



BlackBerry (TSX:BB): Should You Buy Reddit's #2 Trending Stock?

Description

BlackBerry ([TSX:BB](#))([NYSE:BB](#)) has been on fire lately, rising 160% year to date. The stock started off the year at just \$8.44 and had reached \$22 by the time of this writing. Driven by a huge IP win over **Facebook** and a major deal with **Amazon**, the company's stock has defied expectations. And it's not only in the markets that it has rallied. It has also risen on Reddit, where it has become the second most-discussed stock after **GameStop**.

For anybody who held BB at the start of the year, this is all very exciting stuff. Everyone likes seeing their stocks rise, and BB has positively soared. Driven by [interest from Reddit](#) and genuinely good news, this company's fortunes seem to be improving by the day.

But for those who didn't already own BlackBerry, a word of caution is in order. BlackBerry stock has gone parabolic and is beginning to look like it's in a bubble. Such dramatic moves don't necessarily mean that a correction is coming. But if one does come, it could be steep and painful.

In this article, I'll explore whether BlackBerry stock is worth buying at today's inflated prices. We can start by looking at what set off the rally.

Factors behind the rally

While a lot of people commenting on stocks like BlackBerry and Gamestop think that Reddit posters on WallStreetBets are driving the gains, I'm personally skeptical. That line of thinking could be true of Gamestop, but in BlackBerry's case, there has been a lot of genuinely good news to fuel the rally. In the last two months we've seen BlackBerry

- Settle a lawsuit with Facebook that will provide recurring revenue;
- Ink a deal with Amazon that could also power sales growth; and
- Post positive adjusted earnings in its most recent quarter.

These are all positive developments. Whether they're positive enough to drive a 160% rally is beyond the scope of this article. But you'd expect a company's stock to rise after releasing all of this good

news.

Why people are blaming Reddit

If you're familiar with Reddit's finance communities at all, you probably won't be surprised to find out that some think they're behind BlackBerry's recent gains. Several of these communities are large and influential. WallStreetBets, for example, has two million users, with around 70,000 online at any one time. A community that big could easily move markets. And BlackBerry is [among its most talked-about stocks](#).

WallStreetBets first rose to prominence in the early months of COVID-19, when posts from people claiming to have "made money" from that period's crashing markets went viral. Since then, the forum has only gotten bigger. Its poster base is widely believed to overlap with Robinhood traders, and its trending picks often become quick, fast risers.

As I said before, I'm skeptical that Reddit and WallStreetBets caused BlackBerry's January gains. No matter how much money its legion of retail investors has, institutions have a lot more. Most likely, the biggest reason for BlackBerry's 2021 gains is simply the company's Facebook settlement. That news about the stock was unambiguously positive, and you'd expect the stock itself to follow suit. That probably accounts for the lion's share of what's going on with BB. GameStop, however, might be a different story...

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