



AMC Stock: Why Short-Sellers Got Squeezed

Description

AMC Entertainment Holdings ([NYSE:AMC](#)) stock went on a wild rally last week, rising 52% in five days. At one point it was up 114% for the week, but it gave up some of the gains on Friday. Despite the late-week losses, short-sellers got wrecked. According to one source, AMC short-sellers lost \$2 billion betting against AMC, eclipsing what they lost in the initial meme stock craze of January. In this article, I'll explore reasons why short-sellers got "squeezed" so hard in the latest meme stock rally, and what that means for investors.

Reddit is once again promoting AMC

Like the first meme stock rally, the recent one got started on Reddit. Top Reddit stocks like **GameStop**, AMC, and **BlackBerry** ([TSX:BB](#))([NYSE:BB](#)) saw a surge in mentions last week, which likely correlated with the uptick in buying. For most of last week, AMC was the #1 or #2 meme stock on all of Reddit in terms of mentions, which helps explain its rise. *WallStreetBets*, the Reddit community that got the meme stock craze going, has over 10 million members. With that large of an audience, you can [easily move markets](#) and it appears Reddit did so once again last week.

Same story with BlackBerry

The meteoric rise of BlackBerry last week is a tie-in with AMC that may be of interest to Canadian investors. At its peak, BB was up 83% for the week. It closed the week up 36%. Like AMC, BlackBerry saw a surge in Reddit interest. As of this writing, it was the [fourth most popular stock](#) on the platform.

BlackBerry shares many similarities with AMC beyond the Reddit mentions.

Like AMC, BlackBerry is a company in the midst of a revenue decline that's seen as having the potential to reverse. In AMC's case, the end of the pandemic and the expected return of movie-going are expected to produce the reversal. In BlackBerry's case, it's the pivot away from smartphones and toward software. While BlackBerry's *total revenue* has been declining for years, its *software and service revenue* was rising until this year. That points to the possibility of profits in the future.

Also like AMC, BlackBerry is a company with some "nostalgic" value. It's been noted many times elsewhere that many "meme stocks" have some kind of nostalgic quality to them. Whether it be old-school phones (BlackBerry and **Nokia**), movie theatres (AMC), or game stores (GameStop), all of these companies are best known for their "quaint" products or services.

In BlackBerry's case, the old-school product is no longer being sold directly, but it does have a sentimental quality to millennials due to its former dominance of the smartphone scene. Perhaps the meme stock phenomenon is somewhat related to the broader phenomenon of millennial nostalgia and desire to return to days gone by.

Foolish takeaway

If 2021 has taught us anything, it's that meme stocks have surprising staying power. While their initial rally fizzled out quickly, a new one has emerged, and who knows how long it will go on for. On Friday, we already saw signs of meme stocks running out of steam. But perhaps they'll rise again in another surge of interest from millennial investors.

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Author

andrewbutton

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