



BlackBerry Stock: Look Out Below?

Description

BlackBerry ([TSX:BB](#))([NYSE:BB](#)) stock has been bid higher by the retail army at WallStreetBets (WSB), which is now over 10 million strong. With shares now up a staggering 117% year to date and 86% over this past month, BlackBerry stock is now one of the hottest stocks on this side of the border. But don't say you weren't warned! I'd urged Canadian investors to back up the truck on shares in May after they had imploded 66% from the last peak.

Will this WSB-driven spike be bigger than the last one? Is it sustainable this time around? Or this epic rally in BlackBerry stock going to end in tears, once again?

The first WSB pump in BlackBerry stock seemed like such a long time ago.

WSB pump: Round two

Shares ended up shedding more than half of their value in a matter of weeks, punishing those who dared chase it. While nobody knows for sure just how much the hands of the retail traders at WSB have strengthened over the past few months, I think one thing is for certain: anyone looking to short shares of BlackBerry stock is just asking for trouble. Short-dated put options, while less reckless, still seem to be a coin toss now that prices have jumped considerably over the past two weeks.

Indeed, BlackBerry has seen a return in [volatility](#). Still, it remains my favourite WSB stock. While the BlackBerry turnaround story was headed south in a hurry, thanks in part to the 2020 coronavirus crisis, which hit the QNX business particularly hard, I still thought the coronavirus recession was a short-lived hit rather than a knockout blow to BlackBerry.

BlackBerry is actually a wonderful company with impressive turnaround prospects

COVID-19 headwinds are still plaguing the company, but things are looking up, and I think the

valuation isn't nearly as absurd as some of the other distressed and heavily shorted companies on WSB's list of names. Most notably, **AMC Entertainment** and **GameStop** stock are beyond overvalued, in my opinion. Regardless, betting against the WSB crowd is never a good idea. As the shorts get squeezed once again, maybe next time they'll learn their lesson not to underestimate the firepower of disgruntled Redditors who are more about bringing the pain to the hedge funds than just making a quick buck at the expense of the big money.

As Warren Buffett's mentor Benjamin Graham once put it, "In the short run, the market is a voting machine, but in the long run, it is a weighing machine." Over the coming weeks and months, WSB stocks, whether it be BlackBerry or AMC, are going to move on votes of Redditors who are more than willing to put their money where their mouths are.

What's BlackBerry stock's next move?

That means BlackBerry could, like AMC stock, [pop like popcorn](#) without the slightest of reasons. When will the fundamentals come back into play, as the market looks to re-value such names according to their "weight" instead of their popularity? Who knows?

In any case, I'd only get into BlackBerry stock today if you've got an exit plan, as I find shares to be a bit overvalued, albeit not to the same extent as AMC or GameStop stock. BlackBerry stock retreated 4.2% on Wednesday, as the latest WSB rally ran out of steam. However, I don't think this is the beginning of the end of the run. If I'm wrong and the WSB folks start booking their profits over the coming weeks, the downside could be painful.

Paul Treiber of **RBC** Capital has a "sell" rating on BlackBerry shares, with a \$9.08 price target, which suggests the stock could get cut in half from today's prices. So, do be careful if you're a long-term investor, as I think a far better entry point could be on the horizon. For traders, though, you have my blessing to get in. Just please have an exit route in mind!

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