



Could This Stock Be the Next AMC Entertainment Holdings (NYSE:AMC)?

Description

AMC Entertainment Holdings ([NYSE:AMC](#)) stock is soaring once more. After a few rough weeks, it rallied on Tuesday, closing the trading day at \$42. It was the first big daily gain for the stock in over a week, and it caused utter jubilation from shareholders on Reddit and **Twitter**. It's not very often that a stock rallies 24% in a single trading day, but on Tuesday, AMC did just that.

With that said, we've probably seen the best that this stock is going to deliver. Size is the anchor of performance, and AMC now has a \$21 billion market cap. While more gains may still be forthcoming, the 2,000% year-to-date gain won't be replicated in the second half of the year.

That doesn't mean that other stocks can't do the same, though. AMC has a huge fan base on Twitter and Reddit, and they could move on to other stocks. AMC wasn't the only meme stock to rally this year, and it's probably not going to be the last one. In this article, I'll explore another movie theatre stock that could rally like AMC — particularly if it's lucky enough to catch Reddit's attention.

Cineplex

Cineplex ([TSX:CGX](#)) is a Canadian movie theatre company that is in pretty much the exact same situation that AMC. Specifically,

- It was forced to close most of its locations because of COVID-19;
- It suffered an 80% reduction in sales;
- Its earnings and equity both went negative; and
- It's now in the process of [reopening its theatres](#) and will probably see a sales boost as a result.

With respect to all of the facts above, Cineplex is nearly identical to AMC. There's just one big difference:

Cineplex does *not* have an army of Redditors pumping it. While Cineplex is up a good bit this year, its return ([approximately 75%](#)) has been nothing compared to AMC's 2,000% rally. Obviously, Reddit has a lot to do with AMC's big gains this year. Its COVID-19 era revenue collapse and likely post-COVID

recovery are similar to Cineplex's, yet its stock is up far more. The discrepancy is not explained by fundamentals. So, Reddit is the likely cause.

The short-squeeze factor

If Reddit is the reason why AMC is rallying so much harder than Cineplex, that's not necessarily a reason to think that Cineplex won't rally like AMC did. To the contrary, it's a reason to think that it possibly could.

One quality that all of Reddit's "meme stocks" share in common is high short interest. In AMC's case, the short volume ratio is 33% (*source: Fintel.io*). Other meme stocks have similarly high short interest. And Cineplex does as well. According to *Fintel*, 6.27% of CGX's average daily volume is being sold short.

That suggests that a sudden rush to cover by Cineplex shorts could trigger a sudden spike in the stock price. This is the essence of a short squeeze — the scenario AMC bulls are hoping for—and it could easily happen to Cineplex. If Reddit got interested in CGX *before* shorts had to cover, that could lead to a truly impressive rally. But for now, they seem to be uninterested.

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Date

2025/10/01

Date Created

2021/07/22

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