



Why Facedrive (TSXV:FD) Stock Tripled in a Week

Description

Facedrive (TSX:FD) stock pushed the pedal to the metal this week (pun intended). Trading volumes and volatility have been sky high, as the [stock's value tripled](#) in less than a week. It's up yet another 9.7% this morning as I write this but was much higher on Monday when the volatility began.

So, what's happening to Facedrive stock, and what should traders know about what lies ahead? Here's a closer look.

What happened to Facedrive stock?

There's no official announcement from the company and no news story to explain the volatility. Instead, I believe the stock has been gaining traction as a day-trading, meme stock play.

Companies with low valuations that are on the verge of bankruptcy have been popular with the Reddit crowd this year. Facedrive was one of their top picks early on but has since lost favour. The stock is down 95% from February — a dramatic fall from grace.

So what?

Now that trading volumes have dropped significantly, and the company's market value is just \$250 million, it's an easier target. Day traders can squeeze the stock upward and plunge it down with relatively little volume. That makes it an ideal candidate for short-term trades.

Unsurprisingly, these trades can be immensely profitable — if you're lucky. Facedrive stock surged from \$0.88 last week to \$2.5 right now — a 300% increase. Single-day volatility has been just as high. Facedrive [stock was up 60%](#) on Monday and down 35% yesterday. That means you could have made money buying or short selling the stock.

Now what?

To be clear, Facedrive is not a good investment. You simply can't buy and hold this stock and expect to make money. The company's former co-founder has made it clear that the team is exploring bankruptcy.

But if you're a trader looking to make a quick profit before the ship sinks, this is an obvious candidate. Facedrive is a day trader's dream come true.

If you're an experienced trader with some sophisticated tools to manage risk, you could consider betting on Facedrive stock's near-term volatility. That could involve call or put options or short sells. Even so, it's probably best to limit your exposure here, as the risk of a sudden downturn is difficult to ignore.

Bottom line

Investors avoid volatility. A stock that climbs 60% one day only to nosedive 35% the next really isn't a reasonable investment. But that doesn't mean it's a bad *trade*.

Experienced day traders with the right tools can take advantage of such volatility. Facedrive stock seems like a prime candidate. It's been on a roller-coaster ride this week, and the volatility hasn't subsided today. It's up another 9% in early morning trading.

Traders can bet on or against the stock to make a swift profit. However, this doesn't change the fact that Facedrive is fundamentally weak and teetering on the edge. It could be bankrupt by the end of the year, if not sooner. But it's still a meme-worthy trading opportunity before it gets there. Proceed with caution.

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