



How to Spot the Next Reddit Stock

Description

Reddit stocks have been top performers this year. Users of the niche social media platform have managed to coordinate [short squeezes](#) on esoteric and unlikely stocks, creating unimaginable wealth for those who got in early. Some of these stocks have retained their value because of the same collective action.

Here's why this phenomenon is probably here to stay and how you can spot the next Reddit stock early.

Old tricks; new players

Here's what you should know: short squeezes are not new or innovative. In fact, they date back to 1901, when investors successfully orchestrated a short squeeze of Northern Pacific shares.

Volkswagen shares were the target of a short squeeze that briefly made it the most valuable company in the world in 2008.

However, these short squeezes could only be pulled off by the largest investors. After all, this strategy requires tremendous scale, lots of capital, and plenty of patience. Retail investors never had the capital or the cooperation needed to pull this off — until social media became mainstream.

This is why retail investors, with as little as \$5, can collectively work together on Reddit and successfully pull off short squeezes. The only way this phenomenon dies is if regulators step in and implement new rules. Until then, the strategy is both lucrative and perfectly legal. This means you probably still have a chance to get in.

Spotting a potential Reddit stock

Perhaps the easiest way to spot the Reddit stock is to simply be active on Reddit. The *WallStreetBets* forum is where all these squeezes have originated from. You could consider joining the other 10 million people on the forum right now.

However, if you want to preempt their moves, you may want to keep an eye out for companies that have excessive short interest as a proportion of float. In other words, most of their outstanding shares have been borrowed by short sellers betting against the company.

HIVE Blockchain Technologies ([TSXV:HIVE](#)) is the perfect example. [23.5% of Hive stock's daily traded volume](#) is based on short bets. That means institutional investors and hedge funds are betting against this company pretty aggressively.

The fact that HIVE is a Bitcoin miner makes it even more meme-worthy. Retail investors are overexposed to Bitcoin and cryptocurrencies are pretty popular on Reddit's investor forums. That means HIVE could be a potential Reddit stock.

Bottom line

Reddit stocks are a new phenomenon based on old tricks. Rich, well-connected investors have been pulling off short squeezes for over a century. However, the scale, capital, and patience needed for these strategies put them beyond the reach of common investors. Social media like Reddit changes that. This is why investors need to be more actively involved.

The next Reddit short-squeeze target is probably a meme-worthy cryptocurrency mining company with heavy short interest, like Hive Blockchain Tech. Keep an eye on this trend.

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