



Why Is BlackBerry (TSX:BB) Stock Plunging 20%?

Description

It's been a wild week for **BlackBerry** ([TSX:BB](#))([NYSE:BB](#)). As one of the most shorted stocks on the Canadian stock market, the tech company was one of the targets for Reddit's short squeezes this week. BlackBerry stock was up 94.7% over the past four days alone!

However, the stock is down by double digits this morning. At the time of writing, BlackBerry stock trades at \$19.9 — 20% down from yesterday. Is the Reddit-driven short squeeze over? Here's what you need to know.

The game could be ending

A [short squeeze](#) occurs when a stock price climbs rapidly, forcing short-sellers to cover their bets and drive the stock even higher. To pull this strategy off, Reddit users had to target stocks that were being heavily shorted. BlackBerry stock is still one of the most shorted on the market.

However, this morning discount brokerage platform Robinhood delisted BlackBerry stock along with several other short-squeeze targets. This has blocked access to BlackBerry stock for millions of traders. Meanwhile, regulators are looking at clamping down on such strategies. This could be the end of the short-squeeze game.

This is probably why BlackBerry stock is dropping so aggressively this morning.

Should you buy the dip?

BlackBerry has been a breakout play in 2021, even as other stocks struggle for direction. The stock is already up by more than 300%, three weeks into the new year. The blockbuster rally has coincided with a string of positive news, key among them being a strategic partnership with **Amazon** Web Services on the ambitious project IVY.

Auto opportunity

Project IVY presents yet another opportunity for BlackBerry to strengthen its prospects in the auto industry. A deal with AWS will allow the Canadian company to enhance the software platform to make it possible for automakers to read vehicle sensor data and improve the performance of cloud-connected vehicles. A partnership with Amazon can unlock new revenue streams in the auto industry for the Canadian tech giant.

The stock has also exploded on the confirmation that the company has made patent sales to Chinese telecom behemoth Huawei has also settled with **Facebook**. The deal of some 30-mobile phone patents to Huawei paves the way for BlackBerry to focus on its cybersecurity segment and service sector — the key to its long-term prospects.

BlackBerry stock valuation

Before the recent spike higher, the deep-value stock traded at around twice sales per share. That's unusually low for any tech stock with exposure to growing sectors such as self-driving and cybersecurity. Despite the recent spike and volatility, the stock is still highly undervalued, as it is trading under 10 times sales.

Bottom line

The series of short squeezes this week have been unprecedented. Never before have retail investors congregated this way to drive stocks higher and bankrupt hedge fund managers. BlackBerry stock was caught up in the frenzy. But now the stock has been delisted on the most popular retail trading app.

However, BlackBerry is still an undervalued tech stock with plenty of potential. Investors could consider buying the dip.

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Author

vraisinghani

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