



BlackBerry (TSX:BB): How to Make Money From the Reddit Frenzy

Description

BlackBerry (TSX:BB)(NYSE:BB) investors may be wondering long it will be until we see the next market crash. Timing the market is a fool's game, however. Rather than waiting for the peak in a game of short squeeze, set your target and sell while you still can. One thing we know about BlackBerry stock is it has an upper limit of \$20. Some trades were executed at \$23 and even \$36, but that was hedge fund buying. And such price levels are not sustainable even for two hours.

The highest price you can get for BlackBerry stock

Redditors won't push BlackBerry stock price [beyond \\$20](#), as it will trigger the BlackBerry management to sell their shares. The management's significant compensation is [tied](#) to equity. The Redditor rally has ruined the very purpose of equity compensation. The management can cash out their shares once the 10-day moving average crosses \$16, even when the fundamentals don't support this price.

Whether or not there is management's involvement in this Redditor frenzy, it has a profit booking opportunity for loyal investors. You can place a price between \$19 and \$20 and wait. When the hedge fund buying comes, you will get your price. If you purchased the stock at \$10, that is double the money.

Don't make this mistake or you will lose your gains

A 100% return sure gets your hopes high, and many investors reinvest that money to buy BlackBerry at the dip. Don't rush to buy the stock at the dip until Redditors shift their focus elsewhere. The stock is still in the limelight, and the volatility only gets the worst of short-term trading.

For instance, John purchased 100 BlackBerry shares for \$10 and sold them for \$19. He gets \$1,900 excluding taxes and commission. Now, he reinvests that \$1,900 and buys the share at \$15. He will get 126 shares. He again sells those shares for \$19 and gets \$2,395. (All the above transactions exclude tax and transaction fees).

If you look carefully, in John's first transaction, he gained \$900. But in the second transaction, he reduced his gains to \$494. That is why active investments underperform passive investments. If John

keeps buying and selling, he is losing money.

In the above transaction, John lost \$406 of his gains from BlackBerry short squeeze to active trading.

How to make money from Blackberry's Reddit frenzy

Hence, don't rush to buy BlackBerry stock until it falls to its average trading price of \$10 or \$11 and the trading volume returns to below 5.5 million shares. If John waited for the stock to fall to \$11, he could have purchased 172 shares of BlackBerry. And if he gets another chance to sell at \$19 in the short squeeze, his gains would be \$1,368, \$468 more than the first gain of \$900.

The trick is to identify the breakeven price beyond which buy the dip will eat up your returns. In the BlackBerry volatility of \$10-\$19, the breakeven price is close to \$12.75 or 100 shares. This means if you plan to buy 100 BlackBerry shares at the dip again, any price above \$12.75 could eat up your previous gain. You can improve your returns only when the stock crosses the \$20 mark.

Foolish takeaway

If you have booked your profit once in the short squeeze, don't rush to make another trade. Sit back and enjoy your gains and buy the stock when things normalize.

CATEGORY

1. Investing
2. Tech Stocks

TICKERS GLOBAL

1. NYSE:BB (BlackBerry)
2. TSX:BB (BlackBerry)

PARTNER-FEEDS

1. Business Insider
2. Koyfin
3. Msn
4. Newscred
5. Quote Media
6. Sharewise
7. Yahoo CA

Category

1. Investing
2. Tech Stocks

Date

2025/09/06

Date Created

2021/06/18

Author
pujatayal

default watermark

default watermark