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Robinhood blocks purchase of Game Stop stock, Colorado lawmaker calling for investigation



It was almost game over for Game Stop until a group of investors on the social media platform Reddit banded together to put the squeeze on Wall Street.



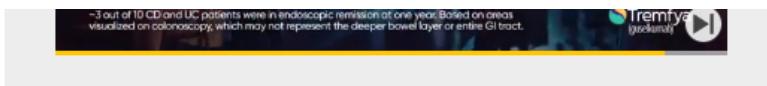
Posted 9:29 PM, Jan 28, 2021 and last updated 10:47 PM, Jan 28, 2021

AURORA, Colo. — It was almost game over for Game Stop, until a group of investors on the social media platform Reddit banded together to put the squeeze on Wall Street.

"I would really tell people not to buy GameStop or anything that is surged as much as it has for any reason," Allan Roth said.

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Roth started Wealth Logic, an hourly based financial investment firm. He cautions possible investors not to buy into the hype.

"Emotions are your biggest enemy, emotions and expenses, when it comes to investing," Roth explains.

Emotion is what played a part as to why a small subgroup of Reddit users [began buying up the stock](#) of some struggling companies like Game Stop, AMC and Nokia. The group's creator spoke to CNN this week saying even he was surprised how quickly this took off.

That Reddit group of investors bought a lot of stock of those companies because Wall Street bet against them.



Large investors sometimes borrow shares in hopes of selling high back to the lender and then buy it back in the future at a lower price. It's called short selling.

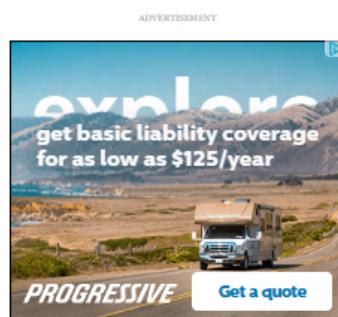
"What many hedge firms have had to do is buy it back at a much higher price resulting in massive losses for many people who are investors in these hedge funds," said Chris Hughen, associate professor of finance at Denver University.

Hughen calls this act from the Reddit group symbolic of what's going on in society during the pandemic.

"A lot of high net worth individuals have had much invested in the stock market, and they've been able to work from home. They haven't suffered as much from the pandemic as many people in lower income brackets," Hughen said.

The meteoric rise in stock prices caused trading apps like Robinhood to press the pause button.

Alex Kelley tried to buy a modest \$150 worth of stock Wednesday night on Robinhood's app. Thursday morning he found out the transaction didn't go through.



"Honestly, when I got denied I was like, 'oh well, I guess I don't get to be in on the fun,'" Kelley said.

Hughen said it's not the first time trading companies have nated the ability to buy stocks.

"I think Robinhood is probably doing what they need to do in order to keep their investors and their clients safe. While this particular case is getting a lot of press, it's not unusual for a brokerage firm to restrict trade when borrowing money," Hughen said.



Vlad Tenev · Jan 28, 2021
Replying to @vladtenev
To be clear, this decision was not made on the direction of any market maker we route to or other market participants.

Vlad Tenev · Jan 28, 2021
Starting tomorrow, we plan to allow limited buys of these securities. We'll continue to monitor the situation and make adjustments as needed.

2:15 PM · Jan 28, 2021

749 · Reply · Copy link · Read 4.2K replies

Robinhood's co-founder tweeted Thursday it will allow some stocks of Game Stop to be purchased on Friday, but state representative Dave Williams is already calling on an investigation into Robinhood's action. Williams wrote a letter to Colorado Attorney General Phil Weiser calling Robinhood's actions market manipulation.



Lauren Boebert · Jan 28, 2021
First Big Tech censored conservatives.

Now it appears Big Tech is colluding with Wall Street to bailout hedge funds after private investors beat them at their own game.

Congress should subpoena Robinhood & anyone involved with the GameStop halt & make them explain themselves.

12:08 PM · Jan 28, 2021

31.5K · Reply · Copy link · Read 1.8K replies

U.S. Rep. Lauren Boebert also released a statement saying she and 11 other members of Congress have called on the U.S. Securities and Exchange Commission (SEC) to investigate the legality of what transpired. The statement said, in part:

"Today, hard-working Americans lost their investments after Robinhood and other financial institutions engaged in unprecedented market manipulation and halted the purchase of GameStop stock and other securities to prevent further financial losses for their hedge fund buddies on Wall Street."

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