



Beware! You Might Be Losing Money Due to BlackBerry's (TSX:BB) Volatility

Description

With the [meme stock](#) trend, every investor is hoping that Redditors target their herd buying on the stock they have been holding. Why do I say so? Because Redditors upped the stance of **Gamestop**, **AMC**, and **BlackBerry** ([TSX:BB](#))([NYSE:BB](#)) by bringing them into the limelight.

These stocks are witnessing the second wave of a short squeeze. With every wave, the average trading price is rising. Instead of gaining from this artificial volatility, many long-term investors are losing money over the fear of missing out (FOMO).

Why are investors losing money in BlackBerry?

Many value investors were confused in the first short squeeze in January. Those who missed the January rally sold their shares in the June short squeeze.

For instance, last year, Tom bought 10 BlackBerry shares when it was trading around \$7 and sold the stock when it crossed \$15. His profits almost doubled to \$80.

But then the stock rallied to \$19, and that is where the FOMO cropped in. He regretted selling the stock at \$15 and considered it to be a \$40 loss. That is where he started losing.

Instead of investing the BlackBerry gains elsewhere, Tom reinvested the amount in BlackBerry. This time, he bought 10 stocks at \$15. Now his cost has increased, and he can make a profit from this stock when it surges past \$15. Even if he manages to sell those 10 stocks at \$20, his gain is \$50, which is less than his initial gain of \$80. This time, Tom lost \$40 in reality.

Trading the BlackBerry short squeeze

The only safe way to earn money in the Reddit frenzy is to sell. Let's take Tom's case. Instead of selling all his BlackBerry shares, he should sell the stock in three or four lots. I will take an example of four lots.

Tom sells the first two shares at \$16 and waits. The stock surges. So, he sells another two shares at \$18. Then the stock falls. But he is a long-term investor, so he doesn't mind holding the stock.

Tom does a puts trade for \$21, and, in a buying frenzy, three of his shares get sold. In total, he earned \$82, and he still owns three stocks at \$7 that he holds for the long term. A phased sale helps you take advantage of the rally.

The above strategy was for the first transaction. Now comes the second transaction. Instead of buying BlackBerry at an elevated price of above \$11, Tom can invest \$82 in a recovery or dividend stock like **Suncor Energy** or **RioCan REIT** that is trading under \$50. These stocks have a +20% upside and a 3-5% dividend yield.

Foolish takeaway

Remember, the [Reddit bubble](#) is temporary, and it will burst someday. In the long run, fundamentals will drive BlackBerry. Consider buying BlackBerry after the bubble burst.

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