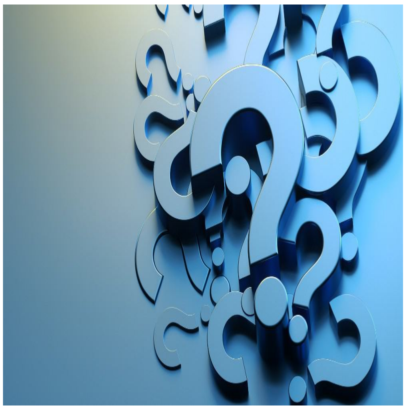

GameStop (NYSE:GME) Stock: $0 or $100?

Description

GameStop (NYSE:GME) is a stock with a trajectory that made history in the stock market investing world. It is difficult to believe that a stock worth just under US$6 per share at the start of the year went as high as $483 per share in a matter of days.

However, the bubble bursting in a few weeks did not come as a surprise to investors, analysts, and experts.

GME is trading for US$46 per share at writing. Its current valuation is significantly lower than its all-time high share price. If you are wondering whether it will go down to $0 or surge to more insane valuations, I will discuss the situation to paint a clearer picture for you.

Why Redditors chose to bid on the stock

GameStop was a game of short squeeze that allowed retail investors to play the same game that hedge fund investors use to generate substantial wealth. GameStop had all the technical indicators of a failing stock on the stock market. It was a lowly traded stock with negative earnings per share and a negative EBITDA, and no fundamental investor would purchase the company's shares.

Hedge fund managers find opportunities in such stocks by using short-selling to profit from the dip in share prices. Redditors decided to target such stocks to ensure that hedge fund managers lose their bets on a decline in a stock and make them lose money. Since hedge fund managers did not want to lose money, they had no other option but to buy the stock at a premium valuation.

Where does Gamestop go from here?

Despite the controversial rally fueled by retail investors banding together against hedge fund managers and the stock coming down to US$46 per share, GameStop might still have a long way to go before it corrects to a fair valuation.

The stock has a non-investment S&P credit rating of B-. It will likely remain highly volatile in the short to medium term. Equity securities that provide truly reliable returns have fundamentals that support higher valuations. Unfortunately, GameStop has nothing supporting its rise, and it will likely continue on a downward spiral as the entire situation calms down.

A stock for more reliable returns

If you are looking for substantial returns without the risk of making a speculative bet, **Lightspeed POS** (TSX:LSPD)(NYSE:LSPD) could be an ideal stock to consider. The cloud-based omnichannel platform provider delivered incredible returns to its shareholders throughout 2020 and is up over 750% from its March 2020 low.

Despite the stock's surging share prices and high valuation at writing, the high-growth tech stock might have the potential to sustain its growth for longer.

The company's ability to drive revenues by launching new products, acquiring accretive businesses, and expanding its customer base positions it well to benefit from the changing global environment in the post-pandemic world.

Favourable industry trends and a massive untapped market might allow the company to grow even further over the next decade. It means that even at its high valuation right now, Lightspeed could provide shareholders with substantial long-term returns.

Foolish takeaway

The stock market investing world has been full of surprises due to the pandemic, and GameStop epitomized the rare but odd possibilities in equity security markets. The GameStop rally encouraged many regular people to look into stock market investing as a means to earn money. However, truly savvy investors will know better and steer clear of short-term and speculative bets.

GameStop stock will most probably devalue further after some more volatility in the coming weeks or months. However, a stock like Lightspeed can provide you with high returns that are reliable and backed by robust fundamentals.

CATEGORY

1. Dividend Stocks
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TICKERS GLOBAL

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2. NYSE:LSPD (Lightspeed Commerce)
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