



Rivian (NASDAQ:RIVN): Why it Surged Again in Early September

Description

Rivian ([NASDAQ:RIVN](#)) is a stock you probably haven't heard much about in recent months. The company made a huge stir when it went public in August 2021 and quickly rocketed to a \$100 billion market cap (market cap means the value of all the shares that exist). A lot of investors made quick gains when Rivian rallied after its offering, but the stock collapsed later.

For the most part, Rivian has stayed down after its post-IPO (initial public offering) collapse. The company has only a \$31 billion market cap today, which is 69% lower than the peak level. However, the stock did see a brief rally in early September. From September 7 to September 14, RIVN stock abruptly jumped 20%, before giving up the gains later in the month. In this article, I will explore some reasons why Rivian rallied earlier this month and why I don't expect the gains to start up again anytime soon.

Inflation reduction act spurs buying

One possible reason why Rivian rallied near the start of September is because the U.S. [Inflation Reduction Act](#) passed around that time.

The Inflation Reduction Act is a U.S. law that incentivizes a variety of activities meant to control inflation. One of those is buying [electric vehicles \(EVs\)](#). A big contributor to inflation this year has been rising gasoline prices. Oil prices rose earlier in the year due to supply chain issues and the war in Ukraine, and it caused a rapid spike in inflation. Not only did gasoline rise in price, other goods and services that depend on gas did as well — for example, food and air travel.

By incentivizing people to buy EVs, the price of gasoline could go down. It remains to be seen whether such a measure would reduce *overall* inflation, as EVs increase demand for electricity. Nevertheless, the U.S. Senate went ahead with its pro-EV measures in the inflation reduction act. The act removed the previous cap on EV tax credits, which had made it so that certain models lost eligibility for tax credits after 200,000 cars were sold. Under the inflation reduction act, there is no longer a 200,000 cap on the number of cars a manufacturer can sell. EV stocks, including Rivian, rallied after the act passed.

Growth ETFs continue to see buying

Another factor that may have taken Rivian higher in September was buying by growth ETFs (exchange-traded funds).

ETFs like the **Ark Innovation ETF** are still seeing inflows, despite the heavy losses they have sustained this year. ARKK itself does not own Rivian, but many other medium-cap tech ETFs (i.e., tech ETFs focused on medium-sized growth companies) do. If some of these other ETFs are still collecting billions of dollars in inflows like ARKK is, they may have enough purchasing power to push Rivian's price upward.

It doesn't look like that's happening anymore, as Rivian has given up the gains it made earlier in the month. But it could have been happening in the second week of September when the rally was still underway.

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