



## Beware of Reddit-Pumped BlackBerry Stock, GME and AMC!

### Description

Lately, certain stocks have been flying high, sometimes with no material news coming from the underlying companies. Here's to name a few.

In the last month, **BlackBerry** ([TSX:BB](#))([NYSE:BB](#)) stock appreciated about 264%. Last five trading days? 98%. Yesterday? 32%. Similarly, in the last month, **AMC Entertainment** ([NYSE:AMC](#)) stock climbed 732%. Last five trading days? 563%. Yesterday? 301%.

The situation revolving around **GameStop** ([NYSE:GME](#)) stock is even more outrageous. It rocketed 1,555% in the last month, 785% in the last five trading days, and 134% yesterday!

These types of rapid price appreciation is unhealthy. Apparently, the WallStreetBets forum, which has more than four million followers, on the Reddit website has led to an army of retail investors buying up these stocks.

It started off with one retail investor making a big long bet in \$50,000 in GME, a highly-shorted stock. Perhaps they were fed up with short sellers making the big bucks on Wall Street, which in turn causes the little guys, the retail investors to lose out.

Eventually, the astronomical rise in GME caused a hedge fund to [book huge losses](#) by closing its short position in GME.

### The problem

I worry for the retail investors who are piling into these stocks. Essentially, these investors are counting on the next guy paying a higher price on their shares.

This closely resembles the Internet Bubble in which many tech stocks traded at astronomical valuations before the bubble finally burst, resulting in many people losing big chunks of their life savings.

As economist John Maynard Keynes once said, "The market can remain irrational longer than you can remain solvent".

Personally, I'm not long or short any of these stocks, but I'll be watching the story play out with fascination.

## Stock fundamentals

Of the three stocks, BB stock is the least shorted and has the best balance sheet. In the last 12 months, its revenue has also held up the best, and it enjoyed the highest margins. Therefore, it's the least speculative of the three.

Specifically, its revenues only fell 5% year over year to \$1.25 billion, while its gross and EBITDA margins were 72.85% and 11.61%, respectively.

Moreover, as my fellow colleague Jitendra Parashar [explained](#), BlackBerry has been doing business as usual. Consequently, it could be a good long-term hold.

The only concern is that, after BB stock's run up, it would be safer to wait for a meaningful dip.

This group of stocks are super volatile right now. BB stock, AMC, and GME are down 9%, 26%, and 16% in after hours trading. Even experienced traders have trouble trading them. So, unless you love their long-term business outlook, it's better to stay away.

## The Foolish takeaway

200-1600% gains in a month are not normal. But that's exactly what happened with BB stock, AMC, and GME in the past month. It'd be silly to expect similar great gains from them over the next month. It's not that it's impossible, but it'd be purely speculative and a big gamble.

I believe both AMC and GME are in big bubbles that will eventually burst with retail investors losing out big time, unfortunately.

## Bottom line

Here at Motley Fool, we encourage investors to invest in great businesses over at least three to five years to allow for the companies to do their thing. It takes time for wonderful businesses to generate value after all.

Surely there are many other quality stocks that provide much better value while protecting your principal.

### CATEGORY

1. Investing
2. Tech Stocks

## TICKERS GLOBAL

1. NYSE:AMC (AMC Entertainment)
2. NYSE:BB (BlackBerry)
3. NYSE:GME (GameStop Corp.)
4. TSX:BB (BlackBerry)

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