

MARKET SIGHT LINES



Meme Trades, Media Amplification, and Recent “AI Scares”

By **Michael O’Keeffe, CFA**
Stifel’s Chief Investment Officer



February 27, 2026



Two weeks ago, we published an article about artificial intelligence optimism and fears and the importance of investment process. I’d like to continue that discussion and expand on some concepts that we hope are helpful. To start, in our view some of the market’s recent behavior exhibits “meme trade” characteristics, with strong market moves in response to fear, amplified further by media coverage. Short-term traders can also influence price swings before valuations settle back near fundamental levels. In this Sight|Lines, we recount some recent news and events triggering meme trade-like responses, how the flow of information and market mechanics can amplify the worries and the volatility, and our initial take on how to distinguish important fundamental issues from meme trade-like fears.

THE TAKEAWAY: MEDIA AND MECHANICS CAN FUEL FEAR AND VOLATILITY

While in many ways AI will reset competition and the economy, recent AI-scare trades show meme characteristics. In summary:

- A meme trade is a short-term, sentiment-driven price move where one or more stocks surge or drop together due to viral narratives often outpacing fundamentals.
- These market swings can be amplified by two interrelated forces – the media amplifying the fears and worries to attract traffic, and short-term traders “piling on.”
- In the recent environment, we started with a software scare in early February, when Anthropic’s agentic and legal AI tools triggered sharp selling across the sector.
- Next came an insurance scare in mid-February, as Insurify launched its ChatGPT-powered auto insurance comparison tool and sparked broad insurance broker weakness.
- Financial services and wealth management then faced a scare, after Altruist unveiled an AI tax strategy tool that drove weakness in these areas.
- The pattern intensified with the Citrini scare last weekend, when the viral “2028 Global Intelligence Crisis” thought piece triggered further declines in software and financials.
- Citadel countered Citrini’s scenario in a report, noting little evidence for near-term mass white-collar job losses, with unemployment low, AI capex modest relative to GDP, and software jobs rising over the past year.
- While most expect AI to reset company leadership, industries, and the economy, some recent moves may represent healthy valuation resets, while others are fear driven.

IN-DEPTH: WHILE MEDIA AND MECHANICS CAN AMPLIFY WORRIES, IT'S IMPORTANT TO DISTINGUISH BETWEEN FEAR-DRIVEN VOLATILITY AND THE FUNDAMENTALS

We expect AI will reset competition and reshape the economy, but recent AI-scare trades are exhibiting meme characteristics that may have gone too far. Going deeper:

- We've seen numerous meme trades recently, exhibiting short-term, sentiment-driven price moves driven by viral narratives outpacing fundamentals:
 - From GameStop and AMC in 2021 to Raspberry Pi's 36% single-day surge and reversal in February 2026, social media hype has repeatedly driven explosive rallies followed by steep declines.
- Two interrelated forces are known to amplify this volatility:
 - The media can stoke fears and worries, with sensational headlines more designed to drive clicks.
 - Hedge funds, trading desks, and algorithmic traders can pile on by shorting overextended stocks and positioning ahead of expected news reactions, exploiting dislocations as part of normal market mechanics.
- In early February, Anthropic's agentic and legal AI tools triggered sharp selling across the software sector:
 - The Bloomberg Software and Tech Services Index dropped 4% on February 3.
- Insurify's auto insurance comparison tool, announced February 3, sparked broad insurance broker weakness.
- Next, Altruist unveiled an AI tax strategy tool, triggering weakness in financial services and wealth management:
 - The Bloomberg 500 Financial Services Index tumbled over 5% in the days after Altruist's announcement.
- Declines intensified when Citrini published the thought experiment "2028 Global Intelligence Crisis":
 - This envisioned a dystopian 2028 where agentic AI creates explosive productivity and "ghost GDP" – output growth decoupled from wages – causing widespread white-collar unemployment and economic downturn.
 - The Bloomberg Software and Tech Services Index declined over 4% the day after the report was published.
 - Citadel offered a contrasting report, noting little evidence for near-term mass white-collar job losses, with unemployment at 4.3%, AI capex at just 2% of GDP, and software jobs rising 11% over the past year.
- While we've seen fear-driven, meme-like behavior, some recent moves may represent a healthy valuation reset:
 - Software stocks, for instance, had traded at premiums above historical norms before the fears intensified, creating more reasonable entry points for adapters with strong fundamentals.

