



## This 1-Week Prediction of BlackBerry (TSX:BB) Might Surprise You

### Description

Last week, you saw the beginning of the second wave of a short squeeze in three meme stocks: **BlackBerry** ([TSX:BB](#))([NYSE:BB](#)), **Gamestop**, and **AMC**. Hence, I bring a one-week prediction of the BlackBerry short squeeze, because that is how long this trading game will last. For the fundamental investor, BlackBerry is a long-term hold but not a buy this week.

### Don't chase a rally you can't predict

Indeed, price doesn't matter to long-term investors, but it is also true that you should buy the dip. BlackBerry is the second-largest holding in Prem Watsa's portfolio, but he bought the stock when it was trading below \$8. And famous value investor Warren Buffett bought **Apple** stock when it [dipped](#) in 2018.

What can you learn from these billionaires? Don't chase the rally you can't predict. When the stock surges past its average trading price, you cannot tell when it will reach its peak. But when a fundamentally strong stock dips from its average trading price, you know it will rally, and this rally will have a catapult effect.

BlackBerry doesn't have attractive fundamentals, but it has growth [potential](#) in the coming 10 years. The stock's 50-day moving average is \$11, and the 200-day moving average is \$10. Buy the stock if it falls below \$11 or \$10. But do not engage in any buying activity above \$11.

### Learn from the January BlackBerry short squeeze

As of the date of writing, BlackBerry stock is trading above \$12, as the subreddit WallStreetBets begins the game of the short squeeze. The rules of the game are simple. Retail investors flock to buy the stock, thereby inflating the stock price. They challenge the hedge funds with a short position in the stock to square up their position by buying the stock from them at a premium from the market price.

These Redditors played their first game in January. They started buying on January 14 when the stock

traded above \$11 and inflated the share price to \$17 by January 22. All this happened in seven working days. This inflated price was so attractive that BlackBerry's CFO and chief marketing officer sold 100% and 60% of their directly owned shares, respectively. As they have equity-based incentives, they believed \$17 is a good price to book profits.

They exited while the rally was ongoing — a wise decision. On January 25, the hedge fund managers played their bets and bought the shares in large volumes for \$23-\$25. Not everyone got this premium. And then the stock fell to \$14.

## The one-week prediction of BlackBerry

In the second short squeeze, I expect BlackBerry stock to rally this week to as much as \$15. Unlike last time, the short interest is less than 10% of BlackBerry shares trading on the exchange, leaving less room to boost the price.

You should take profits on most of the BlackBerry shares you own in the \$13-\$15 range, because when the hedge fund plays its bet, you may not be able to beat Redditors in the selling game. I believe hedge funds would allow the stock to surge to \$15. The stock made a high of \$14.59 on May 28, and yet it didn't trigger a hedge fund buying.

Once the stock crosses the \$15 threshold, it is difficult to predict. Take profits while you can and buy the stock later when it dips to \$10. A \$10-\$11 buy price will create a catapult effect and enhance your medium- and long-term returns.

### CATEGORY

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