Watch This 1 TSX Cinema Stock for Sudden Upside

Description

This week has seen the return of the intense short-term of momentum that characterized the tech boom of 2020. But this year is seeing interest not in stay-home stocks, but in the opposite direction altogether. In short, cinema stocks might not be 100% radioactive after all.

At least, that's the news that **AMC Entertainment Holdings's** (NYSE:AMC) rip this week holds for **Cineplex** (TSX:CGX) shareholders. The news that it had shelved the possibility of bankruptcy sent AMC shares initially soaring an incredible 47% within just five days of trading. It was a truly breathtaking whipsaw movement. The last four weeks on average have now seen AMC gallop 237%, hauling the stock out of the red with 12-month gains of 18%.

Talk about market volatility. As the week wore on, the whipsawing intensified. Thursday saw AMC plunge 50%, while still holding onto average five-day gains of 170%. The wild momentum of 2020 is clearly not yet at an end.

A wild ride for value stocks

At the beginning of the week, Cineplex was up a far less extravagant 4.9% across five days of trading. But any positivity in this name — however insignificant — holds deeper meaning. The Canadian movie exhibition space has been thoroughly decimated by a year of the coronavirus outbreak. And as investors have seen this week, sudden upside isn't an anomaly on the markets anymore — it's a near certainty.

As the week progressed, Cineplex saw its lead widen even further, though far less exuberantly than AMC's. By Thursday, Cineplex was sitting on five-day gains of 13.8%. But anything more than a casual glance shows that volatility is extreme — this will be far from an easy ride. Indeed, short selling is taking on an almost religious fervour. Down 9% on the day and falling, Cineplex could be heavenly for some but downright devilish for others.

But if Cineplex does ignite, it might be worth noting the behaviour of another wild-ride stock that exploded out of the bargain-basement bin this week. Just look at the rip that **GameStop** (NYSE:GME) has been on, with +470% weeklong gains. The chatter around this stock has been like nothing else in the last few months. From mixed signals to huge price volatility, emotional response has been off the charts. The take-home message is clear: the market still hides dangerous undertows.

I was fairly bullish on GameStop three years ago — albeit with a few caveats. At the time, it looked like a falling knife. But its extremely low value and access to a multi-billion-dollar gaming industry made it an appealing play for speculative upside. The pandemic — with its attendant stay-home tech bull run and wild, hybrid momentum market — has since turned GameStop into a bucking bronco.

Huge same-day GameStop gains of 70%, 140%, a halt in trading, and signs of a short squeeze add up to a play that is not for the fainthearted. That’s why, if Cineplex begins to exhibit similar symptoms, the causal investor may wish to proceed with caution. Retail and cinema stocks have similarities, after all. Both have been cratered by stay-home measures. Cineplex could therefore become increasingly volatile.

CATEGORY

1. Investing
2. Stocks for Beginners
3. Tech Stocks

POST TAG

1. cinema
2. gaming
3. momentum
4. short
5. upside

TICKERS GLOBAL

1. NYSE:AMC (AMC Entertainment)
2. NYSE:GME (GameStop Corp.)
3. TSX:CGX (Cineplex Inc.)

PARTNER-FEEDS

1. Business Insider
2. Koyfin
3. Msn
4. Newscred
5. Quote Media
6. Sharewise
7. Yahoo CA

Category

1. Investing
2. Stocks for Beginners

3. Tech Stocks

Tags

1. cinema
2. gaming
3. momentum
4. short
5. upside

Date
2025/08/16
Date Created
2021/01/30
Author
vhetherington