Facedrive Stock at $51: Should You Buy, Sell, Hold, or Short?

Description

Facedrive (TSXV:FD) stock has once again come into the hype. It surged 221% year to date on no news, no fundamentals, and no macro-economic events. The only thing that justifies this rally is momentum. Last year I was bullish on Facedrive stock when it was trading at $16. At that time, I'd stated that any new acquisition could double or triple your money. In less than a year, the stock has tripled. So, if you invested $1,000 in Facedrive in July 2020, you now have around $3,200. Should you buy more, hold, sell, or short the stock?

Does Facedrive have what it takes to be the next FAANG?

Facedrive is a stock that has grown too much in too little time. Many stocks witness unprecedented growth because they enjoy scalability. Tech has the power to expand its operations across the world. The potential to scale is what drove FAANG (**Facebook**, **Apple**, **Amazon**, **Netflix**, Google) stocks to around trillion-dollar valuations.

If you ask me if Facedrive has the potential to be the next FAANG, it is too early to say. Facedrive started as a sustainable ride-sharing business and is now getting into too many businesses where it can imbibe a "people-and-planet-first" approach.

For instance, it has expanded to other verticals like sustainable e-commerce, food-delivery service, e-social platform, contact-tracing, and sustainable health services. Most recently, it started an electric vehicle (EV) subscription service after the acquisition of the U.S.-based Steer. This acquisition comes at a time when U.S. president Joe Biden aims to reduce America's carbon emissions. His US$2 trillion clean energy program will focus on the adoption of EV and clean energy.

You can say Facedrive is bucking the trend. During the pandemic, it bucked the food delivery and contact tracing momentum. Now it is riding the EV momentum. But too many verticals have inflated its expenses, and revenue growth is not as exponential as expected.

Most high-growth companies don't make money for the first five-10 years — ride-sharing companies **Uber** and **Lyft**, which have been in the business for 12 and nine years, respectively, are still struggling to make profits. In such a scenario, Facedrive is just five years into the business and has too many verticals.

How to make money on Facedrive stock

Should you spend $51 on a stock of the company that is all hype and has nothing to prove yet? I would not recommend doing so. Facedrive does not have a large user base, market share, or a growth history. It is in a loss-making business of ride-sharing. The year-to-date 200% stock price rally is on the back of investor hype.

Between January 21 and 26, Facedrive stock surged 70%, while the trading volume did not surge that much. The stock repeated this rally between February 4 and 6. Both these rallies were accompanied by a dip.

Such buying momentum only calls for short-selling because Facedrive stock cannot sustain the rally. There is some short-term trading happening with this stock as there were significant gaps in the previous day's close and the current day's open. You can make money from Facedrive stock price momentum. Buy when others sell and sell when others buy.

This is a good time to sell the stock at a premium from its market price. The stock is riding on a buying momentum and could see a 10-20% gap from the previous day's close and the current day's open. The stock is trading at $51. If you put the selling price at $56 or $60, there is a good probability that it will be sold in this buying momentum.

If you don't own the stock, don't buy now. Wait for the stock to fall. It has a Relative Strength Index (RSI) of 64, and it is heading upwards. Once it enters the overbought category of 70 plus RSI, the stock will see a sell momentum, and that is when you buy at somewhere below $40.

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