



## Cineplex (TSX:CGX) Stock: Could it Rally Like AMC?

### Description

Yesterday, **AMC Entertainment Holdings** ([NYSE:AMC](#)) stock staged yet another rally, rising 20.3% in a single trading day. Such dramatic single-day gains have been far from uncommon for AMC in 2021, but this one caught a lot of people by surprise. Prior to Tuesday, AMC had been languishing for several months — few had been paying attention to it apart from die-hard fans. The Tuesday rally led to a surge in interest on social media, with hashtags like #AMCSqueeze and #ApesNotLeaving trending on **Twitter**.

For Canadian investors, it's natural to wonder whether the same thing that has happened to AMC could happen to **Cineplex** ([TSX:CGX](#)). Certainly, there are plenty of [similarities between the two companies](#). Both are movie theatre chains. Both have high short interest. And both could reward investors handsomely if shorts have to cover at high prices. It certainly looks like Cineplex could rally like AMC. But will it?

### Why Cineplex could rally like AMC

The biggest reason why Cineplex could rally like AMC is because it has similarly high short interest. According to ShortData.ca, [24.6% of CGX's trading volume was being sold short](#) on August 15. That's the most recent date they had on record as of this writing. The short percentage of volume may have changed since then.

With 24.6% of volume short, short-sellers covering all at once would definitely make a big impact on the stock price. That doesn't necessarily mean there'll be a squeeze, but it increases the odds of it happening. For a squeeze play to be successful, the stock price has to be high when shorts are forced to cover. If the stock price goes down, then the shorts get what they want and cover at a profit.

### Why it might not

Despite all the similarities between CGX and AMC, there are good reasons to think that CGX won't actually rally like AMC did.

The main one is that CGX has nowhere near the level of investor interest that AMC does. AMC has been a trending stock on Reddit, Twitter, and elsewhere for months now. The WallStreetBets community has millions of members and new ones are constantly being added. The more investors you have, the higher the stock price goes. AMC has the social media factor going in its favour; CGX doesn't, so it's unlikely that CGX will rally to quite the same extent that AMC has.

Another reason to think CGX won't rally like AMC is because CGX shorts won't face as much resistance from longs. If a bunch of CGX short-sellers were to initiate short positions and drive the share price down, the longs likely wouldn't have as much commitment to stay in as AMC longs do. Because CGX lacks the social media element, it doesn't have as many committed investors determined to beat the shorts. Therefore, it doesn't have as much research and due diligence floating around. So, CGX shorts could more easily scare longs away from the trade compared to AMC shorts. This could create a self-fulfilling prophecy where the small price decrease created by their shorting leads to panic selling and a larger price decrease later on.

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