



## BlackBerry: Is the GameStop Trade the Long-Term Catalyst BB Stock Needed?

### Description

It's not every day that we get to witness retail investors driving a stock market to settle some scores. The final trading week of January 2021 saw extreme volatility on several "mispriced" stocks after a Reddit community, WallStreetBets (WSB), turned the tables against short-sellers. **BlackBerry's** ([TSX:BB](#))([NYSE:BB](#)) [stock got caught up](#) in the latest trading game in town, and shares rallied to highs last seen 10 years ago.

The "war" started on **GameStop** ([NYSE:GME](#)) stock, an ailing brick-and-mortar video game retailer where more than 100% of the company's share float had been sold short, mainly by hedge funds. However, the craze spread to 12 more names, as traders pounced on other highly shorted names to mete out punishment on greedy short-sellers.

Some brokerage firms, including Robinhood, stepped in to restrict buying on affected stocks on Thursday, and BlackBerry's stock price receded by 40% while GameStop and **AMC Entertainment** shares lost 44% and 56%, respectively. The game resumed on Friday with BB up 10% by mid-morning and GME up 74%. Short interest on GameStop remains over 100% though. The shorts are not covering, not as yet.

Trading screens are interesting to watch, as retail traders take on Wall Street. However, it's not clear if regulators will let the market be and stand aside while the market reallocates capital resources in a manner it pleases, as it pleases.

I wouldn't be surprised if GameStop and other affected companies take this opportunity to sell more of their shares from treasury at these "obscene" prices to raise new capital to fund new "growth projects" and future acquisitions. Short-sellers would welcome the opportunity and buy shares to settle delivery obligations with lenders.

However, could long-term investors let this rare profit-taking opportunity pass?

## Should BlackBerry stock investors let the GameStop boost pass?

Investors usually buy stocks for capital gains. However, the surge in GameStop and BlackBerry stocks may be motivated by other human emotions. The surge offers rare internet entertainment as individuals endure COVID-19 lockdowns.

The truth is, the market hasn't suddenly discovered the "true value" of BlackBerry stock this week. Something else besides fundamentals is driving BB's stock price right now. This vigilante-like market and the fear of missing out (FOMO) that followed could be a life-changing opportunity for long-term investors in affected stock who have been waiting to recover losses. They can take some profit.

I would forgive myself for giving in to the fear of missing out on a profit-taking opportunity on BlackBerry during this GameStop-linked boost. Public entertainment and the settling of scores may be short-term fads that pass in a few weeks or months, but fundamentals are *usually* the most reliable long-term value drivers.

For now, I'm not convinced that BlackBerry, which has been delivering unsatisfactory revenue and earnings growth over the past three years, is suddenly worth \$11.5 billion, because incensed traders decided it should be so in a push to punish some establishment.

### Buy, sell, or hold BB stock?

I wouldn't bet against the raging "bulls" and short the stock though, the risk of doing so is quite "limitless." That said, if there's some regulatory intervention and the bulls are tamed, the correction to normalcy could hurt those who are buying at current prices. Buyer beware!

BlackBerry shares could plunge back close to single-digit price ranges when adrenaline levels in the retail investor driven market normalizes. Should this happen, long-term investors may wish they had taken some profit on BlackBerry while the GameStop trade boost rages on. It may not hurt to sell a portion of the BB position.

There are many more long-term growth opportunities available after one takes some profit on BB to diversify an investment portfolio.

#### 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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