

07/2025



Teaching about the Stock Market through Memes

Mary Clare Peate & Cameron Tucker





Disclaimer.

The opinions expressed here do not necessarily reflect those of the Federal Reserve System or the FRB of St. Louis

Introduction

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Please Share

What's the most frequent question about stocks you get asked from your students?

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Stock Market Trivia

What is the largest stock exchange in the world?

Stock Market Trivia

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NYSE

Stock Market Trivia

What year was the New York Stock Exchange
Founded?

Stock Market Trivia

What year was the New York Stock Exchange
Founded?

1792

Could your students answer this

What causes the change in the price of
stocks?

Review



- People purchase stocks as an investment
- They are essentially betting on what stocks will increase in value
- Prices should change to reflect the company's value, which should be derived from things like:
 - Revenue
 - Sales
 - Management
 - Etc.
- But prices are really determined by supply and demand **for the stock.**

Supply & Demand (of Stocks)

Supply & Demand (of Stocks)

Supply: Firms determine how many shares of a stock are available for purchase.

- Firms only control the NUMBER of shares.
- Supply of a stock changes infrequently.

Stock Market Trivia

Company A is valued at \$1,000. There are 100 shares of the company. How much is the price of one share?

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\$10 per share

Stock Market Trivia

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Stock Market Trivia

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20 shares

Supply & Demand (of Stocks)

Supply & Demand (of Stocks)

Demand:

- Determined by new information about company
- Changes in underlying economic or market conditions

Demand: If more people are trying to buy a company's stock, the price of that stock is going to increase.

Stock Market Trivia

A new CEO is announced for Company A. This CEO is generally favored by the public and has an impressive resume. What would you expect to happen to the demand for the stock?

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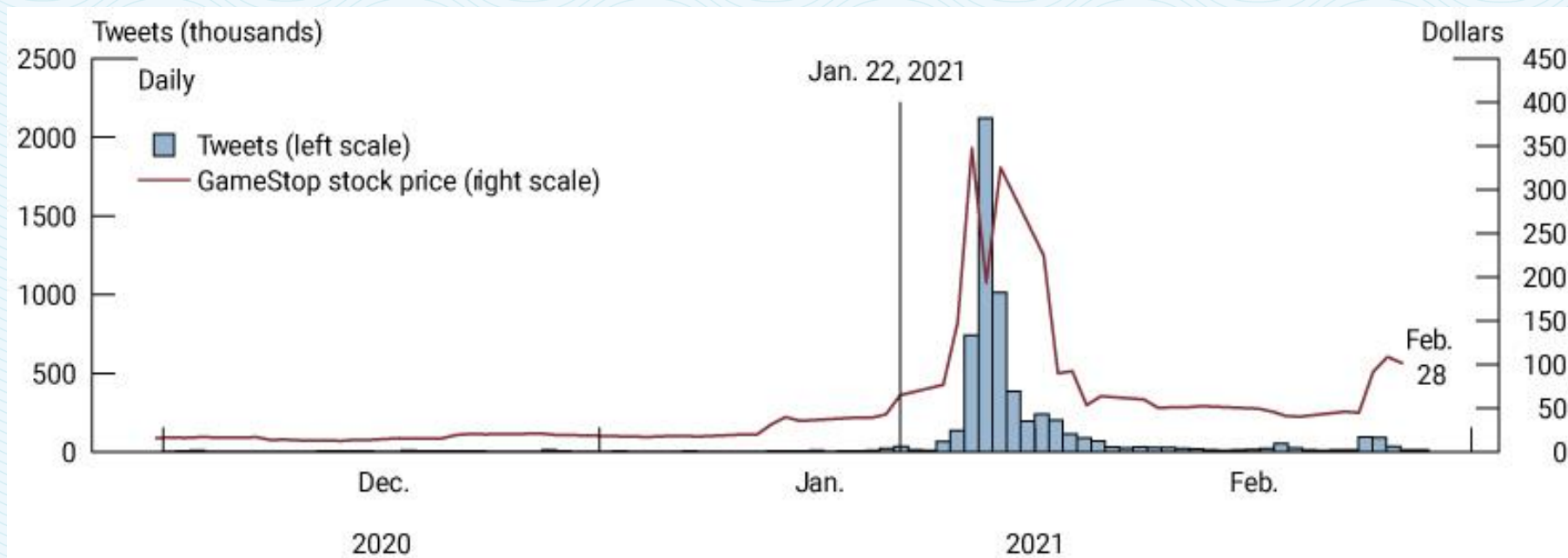


- **Meme stock:** A stock that is given a significant social media attention, leading to unusual trading activity.
- **Still** governed by the laws of supply and demand
- Demand appear to not be driven by traditional factors
 - Demand is correlated with trends and conversations on social media

Why are meme stocks occurring now?

