



## 2 Canadian Stocks Primed for a Short Squeeze in July

### Description

Unless it's a coordinated effort against individual/institutional investors shorting a stock, identifying and leveraging a short squeeze can be quite difficult, even for seasoned traders/investors. A short squeeze is when contrarian investors (investors who swim *against* the market flow) take up a long position on a heavily shorted stock, hoping for (or *triggering*) short squeeze cash out at the top.

Ironically, risky though it is, taking advantage of a short squeeze is still relatively safer compared to actually shorting the stock because, in the former approach, you can't lose more than what you've invested. But if you've shorted a stock, your losses can potentially rise indefinitely.

A recent example would be **AMC Entertainment Holdings** short-sellers that lost over US\$500 million in a single day.

The best way to take advantage of a short squeeze is to buy heavily shorted stocks when they are trading at or near all-time lows. The next phase is identifying the squeeze and cashing out before the stock starts to dip again. And there are two Canadian stocks that are most likely primed for a short squeeze in the coming month.

### One of the original meme stocks

**BlackBerry** ([TSX:BB](#))([NYSE:BB](#)) was one of the [earliest stocks](#) identified by traders of the same subreddit that triggered the **GameStop** short squeeze. Thanks to a buying frenzy initiated by the retail investors who frequented that subreddit, and the rally was joined by other investors, many from the meme communities, and together, they pushed the stock to a new height in January 2021.

The stock began to normalize on the same day, but investors who could identify the squeeze and exited their position at the right time managed to turn in a very decent profit.

BlackBerry stock has been stagnant for a while, but it saw a small spike earlier this month. The share price grew by over 80% in less than two weeks and is still trading near the monthly high. The short squeeze might not be as aggressive as AMC's or even BlackBerry's earlier this year, but the probability

of it happening in July is quite high.

## A potential short squeeze

If we go by the technical indicators of a short squeeze, that is, the number of shorts several times higher than the average daily volume and shorts as a percentage of float higher than 10%, **Canopy Growth** ([TSX:WEED](#))(NYSE:CGC) looks ripe for a short squeeze. While its recent growth is nowhere near its yearly peak, the stock *did* grow over 12% in the last 30 days to the highest monthly valuation.

The company has been making a lot of waves in the marijuana market and is ready to pounce on US legalization. It is completing a major acquisition (**Supreme Cannabis**) and has [let go of a deal](#) that proved to be unfruitful (Drake). The catalyst that will most likely trigger the stock to power upwards would be U.S. legalization. Even if it's not a short-squeeze per se, you *may* consider exiting the position at a profitable height.

## Foolish takeaway

It's important to note that these relatively advanced and highly risky investment tactics are not for everybody. It's not a good idea to jump on the bandwagon if you don't know exactly when to jump off. And if you are experimenting with meme stocks, a good idea would be to do so with disposable cash.

### CATEGORY

1. Investing
2. Tech Stocks

### TICKERS GLOBAL

1. NASDAQ:CGC (Canopy Growth)
2. NYSE:BB (BlackBerry)
3. TSX:BB (BlackBerry)
4. TSX:WEED (Canopy Growth)

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