bump" in ratings, even quipping on social media that "A rising Trump lifts all boats!"?

A New Investing Philosophy: Lessons and Legacy

What does the meme stock phenomenon mean for the investing philosophy in the future? In the past, retail investors have been told to ignore fads, focus on fundamentals, diversify, and think long-term. Those principles still apply. However, the events since 2021 have added new dimensions to market wisdom:

1. **Online sentiment can dramatically move prices.** Tracking Twitter or Reddit buzz is now part of the toolset for many traders and even some institutional investors. In other words, the herd's psychology can matter as much as a P/E ratio in the short run?. Modern investing philosophy must account for the virality of ideas in an internet-connected crowd.
2. **Retail Investors as a Force.** The "little guys" can collectively play a role in the big league now. No longer dismissed as irrelevant, retail order flow can swing a stock?. Market power dynamics have shifted slightly toward the public, and that's a philosophical change from a purely top-down, institution-driven model.
3. **Reevaluating 'Intrinsic Value'.** Value investors have been reminded that markets can sever the link with intrinsic value for extended periods. This doesn't invalidate fundamental analysis but shows the need to recognize that non-fundamental factors (momentum, narratives, technical distortions) can sometimes dominate.
4. **The Long Game Prevails (Eventually).** Finally, even though meme stocks can defy gravity, they almost always come back down to earth. This has reinforced a classic tenet: in the long run, stock prices do gravitate toward fundamentals. For seasoned investors, the lesson is to avoid getting swept up in mania.

The meme stock phenomenon is often portrayed as a quirky product of its time: a perfect storm of lockdown boredom, stimulus cash, social media virality, and a dash of anti-establishment fervor. All that is true. But its legacy is more than just a financial footnote or a Hollywood story of "what happened when Reddit took on Wall Street." It has prompted tangible questions about how markets operate and people approach investing. It showcases the power of financial democratization, for better or worse – millions now realize they can collectively influence the market's narrative. It also served as a cautionary tale about volatility and speculation in an age where almost everybody is instantly connected.

In an era where a tweet can sway a stock and "meme rallies" can mint or erase fortunes

overnight, adaptability and awareness have become key virtues for investors and institutions alike. Whether one chooses to fight this tide, ride it, or avoid it altogether – it's an unquestionable consideration in modern investing philosophy.

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