



## Why BlackBerry (TSX:BB) Stock Dipped 7% After a 37% Jump Over 2 Days

### Description

**BlackBerry** ([TSX:BB](#))([NYSE:BB](#)) stock reported a 37% jump in two days. That may be normal in the crypto market, but it is not normal in the stock market. Only a whale holds the power to make such a difference in the stock price. (A whale is a large investor or an institutional investor that trades in huge volume.) In this article, I will tell you what is happening backstage. Why is black in green — and when it will become red?

### Understanding meme trading through BlackBerry

This year, a subreddit group WallStreetBets went viral as it initiated some trade strategies to make quick money. You can't pull off a trading game in large-cap stocks that have a high price. So Redditors targeted small-cap stocks having a low stock price. BlackBerry, **AMC**, and **GameStop** fit the bill.

The trading strategy they chose was a short squeeze. They dictated the rules and waged a trading war against the hedge funds. The level of influence this online forum had on the stock price even took regulators by surprise.

Analysts and investors moved from monitoring the company's balance sheets and future growth potential to the stock's social media mentions. This financial [article](#) showed there was a surge in the number of comments on r/WallStreetBets and r/cryptocurrency subreddits. Social media analytics became the new tool for trading, and hence they were termed meme stocks. Like memes, they move on social media hype and not fundamentals.

### How short squeeze brought Blackberry in green

Now, let's move to the short squeeze trading strategy. Short selling happens in the derivatives market, where you can buy and sell in lots of 100 shares without paying the entire amount. All you have to do is maintain a margin with the broker. Here you can place bets both ways. If you believe the stock price will fall, you take a short position, and if you feel otherwise, you take a long position.

In derivatives, you don't buy or sell the share, but you promise to buy or sell at the expiry date. The short seller is obligated to buy the stock at the trading price on the expiry date to square up his

position. To exploit this short position, contrarian investor (in this case, Redditors) buys the share (which has a significant short interest) to inflate the stock price. This forces the short seller to buy the stock from Redditors at a premium price. As the short position is in lots, they buy large volumes to square up their short position.

But this trade is risky for both short-sellers and contrarians.

## How can you make money from meme trading?

A wise investor doesn't follow the noise but the fundamentals. If you own BlackBerry stock, sell it at the currently inflated market price. Don't try to place an asking price as the market is in the sell mode. You can still get anything between \$15 and \$18. Unless the share is in a long-term uptrend, don't buy it above its 50-day moving average of \$11.34.

Your stock price returns depend on the price at which you buy. Do not chase BlackBerry's short squeeze rally. This rally is artificial and unlikely to last. As I said in this week's [prediction](#) of BlackBerry stock, the price will begin to fall towards the end of the week. Sell while you still can, but do not buy.

If you purchased the stock somewhere below the \$11 price and missed the short-squeeze rally, do not worry. The share has strong fundamentals and good long-term growth potential. It has the potential to tap the 5G revolution and electric vehicle and autonomous vehicle (EV/AV) trend. Your patience will be rewarded.

In the meantime, there is no harm in making some money from meme trading. But that should not be your primary investment strategy.

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