24 billion trades recorded on last January 27: Cerulli

By Editorial Staff *Thu, May 20, 2021*

The infamous short-squeeze craze of 2021, led by Millennial and Gen-Z investors on Reddit, led to an average of 15 billion trades per day executed in January 2021.

As more self-directed investors enter financial markets in earnest, the demand for formal financial advice—and a willingness to pay for it—has increased, according to the latest *Cerulli Edge—U.S. Retail Investor Edition*.

The infamous short-squeeze craze of 2021, fueled by a legion of Millennial and Gen-Z investors on Reddit, led to an average of 15 billion trades per day executed in January 2021, higher than the 10.9 billion trade average in 2020 (itself a 12-year high).

January 27, 2021 set a one-day record with 24 billion trades. Robinhood alone accounted for more than 25% of retail trades during this time, according to *Bloomberg News*.

The ease with which investors can trade on Robinhood has earned it a following among young investors eager to start investing. Yet the multitude of ways to engage in financial markets, from stocks and exchange-traded funds (ETFs) to options and short-squeezes, plus the gyrations of the markets in the past year, have led these investors to consider asking for formal help at an increased rate.

"Recent data collected indicates that self-directed investors are increasingly interested in formal financial assistance and willing to pay for that advice," according to Scott Smith, director at Cerulli.

The "meme stock" craze of 1Q 2021 has some lessons for advisors, Cerulli said. "While these niche stocks accounted for less than 0.1% of market activity at the time, it highlights the need for advisors to keep tabs on how their clients consume and act on financial information, particularly on forums like Reddit," said Smith.

Though the "democratization of finance" can be seen as a net positive for getting average investors engaged in the stock market with few barriers to entry, this freedom does not come without risk. As quickly as the "meme stocks" spiked, they fell just as fast. They have been volatile ever since, which can lead to large losses for investors who bought at inopportune moments.

While this should not necessarily lead advisors to dissuade their clients from making high-risk investments, it does become important for advisors to frame these market swings in the context of financial history and clients' long-term goals in order to combat herding biases, according to Cerulli.

"Keeping abreast of the influences and influencers shaping discussions in public forums can help advisors frame these conversations on the clients' terms while ensuring that the best laid financial plans are not squandered by temporary craze," Smith said.