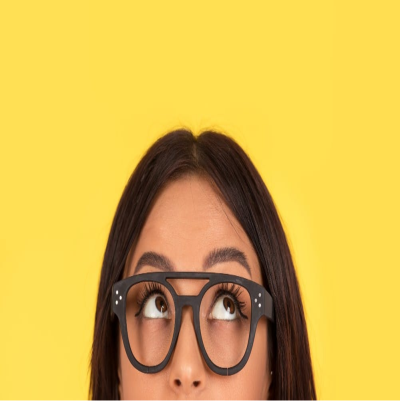

BlackBerry (TSX:BB) Stock Dips: Should You Invest in Meme Stocks?

Description

If you think the stock market behaved weirdly in 2020, what will you call the trend of meme stocks that began in 2021? The 75% jump in **BlackBerry** (TSX:BB)(NYSE:BB) stock in the last six days is an example of a meme stock. Meme stocks happened when social media merged with stock trading. This new concept of social trading evolved thanks to zero-commission online brokers like Robinhood. These brokers have made stock trading as easy as operating a **Twitter** account.

What are meme stocks?

What is the most popular content in social media? It's the memes. They are engaging, easy to share, and can communicate a message in few words. Believe it or not, memes are growing to be one of the fastest ways of spreading news. Memes go viral on social media and online forums like Reddit, users have a good laugh, and the meme dies as it goes down the news feed until someone revives or reposts the meme.

This term *meme* stock was coined because these stocks rally on the back of social media hype. Just like the life of a meme, the momentum of a meme stock is short. The momentum dies down with the hype. I will give you an example.

You must have heard about the Elon Musk memes of the Shiba Inu dog and the #dogetothemoon. Musk has been a Twitter sensation for a long time. He even faced a fine for tweeting things that hampered the share price of **Tesla**. He used his 56.4 million Twitter followers (and still growing) to create the Dogecoin hype, sending the meme coin up more than 1,000% in a month.

This craze died down as Elon Musk got busy with SpaceX work, and he didn't post any tweets on Dogecoin. The result was a 40% dip this week. He posted another meme on June 2, and the Dogecoin price surged 27%. Such is the nature of meme stocks and meme coins. The rally has nothing to do with the fundamentals, news, or any insider information.

BlackBerry stock price rally

BlackBerry stock rallied 76% in the last six days as a subreddit group WallStreetBets decided to earn from the short position of hedge funds. The short position means to bet on the stock price to fall. So one person did the research and identified all beaten-down stocks and looked at their short interest. That person went to Reddit posting about the idea and the followers flocked in to buy these stocks, artificially inflating the stock price.

The objective of this rally is to force the hedge fund managers to buy stocks and square up their short position. This craze went to such an extent that Robinhood and other brokers blocked investors from buying more shares of BlackBerry. The result was the stock dipped 40% in one day. Redditors have started round two of the short squeeze mania.

This rally will die down by next week. The decline has already begun. It has dipped 5.4% as some retail investors cashed out their profits. You should also take advantage and sell while you are still getting an $18 price. If the regulator interferes, the dip will be 30-40%, and you won't get the price you ask for.

The rule of stock market investing applies even in meme trading; buy when others sell and sell when others buy.

Should you invest in meme stocks?

Coming to the question if you should buy meme stocks? I won't comment on other meme stocks, but BlackBerry is a stock with good growth potential. It has the fundamental to make it big in the 5G revolution. However, this potential doesn't mean you buy the stock at an 80% premium. I am long-term bullish on this stock, but only if you buy it at $10 or $11 price.

Don't buy meme stocks when they rally on hype. Instead, buy a stock for its fundamentals. If there is any hype-driven rally, take advantage to book some short term profits. You can use that extra money to buy some more fundamental stocks and repurchase BlackBerry at the dip.

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Date
2025/08/27
Date Created
2021/06/04
Author
pujatayal