

A photograph of a GameStop store sign. The sign is mounted on a dark, textured wall. The word "Game" is in white, and "Stop" is in red. The sign is slightly angled upwards.

**GameStop**



**DOES GAMESTOP (GME)  
SPELL GAME OVER?**

# Agenda

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- Reddit targets: Gamestop + others
- The future for short sellers
- Options markets
- Robinhood and trading on margin
- Prime brokers and financial market plumbing
- ETF composition
- Investment Outlook



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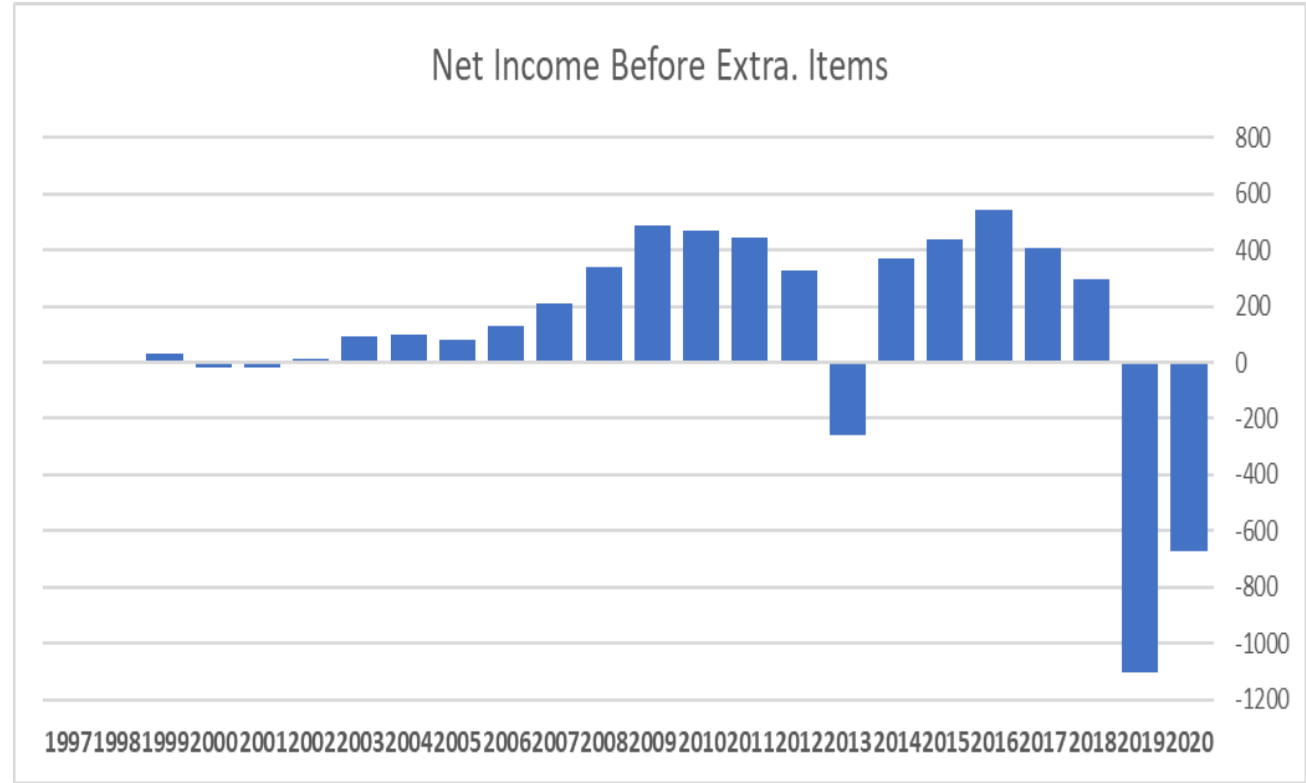
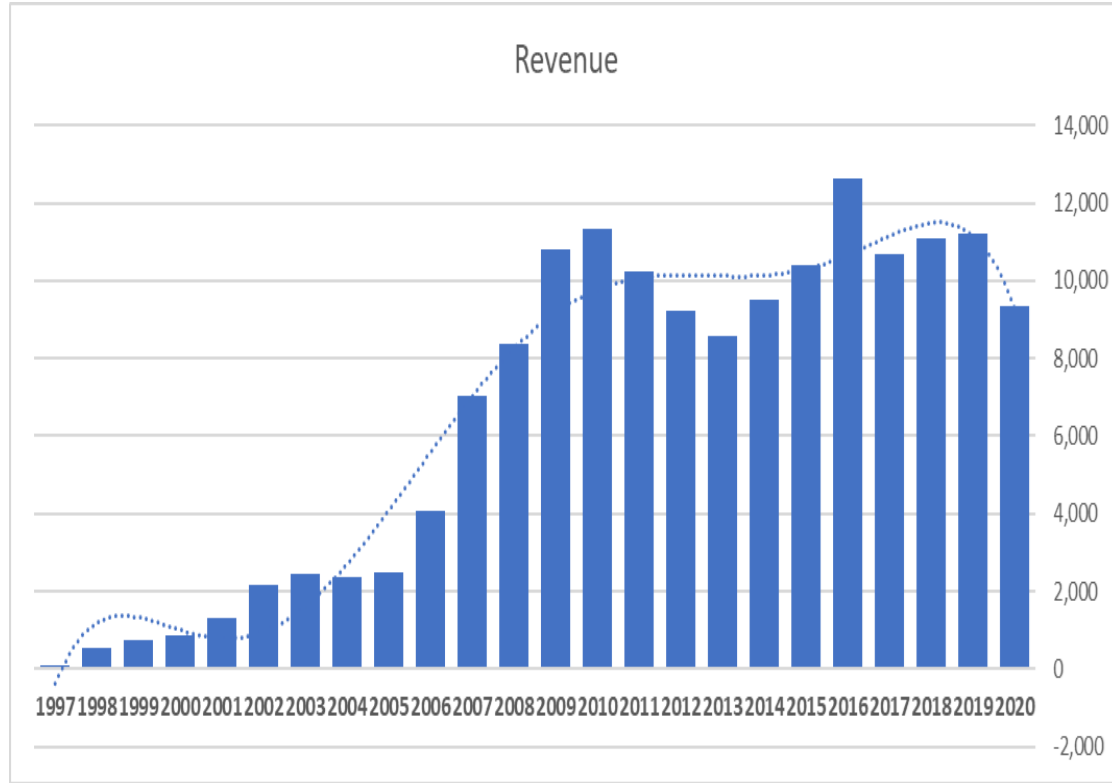
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# Reddit Targets: Gamestop Fundamentals



