



Reddit Stocks: It's Not Investing, It's Gambling

Description

Reddit stocks. Meme stocks. Whatever you want to call them. It's been a craze that's developed after a year of insane growth coming out of the COVID-19 market crash in March 2020. Motley Fool investors have also been hungry for this growth, seeing shares in companies like **GameStop** ([NYSE:GME](#)) stock and **BlackBerry** ([TSX:BB](#))([NYSE:BB](#)) stock climb sky high practically overnight.

But if Motley Fool investors were at all curious whether this type of investing was true investing or gambling, there's an easy way to identify it.

It's in the name itself.

WallStreetBets

The subreddit on the social news aggregate site WallStreetBets has the answer in its name. These retail investors put their cash behind Reddit stocks like GameStop stock and BlackBerry stock knowing they can feed into the frenzy.

What this means is these investors aren't basing their decisions on fundamentals or future growth (well, long-term growth that is). Instead, they're making a bet. A bet that they can band together to make as much money in as short a time as possible.

And that's what gambling is. Make a bet, trying to make as much cash in as short a time as possible.

That's not investing.

Motley Fool investors can already see the fallout with GameStop stock and BlackBerry stock. Shares in the former of these Reddit stocks rose 1,744% in the month of January alone. Shares then plummeted by 84%, then climbed by 465% from February to June, before sinking back down again by 45% in the last month. This rollercoaster ride is enough to make anyone vomit.

Then there's the latter, which wasn't nearly as high but still quite as sickening. BlackBerry stock rose

278% in the month of January, crashed 54% by February, kept falling until May, then climbed by almost 100%! After that point, shares have been on a [steady decline](#), down 33% since June.

The most frustrating part?

What's insanely frustrating about all this is that *these are [good companies](#)*! GameStop stock is a fantastic company for the future of both gaming and e-commerce. And BlackBerry stock and its movement toward creating cybersecurity for enterprise companies and autonomous vehicles will be a necessity in the next decade. But right now, the fundamentals aren't there. All because of retail investors and Reddit stocks.

It's horrible for the companies as well. I mean true, they get front-page headlines and investors will continue to watch them for quite some time. However, it also means these Reddit stocks will continue to be incredibly risky, and likely not recommended by financial institutions for quite some time.

In fact, I'm definitely one of them. Instead of investing in Reddit stocks, there's an easier and far safer way to get in on the tech boom.

Reduce risk, buy diverse

If you want exposure to the growth in technology, there are exchange-traded funds (ETF) to consider instead. This way, you can let managers choose the strong technology companies for your future, rather than put your cash on Reddit stocks and risk losing it all.

For me, I would go with the **S&P/TSX Capped Information Technology Index ETF** ([TSX:XIT](#)). This takes the top tech stocks on the **TSX** and puts it all in one ETF for investors. And shares have been doing quite well, and without the major dips and dives of Reddit stocks.

Currently, shares are up 30% in the last year alone. But it's been around far longer. In the last five years, shares are up 317% for a compound annual growth rate (CAGR) of 33%! Yet it remains cheap, with a price-to-earnings (P/E) ratio of just 3.8!

As the world becomes even more heavily invested in tech, you can be sure this ETF will be a solid investment for your portfolio. And not just a [random bet](#).

CATEGORY

1. Investing
2. Personal Finance
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TICKERS GLOBAL

1. NYSE:BB (BlackBerry)
2. NYSE:GME (GameStop Corp.)
3. TSX:BB (BlackBerry)
4. TSX:XIT (iShares S&P/TSX Capped Information Technology Index ETF)

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