



Is the Reddit “Wallstreetbets” Trade Over?

Description

It appears some of the primary targets of the Reddit-fueled rally we’ve seen in stocks like **GameStop**, **AMC Entertainment**, and **BlackBerry** seeming to have fizzled out in recent days. Accordingly, investors may be enticed to take the opposite side of the trade with these stocks.

One company I’ve provided a thesis on potentially benefiting from the momentum in these stocks has been Canadian cinema operator **Cineplex Inc.** [The thesis was simple](#): if small-cap companies operating in sectors like the movie exhibition market are being targeted by retail investors en masse, a momentum trade could be emerging for such stocks.

In this article, I’m going to explore whether this momentum is truly lost, or if there’s more potential upside for such “moon-shot” bets.

An underlying thesis with these long-shot investments

Prior to the Reddit-fueled rally in such stocks, a number of investors had tapped these companies as post-pandemic rebound plays. Each company was successful back in its day, and the pandemic added to negative sentiment already built into these stocks. Thus, high levels of short interest confirmed an overall bearish tone by the markets on such companies.

This sort of sentiment has plagued Cineplex’s stock for some time. Indeed, I’ve been overly bearish on this stock as well in the past. One might ask: why consider this longshot at all?

Well, if we do indeed see the pandemic slow, and the subsequent recovery begin, sooner than anticipated, these stocks have a lot of room to run. Pandemic-related restrictions have impacted these stocks in a similar fashion. Cineplex, like its AMC counterpart, could be considered deep value plays for long-term investors. Of course, with these stocks trading as essentially options on survival of late, the risks with these investments remain high.

Has this rally changed anything?

In the case of AMC, equity raises at much higher prices have appeared to take bankruptcy off the table for now. Some investors may be anticipating Cineplex's recent year-to-date stock increase of more than 13% at the time of writing could invite equity raises on the horizon.

Indeed, these are companies that ought to be put in the "extremely risky" category. Accordingly, long-term investors probably are best served by staying away right now. There's no telling which direction these stocks will trade in the near-term. Buying a stock on momentum alone adds to portfolio risk in a way that's potentially dangerous.

As I've stated in the past, Cineplex is a stock with a significant number of long-term headwinds to overcome. Looking past the short-term impacts of the pandemic, this is a sector I think is in decline. Thus, the sustainability argument for Cineplex is tempered by poor long-term growth expectations.

In my mind, this is a highly risky bet right now, and investors ought to be careful. Speculating more than one can afford to lose could be disastrous for those with long-term investing intentions.

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