



BlackBerry (TSX:BB): Should You Buy the Parabolic Rally?

Description

BlackBerry ([TSX:BB](#))([NYSE:BB](#)) stock's recent parabolic surge has been nothing short of unprecedented. The initial rally was sparked by incredibly good news, most notably the announcement of a collaboration with **Amazon.com** Web Services (AWS) on its ambitious project IVY. Then shares went bust before their next leg higher on the back of more good news (patent sales to Chinese telecom behemoth Huawei and a dispute settlement with **Facebook**).

Most recently, BlackBerry stock popped over 28% in Monday's trading session with no real good news. While the initial IVY news deserved to be a major needle mover on BlackBerry stock, I thought the subsequent "good" news announcements were less than compelling. Make no mistake; the sale of 90 patents to Huawei and a dispute settlement with Facebook were both great pieces of news for BlackBerry. But should they have helped fuel BlackBerry's latest run past the \$22 mark? Or could the speculative frenzy have spread to BB stock?

How high can BlackBerry shares fly?

Whenever you've got a stock that's building momentum like a snowball rolling down a hill, investors need to start asking themselves questions. Are investors now chasing the name while neglecting valuation? Or has the recent slew of good news caused the much-anticipated re-valuation of BB stock to the upside?

In numerous prior pieces, I've highlighted BlackBerry as a deep-value stock that was too cheap to ignore. Before the latest bounce, the stock traded at around two times sales, which I found to be absolutely ridiculous for a tech stock that provided investors with a front-row seat to some of the hottest tech sub-industries like cybersecurity and the Internet of Things (IoT), hot areas of the market that I thought most other investors would be willing to pay a price-to-sales (P/S) multiple that was multitudes higher.

While the latest parabolic move in BlackBerry stock has a lot of euphoria baked in, I still don't think shares are as expensive as they could be. Only time will tell if the 280% multi-month surge is a sustained re-valuation or just a short-lived boom that'll be followed by a vicious retracement.

Despite the reasonable valuation (shares still trade at under 10 times sales), I think BlackBerry stock has become too risky to hold for investors who aren't willing to put up with extreme levels of volatility. At the same time, there's no telling just how much BlackBerry shares can run. If sell-side analysts, most of whom have "hold" ratings on the name, start playing "catch up" with price target hikes, shares could blast off further.

High reward, higher risk?

If **Tesla** and [Bitcoin](#) can soar above and beyond even the most bullish of estimates, so too can BlackBerry. As such, I'd urge investors who've doubled up to play with the house's money. By taking the principal off the table, you can keep playing the game without running the risk of losing your shirt.

In any case, it seems like BlackBerry insiders are more than willing to take a bit of profit after BB stock's [historic rally](#). If you don't already own shares, I'd only nibble if you're keen on chasing the name. Just be aware of the risks and the magnitude of downside (double-digit percentage daily moves) you could be faced with if things take a 180-degree turn.

Personally, I'll be enjoying the show safely from the sidelines, as the risk of a near-term retracement is too high for my liking.

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