



Facedrive: 3 Crucial Investing Lessons

Description

Facedrive (TSXV:FD) is once again one of the most popular Canadian stocks among investors.

The technology company has seen its share price rebound rapidly as of late, from a 98% drop in price that started back in February of 2021.

So with the stock gaining so much value rapidly, it has understandably caught the attention of investors.

Nevertheless, it continues to face several headwinds that make the stock uninvestable today. In fact, here are three key investing lessons Facedrive stock has taught us.

Don't buy stocks based on hype — fundamentals matter

Back in February, I and many of my Fool colleagues warned investors to avoid this stock. It had a market cap of several billion yet only a few million in sales.

Furthermore, it wasn't a major disruptor in a new industry. Rather, it was a company dedicated to sustainable and equitable operations in an industry (ride-sharing) that was already being dominated by two giants during a pandemic where ridesharing services have been impacted.

And since then, not only has Facedrive stock lost [almost all of its value](#), but the company has tried to expand into several other industries in order to try to drum up some sales.

This goes to show why you can't just buy a stock with hype. It's crucial to look at a company's fundamentals. That way, you don't overpay to invest in it.

When Facedrive was rallying, much of it was due to the increased speculation in the markets as a result of the meme stock rally. Furthermore, there was a tonne of hype around EV stocks.

So while Facedrive stock rallied initially, there was no way it could ever sustain its massive valuation.

Stock charts have a limited purpose

The second lesson to learn is that while stock charts are important and can play a key role, their purpose is limited.

If you look at the chart of Facedrive stock this year and see that it's down by over 90%, you might think that Facedrive has value today.

But even at this price, I wouldn't touch it. Not only could you argue that it's even still overvalued today, but there are no catalysts and no reasons why the company's value should gain in the near term.

That doesn't mean the stock couldn't gain again, but if the fundamentals and actual intrinsic value of the company don't improve, then a rally in the stock is a result of pure speculation.

While speculating on a stock is always dangerous, it's especially so when there is a tonne of volatility, which brings us to our third lesson.

Low market cap, low volume stocks can be highly volatile

The last lesson is that these micro-cap growth stocks, especially those with an extremely low [market cap](#), stock price, and low trading volumes, have the potential to rally or sell off rapidly.

When there's a stock that's not worth much or has few shares trading hands on average, it doesn't take much to move the stock in a big way.

During the week, Facedrive stock had some days with massive rallies for no reason other than the stock was rebounding from its major sell-off.

This is crucial to understand because volatility can be unpleasant for some investors. And worse, it can be devastating if you're trying to speculate.

The direction of the movement of stock prices is far too hard to predict in the short term. So any time there is a tonne of volatility, it not only gets harder to predict, but the risk increases severely too.

The stock has sold off for months because investors know that it's not worth anywhere near where it's traded all year. So even if Facedrive stock has these short-term rallies, it will almost immediately sell off the next day as investors take profits.

If you've been considering Facedrive stock, I'd therefore wait on the sidelines for now. Without any meaningful developments for the company, there is no reason to invest.

CATEGORY

1. Investing
2. Stocks for Beginners

TICKERS GLOBAL

1. TSXV:STER (Facedrive Inc.)

PARTNER-FEEDS

1. Business Insider
2. Koyfin
3. Msn
4. Newscred
5. Quote Media
6. Sharewise
7. Smart News
8. Yahoo CA

PP NOTIFY USER

1. arosenberg
2. danieldacosta

Category

1. Investing
2. Stocks for Beginners

Date

2025/08/16

Date Created

2021/09/23

Author

danieldacosta

default watermark

default watermark