



Is BlackBerry (TSX:BB) Stock's 100% Rally Another Value Trap?

Description

BlackBerry ([TSX:BB](#))([NYSE:BB](#)) stock surged 35% last week and more than doubled year to date. If you own this stock, it is time to book some profits, as the stock's rally won't last long. It's not that I am pessimistic about the stock. It has tremendous growth potential in the 2030 decade. But the \$17.80 stock price is too much to handle for a company that is struggling to generate steady revenue growth.

BlackBerry's stock price momentum

A 20-day rally doesn't determine a stock's growth trend. If you look at BlackBerry's historical stock price movement, it has done nothing but declined in the last three years after a 50% growth in 2017. I will leave aside 2020, as that was an abnormal phase where the pandemic impacted automotive production and, therefore, the demand for its automotive solution QNX operating system.

After three years of decline, BlackBerry stock suddenly jumped over 100% year to date (20 days) on the back of three news stories.

- BlackBerry settled a 2018 patent infringement lawsuit with **Facebook** regarding the former's innovative messaging technology.
- It signed a deal with **Amazon** Web Services in December to develop the Intelligent Vehicle Data Platform (IVY). The platform will improve data collection from vehicle sensors and enhance the performance of cloud-connected vehicles.
- The new U.S. president Joe Biden pledged a US\$2 trillion federal climate plan that will encourage the adoption of electric vehicles (EV). One of IVY's applications is customized charging, making it useful for EV carmakers and EV charging providers.

All three news stories made investors bullish on BlackBerry. Right now, I will focus on the speculative momentum of BlackBerry stock.

I agree that the above stories are good news, but not good enough to spark a 100% jump. Now, what led to this rally is the lack of robins in the stock market.

The search for robins in the cold winter

Let me drift a little away from BlackBerry and towards the overall stock market. Last year, you saw a tech stock rally as huge as the 2000 rally. Many analysts cautioned about a possible tech bubble. Later in November 2020, traditional stocks like airlines, oil, and real estate surged on vaccine news.

Entering 2021, all good stocks were already priced for perfection or overpriced. Investors started hunting for value stocks that have the potential to grow if the economy recovers in 2021. That's when BlackBerry came with the above updates. The timing was perfect. Investors knew there is no harm in buying a stock as cheap as \$9. The [EV momentum](#) was picking up with America entering the zero-emission initiative.

Many EV stocks like **Tesla**, **Magna International**, and **NFI Group** surged significantly since Biden's victory. CNBC's *Mad Money* host Jim Kramer [agreed](#) that EV is the investment theme in the Biden era. That set the dice rolling. Investors found their robin in the cold winter of January.

BlackBerry stock is now overbought

As investors flocked in to buy EV stocks, BlackBerry stock surged 100%. Its trading volume shot up multiple folds. Around 65 million shares exchanged hands, which is way more than its average trading volume of five million. Its Relative Strength Index (RSI) has surged past 80, hinting that the stock is overbought.

Some of my fellow writers are bullish on BlackBerry. They expect that the Amazon deal will give BlackBerry the momentum to double, even after its 100% plus rally in January. I don't deny that. But I would take caution, as investors seem to have overestimated the Amazon deal.

Otherwise, how will you explain the insider trading on January 20? BlackBerry's chief marketing officer Mark Wilson sold 60% of his shares, and CFO Steve Rai sold all his directly owned shares. BlackBerry executives have equity-based incentives. So, they believed \$17 is a good price to book profits.

Investor corner

I would suggest this is a good time to book profit rather than buy the stock. BlackBerry could see a correction this week. So, wait for the dip to buy the stock.

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Date

2025/09/22

Date Created

2021/01/25

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