



## Why Did BlackBerry (TSX:BB) Stock Volatility Surge?

### Description

A business lifecycle is like a human lifecycle from birth to growth to maturity to death. **Gamestop** (NYSE:GME) and **AMC** ([NYSE:AMC](#)) have been making multi-year losses and were nearing the end of their business. However, **BlackBerry** ([TSX:BB](#))([NYSE:BB](#)) was stuck in the aftermath of its founder's mistakes of missing the touch screen phone revolution. But it was still undergoing a turnaround to a software company with the future in mind.

### BlackBerry scenario before the lockdown

Stocks of GameStop, AMC, and BlackBerry had medium to low trading volumes. They were not quite the apple of investors' eyes as they neither offered growth nor dividend.

Gamestop is a retail store to buy games. With gamers buying games online at a heavy discount, Gamestop was losing touch. AMC has a chain of theatres in the United States. And in the pandemic, all non-essential stores were closed, putting a lock on Gamestop and AMC outlets. BlackBerry also reported revenue declines because of a dip in automotive sales.

Their dying fundamentals reflected in their falling stock prices. Stocks of Gamestop, AMC, and Blackberry fell 65%, 46%, and 30%, respectively, between February 15, 2019, and February 15, 2020, before the pandemic dip.

This was the scenario before the lockdown.

### BlackBerry scenario after the lockdown

Many millenials, stuck at homes during the lockdown, stormed to social media and revived investor interest in the above businesses. They had zero-commission trading apps at the tip of their fingers and stimulus money.

You know how influential social media is to the young investor. Someone created a subreddit r/WallStreetBets, and the discussions on this forum started affecting real stock prices. These stocks peaked to unprecedented levels in January 2021 as Redditors played the short squeeze game. But

even after the [short-squeeze](#) surge corrected, stocks of Gamestop, AMC, and BlackBerry surged 1,200%, 13%, and 55%, respectively, between February 15, 2020, and February 15, 2021.

This growth came as many new traders purchased the dip to take advantage of the volatility Redditors had created. Many active hedge funds moved to buy derivatives contracts to gain from volatility. Then there were some investors who tried to chase the rally and got stuck with high prices. So they decided to hold.

## Volatility doesn't prevent long-term returns

If you are a value investor, this is your chance to cash out at a premium. Once the Reddit bubble bursts, these stocks may not achieve these levels for many years. The prices that you see today are not sustainable. In the long run, fundamentals and business conditions will creep in, and stock prices will return to fair value.

BlackBerry has strong growth potential in the long term. Its endpoint security platform and [automotive](#) operating system (OS) can help it tap the internet of things and the electric vehicle revolution. But it is still an early stage. The real growth will take time to reflect in revenue, and it also faces competitive risk.

Buying an early-stage growth stock that is yet to prove itself at a \$15 price will reduce your upside potential. Returns come to those who buy cheap. Wait for BlackBerry to return to \$11 before hitting a buy.

### CATEGORY

1. Investing
2. Tech Stocks

### TICKERS GLOBAL

1. NYSE:AMC (AMC Entertainment)
2. NYSE:BB (BlackBerry)
3. NYSE:GME (GameStop Corp.)
4. TSX:BB (BlackBerry)

### PARTNER-FEEDS

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