

Truth Social: Why Donald Trump's social media 'meme stock' surged and fell by over US\$1 billion within a week

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Trump Media stock has now dipped below its pre-surge level. Credit: Yahoo Finance

Donald Trump's social media platform, Truth Social, went public on Tuesday March 26. Shares in parent company Trump Media & Technology Group surged 15% after its first day of trading on the Nasdaq stock exchange, [adding US\\$1.1 billion](#) (£876 million) to the company's value.

Trump [wrote](#) "I LOVE TRUTH SOCIAL" on the platform, echoing the sentiment of "I just like the stock" from the GameStop [share](#) rally that occurred in January 2021. For those who do not remember the GameStop case, shares in the Texan computer games [retail chain](#) experienced an unprecedented surge in prices following the activity of retail investors on the social media platform, Reddit.

Millions of investors from Reddit's WallStreetBets community pushed GameStop shares from US\$20 to US\$480 during the January "short squeeze", in which they drove some [hedge funds](#) into heavy losses after forcing them to liquidate massive bets against the stock. The power of small, amateur investors to outplay Wall Street giants was celebrated all over the internet, and even inspired the 2023 film Dumb Money.

It appears that the Trump Media stock is yet another example of a so-called "[meme stock](#)", whose popularity is driven by social media activities and memes posted on various platforms, such as Truth Social.

However, while similarities with GameStop are apparent, the Trump Media movement looks unlikely to be as successful. On Monday April 1, less than a week after it began trading, shares of Trump Media [fell](#) by more than 20%.

Meme stock explained

The social media hype around GameStop originated from within a community of retail investors that took a "David v Goliath" mentality. The firm behind Truth Social has tried to cultivate a similar sentiment of "small guys" resisting Big Tech censorship.

Devin Nunes, the CEO of Trump Media, [stated](#): "As a public company, we will passionately pursue our vision to build a movement to reclaim the internet from big tech censors".

However, Trump Media stocks are directly linked to the exceptionally famous persona of Donald Trump, who owns [58% of the shares](#). Thus, parallels could be drawn with PR campaigns that have been launched for crypto assets, such as NFTs (non-fungible tokens), where celebrities are often used to attract investors to the projects.

The Trump media stock is undoubtedly appealing to his loyal supporters, who appear to have fueled the surge in price. But meme stocks may attract a broader range of investors due to the social media hype.

That is why it is important to understand that investing in any meme stock or "meme coin" is a risky endeavor. Surges in price that cannot be explained by any company fundamentals are called asset price bubbles. Speculative bubbles are quite common in financial and cryptocurrency markets and offer opportunities to generate abnormal returns in a short period of time.

However, they can be risky for investors as they have a tendency to burst. Participating in such speculative behavior is typically considered irrational since it is extremely hard to [justify the growth](#) of the price.

More importantly, it is nearly impossible to predict exactly when the bubble will burst. Retail investors should be cautious and definitely should not make decisions based solely on social media announcements

regarding public figures.

How long do meme stock surges last?

The share price of Trump Media has now dipped to almost pre-surge levels. For many retail investors, it is fair to assume that it is yet again too late to get abnormal returns on this surge. This is because the price of a meme stock tends to simply fluctuate after the initial surge.

Trump Media stock plummets within a week of going public

Only the long-term growth potential of an asset should be assessed to generate somewhat stable returns in the future. However, the long-term stock performance is rarely assessed when it comes to meme stocks, as investors in these stocks tend to have a very short investment horizon.

Following the cryptocurrency market crash in 2022, many retail investors [lost their savings](#) as the bubble burst. Many of the collapsed crypto assets were meme coins that had been promoted by celebrities. [Dogecoin](#), for example, was promoted by Elon Musk.

Celebrities have immense power to influence the public. But when it comes to financial decisions, the ethical implications of those campaigns are often not considered.

Exercising caution

At the time of writing, there is yet another bullish trend in cryptocurrency prices, particularly in [Bitcoin](#). Yet there is still no clarity in regulation or consumer protection, and there has been no regulatory response to concerns about the environmental impacts of Bitcoin mining.

Some experts who invest in cryptocurrency and have direct financial benefit from surges in prices would, of course, argue that the rally is not a bubble and prices will keep growing. However, it might be unethical to expose consumers to unjustified risks.

According to some [studies](#), awareness of the [green critiques](#) associated with cryptocurrency markets is growing. But [recent research](#) that I conducted with my colleagues shows that retail investors generally do not care. Understanding that crypto is "unsustainable" and "somewhat unethical" does not decrease the odds of investing in crypto assets among [retail investors](#).

The movement in Trump Media's share price will have been backed by Trump supporters. But it will also have attracted some investors who simply wanted to partake in this share rally, even if they do not share Trump's political views. The desire to make money quickly is one of the main driving factors of meme stock investments, and social media campaigns are great fuel for this sentiment.

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