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# Reddit Targets: Share price performance

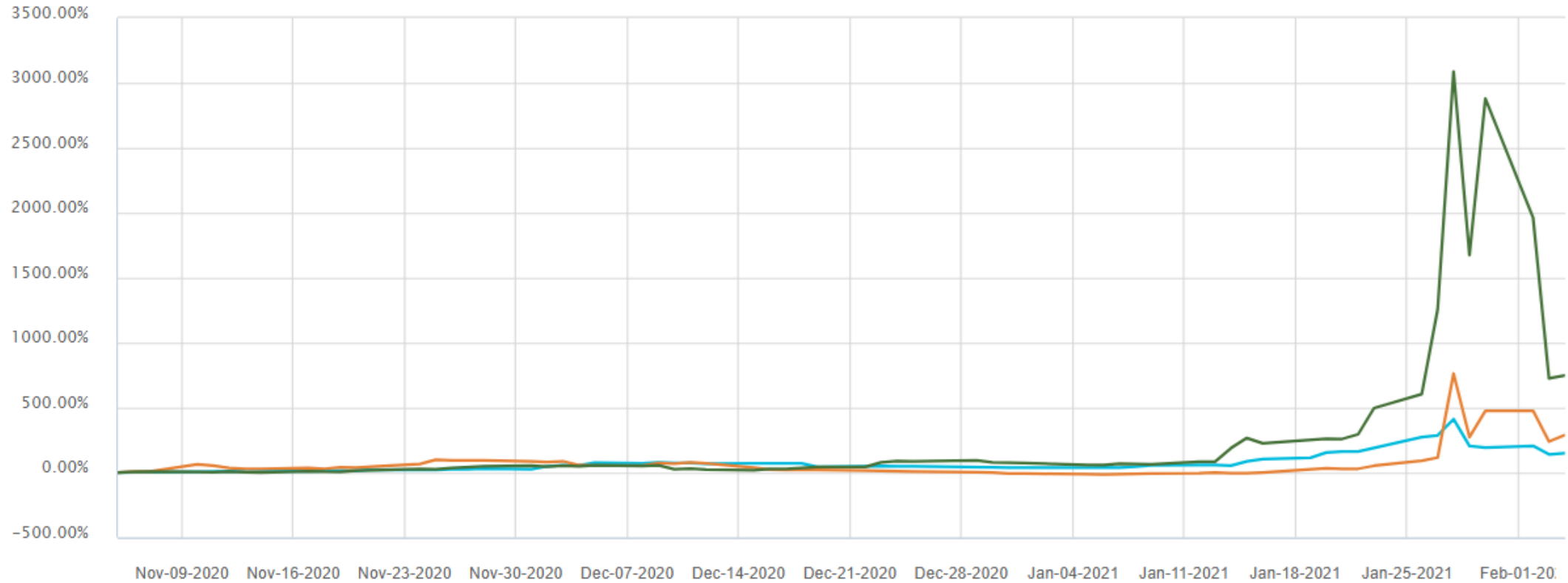
BB Share Pricing : 148.54%

AMC Share Pricing : 288.31%

GME Share Pricing : 747.02%

Pane 1

Right click in the pane to export and for more options



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# Short Sellers: Fundamental problems?

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- 3 types: fundamental, leveraged, black hat
- Market can stay irrational longer than you can stay solvent
- Position sizing
- Free float
- Price insensitive buyers
- Long short hedge funds



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# Options Markets: Exploiting flaws

- Exploiting gamma squeeze
- Market makers providing leverage to retail investors
- Structurally higher call prices? 1987 replay for puts



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# Robin hood: When the product is free, you are the product

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- Not just Robinhood
- Effect of trading on margin
- Capital buffers on 30% vol different to 800% vol
- Hedge funds with their “finger on the scale”?
- Political involvement?
- It all nets out at a macro level. But at a micro level, individual defaults can cause massive issues (see Lehmann Bros)



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# Prime brokers: Financial market plumbing

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- Providing leverage to system
- Melvin Capital down 50%+ in January
- Question mark on whether they will scale back risk taking?



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# ETF Composition: Buyer beware...

Figure 1. US-Listed ETF with >3% Exposure to GameStop (GME)

ETF Ticker	Name	GME Port %	AUM	Use Case	Next Rebalance Date
GAMR	Wedbush ETFMG Video Game Tech	33.90%	189	Retail/Advisor	19-Mar
XRT	SPDR S&P Retail	22.11%	664	Institutional Trading Tools	19-Mar
XSVM	Invesco S&P SmallCap Value with Momentum	16.42%	138	Retail/Advisor	18-Jun
RWJ	Invesco S&P SmallCap 600 Revenue	14.50%	388	Retail/Advisor	19-Mar
PSCD	Invesco S&P SmallCap Consumer Discretionary	13.21%	38	Retail/Advisor	19-Mar
SYLD	Cambria Shareholder Yield	8.95%	103	Retail/Advisor	Active