- 
- Social media has created a space for traders to openly communicate
 - Mobile trading apps have removed barriers such as minimum account balances
 - Younger, mostly male, and less risk averse traders are entering the market.

GameStop Stock Price & Twitter Mentions Dec 20-Feb 21



SOURCE: Twitter, Inc. and Bloomberg; reprinted from the November 2021 Financial Stability Report by the Board of Governors of the Federal Reserve System

Stock Market Trivia

How many companies are publicly traded on US Stock exchanges as of June 2023?

Stock Market Trivia

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3700

Stock Market Trivia

What is statistically the most volatile month of the year for the stock market?

Stock Market Trivia

What is statistically the most volatile month of the year for the stock market?

October

Conclusion

- Stock prices are determined by supply and demand factors
- Demand for a stock is usually derived from information about the company and market.
- Though still driven by laws of supply/demand, meme stocks seem to be a new development with the use of mobile trading apps and social media.

Resources

**Check out FRE.org for free,
classroom-ready resources
and professional development!**



Resource: Reading Q&A

Who Buys Meme Stocks?

OVERVIEW

This reading assignment shows how the demand for meme stocks differs from the demand for traditional stocks and how changes in financial technology have allowed new investors to enter and affect the stock market. Students also review foundational concepts such as how supply and demand affect a stock and its price. [Print the article.](#)

**Canvas**

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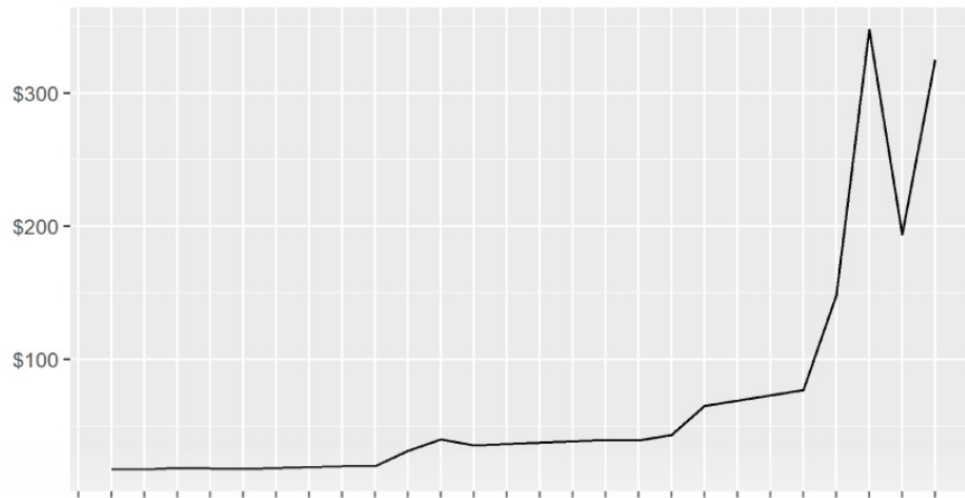
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**Schoology**

Download for use in Schoology

Figure 1: GameStop Stock Closing Prices, Jan 2021



Resource: Video Q&A

Get Into Stocks

OVERVIEW

In this video assignment, learn about the process by which companies become publicly owned and traded by issuing stock. Key terms such as capital gains and dividends are discussed, as well as how stock prices are affected by a company's success in its industry.

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**Schoology**

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Resource: Reading Q&A

READING Q&A

16-30 MIN

Personal Finance

Stock Market Strategies: Are You an Active or Passive Investor

OVERVIEW

This reading assessment explains the efficient market hypothesis and how it might influence your investment decisions in the stock market including active to passive mutual funds. [Print the article.](#)



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Schoology

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GRADE LEVEL

High School

TOPICS

Investing

Stock Market Strategies: Are You an Active or Passive Investor?

By Scott A. Wolla



October. This is one of the peculiarly dangerous months to speculate in stocks. The others are July, January, September, April, November, May, March, June, December, August, and February.

—Mark Twain, *Pudd'nhead Wilson*

If you ever ask an economist which stocks to buy, chances are you won't get a specific answer. Instead, you might hear about the "efficiencies" of markets.¹ In fact, there's an old economics joke about market efficiency: Two economists walk down a sidewalk—one is older and wiser and the other is younger and less experienced. The younger economist says, "Look at a \$20 bill!" and bends down to snatch it. The older economist says, "Don't bother! It can't be real or someone would have already picked it up."

The joke is meant to exaggerate the belief held by many economists that markets quickly adjust to new information. Financial markets are said to be "efficient" if they

EXPAND



Questions?