# Beware of Reddit-Pumped Stocks: Buy These Battered COVID-19 Reopening Stocks Instead!

### Description

Reddit's WallStreetBets (WSB) forum has been the talk of the town of late. Many beginner investors have been itching to start up new accounts on Robinhood to punch their ticket to the stocks that the folks at WSB have been talking about most. There's no question that the **GameStop** frenzy was as unprecedented as it was unforeseen. I didn't know that an army of retail investors had the firepower to make big-league hedge funds feel the pain.



The GameStop pump has since gone bust, but with a growing number of so-called degenerates continuing to build on the popular subreddit, I think it'd be unwise to go short any stock, no matter how distressed the fundamentals. The short-squeezing army at Reddit's WSB forum seems to be getting bigger by the day. Heck, they had enough collective purchasing power to purchase a five-second Super Bowl ad that honoured the retail traders who took on the big money on Wall Street.

## The rise of WallStreetBets

If you're looking to profit from the growing WSB mania, don't even think about going long or buying call options on any stock that they've already pumped up, as the risks of being left holding the bag are absurdly high. While it's a far less reckless idea to speculate on which heavily shorted stocks the WSB crowd may be interested in bidding up next, I'd urge investors to consider the risks of being left holding shares of companies that could be on their way out.

Are you comfortable holding the stock of a failing business in your portfolio over the long run?

If so, you should still conduct the due diligence and conduct a valuation of the distressed and heavily shorted stock at hand. As someone wise once put it, any stock can be a buy if the price is right, even the shares of the most horrid businesses. That's the premise of cigar-butt investing. And if the WSB crowd bids up the "deep value" stock at hand, you could have a losing company with a winning stock on your hands.

# Be careful when you pick up cigar-butt stocks!

While I'm not against the concept of cigar-butt investing (the great Warren Buffett used to implement this strategy), I'm no fan of speculating on stocks to make a quick buck over the near term. We're all about sound long-term investing here at the Motley Fool. And unless you're willing to put in the homework to evaluate a company and commit to holding it for the next three, five, or even 10 years, only then should you venture into a cigar-butt or deep-value stock.

You see, cigar-butt investing is not everybody's cup of tea. If you expect results over the near term, you're more likely to lose money than make it. But if you are keen on unlocking deep value and you've got the discipline to hold for years at a time, consider **Cineplex** (TSX:CGX), a movie theatre operator that could be the next **AMC Entertainment**. While I don't think the WSB crowd will bid up the stock, as it's a TSX exclusive, and many U.S. users would need to go on the pink sheets to own shares of the company, I do think the stock represents one of the most attractive "cigar butts" on the TSX.

# Cineplex: The Canadian version of AMC Entertainment?

The balance sheet isn't great, but it looks good enough to survive the COVID-19 crisis. If Cineplex survives the crisis (and I think it will), the firm could benefit from a post-pandemic discretionary spending boom. And next thing you know, Cineplex will be back to investing in its amusements and entertainment businesses (think Rec Room, Topgolf, and Playdium) — the real reason to own the stock for the long haul.



If in the unlikely scenario where this pandemic drag for years to come, though, Cineplex's survival is not guaranteed. So, only bet what you're willing to part with!

Stay Foolish, my friends!

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