WHAT WE THINK

While AI will reshape many industries over time, the recent pattern of viral narratives triggering sharp sector-wide selloffs – followed by partial recoveries – suggests markets are oscillating between fear and exuberance rather than methodically pricing disruption. As we've discussed before, volatility can create opportunities for disciplined investors able to separate durable competitive threats from temporary panic. When entire sectors decline 10% or more in a single session on a product announcement – not an earnings miss or macro shock – that's likely fear-driven. The real work is assessing whether incumbents retain advantages in distribution, proprietary data, regulation, or client relationships that are not easily replicated. Winners and losers will emerge, but scenarios assuming instantaneous adoption and zero response from incumbents have historically proven unrealistic. In AI-sensitive sectors, valuation discipline and close monitoring of management execution will matter, alongside appropriate humility about the pace and direction of change.

Michael P. O'Keeffe, CFA 

Chief Investment Officer

michael.okeeffe@stifel.com

[StifelInsights.com](https://www.stifelinsights.com)

The information contained herein has been prepared from sources believed to be reliable but is not guaranteed by us and is not a complete summary or statement of all available data, nor is it considered an offer to buy or sell any securities referred to herein. Opinions expressed are subject to change without notice and do not take into account the particular investment objectives, financial situation, or needs of individual investors. There is no guarantee that the figures or opinions forecasted in this report will be realized or achieved. Employees of Stifel, Nicolaus & Company, Incorporated or its affiliates may, at times, release written or oral commentary, technical analysis, or trading strategies that differ from the opinions expressed within. Past performance is no guarantee of future results. Indices are unmanaged, do not reflect fees or expenses, and you cannot invest directly in an index.

Generative AI is a type of artificial intelligence that can produce content such as audio, text, code, video, and images. Asset allocation and diversification do not ensure a profit and may not protect against loss. There are special considerations associated with international investing, including the risk of currency fluctuations and political and economic events. Investing in emerging markets may involve greater risk and volatility than investing in more developed countries. Due to their narrow focus, sector-based investments typically exhibit greater volatility. Small company stocks are typically more volatile and carry additional risks, since smaller companies generally are not as well established as larger companies. Property values can fall due to environmental, economic, or other reasons, and changes in interest rates can negatively impact the performance of real estate companies. When investing in bonds, it is important to note that as interest rates rise, bond prices will fall. The Standard & Poor's 500 index is a capitalization-weighted index that is generally considered representative of the U.S. large capitalization market. The Bloomberg software index is a price-weighted index of software companies located or doing significant business in the Silicon Valley. The Bloomberg 500 Financials Total Return Index tracks the financial sector within Bloomberg 500 Universe. This index includes 87 constituent companies spanning various financial services sectors. The Dow Jones Industrial Average (DJIA) is a price-weighted average of 30 significant stocks traded on the New York Stock Exchange (NYSE) and the NASDAQ. The DJIA was invented by Charles Dow back in 1896. The MSCI EAFE index (Europe, Australasia, and the Far East) is a free float-adjusted market capitalization index that is designed to measure the equity market performance of developed markets, excluding the U.S. and Canada. VIX is a trademarked ticker symbol for the Chicago Board Options Exchange Market Volatility Index, a popular measure of the implied volatility of S&P 500 index options. The risk of loss in trading commodities and futures can be substantial. You should therefore carefully consider whether such trading is suitable for you in light of your financial condition. The high degree of leverage that is often obtainable in commodity trading can work against you as well as for you. The use of leverage can lead to large losses as well as gains.

Stifel, Nicolaus & Company, Incorporated | Member SIPC & NYSE | [Stifel.com](https://www.stifel.com)

0226.8793813.1