IUSS	Invesco RAFI Strategic US Small Company	8.43%	33	Retail/Advisor	18-Jun
RETL	Direxion Daily Retail Bull 3x Shares	6.99%	121	Leveraged Tactical	19-Mar
SSLY	Syntax Stratified SmallCap	4.28%	19	Retail/Advisor	19-Mar
IWC	iShares Micro-Cap	4.23%	1,145	Retail/Advisor	25-Jun
EWSC	Invesco S&P SmallCap 600 Equal Weight	3.92%	35	Retail/Advisor	19-Mar

Source: Bloomberg, Citi Research. Leveraged ETF highlighted above – GME Port % understates exposure.



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# Reddit Targets: What Next?

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- Silver?
- Options pricing / gamma squeeze
- Margin requirements
- Robinhood backlash
- Internet mobs
- Oodles of liquidity, fundamentals difficult to assess
- Sign we are close to the top



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# Investment Outlook

## Dancing, but near the door

### Key positive factors

- Government stimulus
- Low probability of US tax hikes
- Earnings very good
- Inequality to increase

### Other positive factors

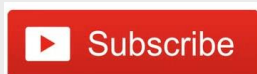
- Bankruptcies limited
- Evictions limited
- Mortgage repayment holidays
- Wage growth very low
- Capital efficiency
- Low oil prices
- Vaccine hope
- Policy certainty
- Structural change in industries leading to cost efficiencies

### Key negative factors

- Virus in Northern Hemisphere
- Valuation
- Latent bankruptcies
- Low genuine credit growth

### Other negative factors

- Short term gap in US economic conditions
- Inequality longer-term effects
- Effects gradually rolling off
- Structural change in industries leading to weak demand
- Cycle
- Demand weak
- Australian stimulus badly targeted



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# Viewer question of the week

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What's next for the Reddit retail army?

Drop your answers in the comments



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# Coming up:

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[YouTube.com/NucleusWealth](https://www.youtube.com/NucleusWealth)

next

Thursday, 11<sup>th</sup> February 2021



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