



Why Cineplex Stock Could Go Parabolic as the Next TSX “Wallstreetbets” Target, Like BlackBerry

Description

Cineplex ([TSX:CGX](#)) is a stock I’ve talked about that could have the [potential to go bankrupt](#) over the long term. This is a company that has a series of headwinds that I see as being detrimental to the long-term health of this company. Additionally, Cineplex operates in a sector I would describe as being in secular decline. I’m downright bearish on this stock and continue to be.

That said, I think the market is now pricing in speculation that “wallstreetbets” (WSB) speculators could tap Cineplex as a target right now. This is evidenced by the stock price move we’ve seen in recent days. Indeed, Cineplex stock is up around 20% over the past five days at a time when the markets are down.

Does this make sense? It only makes sense if you think this is a WSB target. We haven’t seen any material catalysts appear that would justify this kind of a move.

Any company that is heavily shorted is on the radar right now

Cineplex has a short volume ratio of around 44% at the time of writing. Of course, this could change in minutes, as short-sellers reconsider their positions amid this massive push by an angry retail mob to squeeze every short position out there. This short interest makes Cineplex a target for the WSB mob. The goal of this vigilante retail investor group is to make a stand against short-sellers and big banks that have gotten bailouts for making risky bets, while retail investors can be left wiped out by making the wrong risky bet. These WSB renegades have picked companies that have significant levels of short interest in a bid to create massive losses for short-sellers and force them out of the market.

Canadian companies have come onto the radar, with the WSB group targeting **BlackBerry**. Of course, I think there are a number of [actual fundamental growth drivers](#) for this stock. That said, the rapid price acceleration in BlackBerry and a number of other stocks like **GameStop** show how powerful the WSB group has proven to be.

Take a look at this Reddit group to learn more

I would encourage investors to check out the Reddit “wallstreetbets” thread to learn more about what’s going on today. We’re entering very interesting times in how powerful retail investors are relative to institutional investors. The power dynamic has apparently shifted on Wall Street. Accordingly, the sentiment of the mob appears to be a key driver behind a lot of the stock price appreciation we’re seeing in high-flying stocks today.

This is a science experiment, in some ways, as well as a lesson in how short squeezes really work for those who are unfamiliar with this finance term. Short squeezes are taught in MBA classrooms mainly as a hypothetical scenario. However, in the past week, we’ve seen multiple short squeezes put into play — an incredible sight.

Accordingly, I think investors should avoid taking the other side of the bet right now on companies with poor fundamentals. Long-only portfolios are likely to perform much better than those hedged with short positions. If you’re bearish on Cineplex, the safest place is probably the sidelines right now. The WSB group is much more powerful than many thought, and I think Cineplex could be one of the next targets.

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1. TSX:CGX (Cineplex Inc.)

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Author

chrismacdonald

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