



## Down Came Reddit Users and Wiped BlackBerry's (TSX:BB) Stock Rally Out

### Description

The last seven days saw some staunch moves from Reddit users of subreddit r/WallStreetBets. The target was less-popular stocks **BlackBerry** ([TSX:BB](#))([NYSE:BB](#)) and **Gamestop**. This was one of the rare moments when retail investors became the stock price movers. It's generally the hedge funds who are the market movers.

WallStreetBets became an overnight sensation and discussed the two stocks in depth. And the result was that BlackBerry's stock rallied around 30-38% in two of the last four trading days, almost doubling during this time.

### Is the BlackBerry stock rally justified?

Some analysts tried justifying the rally as momentum that was long due for the stock. Its black past and multi-year revenue declines prevented hedge fund investors from buying the stock. But how will you explain today's dip? The stock suddenly dropped more than 40% when Robinhood restricted users from buying or trading BlackBerry stock. Moreover, Discord banned the r/WallStreetBets server, [reported](#) *The Verge*.

A few days back, I [raised suspicion](#) on BlackBerry's stock price rally and how neither the technicals nor the fundamentals justify the surge. If there was a fundamental reason, at least BlackBerry's executives should have known. Its chief marketing officer Mark Wilson and CFO Steve Rai wouldn't have sold a significant amount of their shares.

A stock price determines a company's potential to grow in revenue, earnings, or cash flows. Even if you say that the **Facebook** patent infringement settlement is the reason for the rally, is BlackBerry receiving millions or billions of dollars in settlement money?

Then there was another positive new where **Amazon** Web Services will power BlackBerry's Intelligent Vehicle Data Platform (IVY). While I do agree that the partnership will enhance BlackBerry's ability to tap the electric vehicle (EV) momentum, it doesn't bring immediate revenue growth. BlackBerry still has to secure major contracts from the EV supply chain to boost its revenue.

For a stock to move 30% in a day, the news should reflect significant revenue growth in the coming 12 months. When **Shopify** stock surged during the pandemic, the rally was backed by over 95% revenue growth.

It is clear that BlackBerry's stock price rally was driven by rookie investors who enjoy free trading on the Robinhood app. Today, the stock has dropped because Robinhood is allowing users to close out existing positions but is restricting them from buying more stocks.

## How can you make money with BlackBerry stock?

I had warned before not to buy BlackBerry stock in this rally. A rally not backed by fundamentals is a gamble. This doesn't mean BlackBerry is not a good stock. It has strong growth potential in the 2030 decade. BlackBerry is the second-largest holding of billionaire investor Prem Watsa. The Motley Fool even recommends BlackBerry.

BlackBerry provides endpoints security software and services to mobile, laptops, cars, and other Internet of Things devices. In 2019, the company reported its first revenue growth of 20% since it moved to software. But the pandemic overturned its revenue growth to a revenue decline in 2020 as automotive production took a hit. The year 2021 will see pent-up demand for EVs that will drive its revenue.

## Investor takeaway

It is important to buy the stock at the right price point. A \$10-\$15 stock price is sustainable, as that has been its average trading price in the last three years. If you purchased the stock below the \$10 price, sell it while the stock still trades above \$15. If you don't own the stock, wait on the sidelines till this frenzy ends and buy when the stock falls below \$14.

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