



## Why Facedrive Stock Dropped 41.3% Last Week

### Description

**Facedrive** (TSXV:FD) has been in overdrive this month. The stock's volatile moves throughout 2021 perfectly reflect the turmoil behind the scenes. Last week, the volatility was amplified. After surging for a few days, Facedrive stock plummeted 41.3% over the course of the week. It's down another 12% today.

However, savvy traders may have had a chance to make money on all these moves. Higher trading volumes may have attracted day traders.

Here's a closer look at what happened and what this means for Canadian investors or traders.

### What happened?

From September 15 to 20, FD stock more than quadrupled. The stock gained a jaw-dropping [334% in those five days](#), reigniting interest in a company that many had left for dead.

However, the company is still in peril. Facedrive's co-founder Imran Khan left the firm earlier this year. Shortly after his resignation, Khan warned that the team was exploring bankruptcy. The fact that Facedrive has lost 96.7% of its value since February probably signals that this tragedy was priced in.

### So what?

Facedrive's name recognition and meme worthiness made it a target of day traders. Much like other stocks near bankruptcy, retail investors seem to have found an opportunity to squeeze this stock skyward while ignoring its underlying fundamentals.

The stock's trading volume surged throughout September. Recent daily trading volume has been around 3.9 million shares! There's a good chance savvy traders made immense profits in that five-day rally. There's also a good chance short-sellers made comparable profits betting against Facedrive over the past week.

This surge in volume on both sides of the trade cements Facedrive's transition from "tech stock" to "meme stock." At this point, the future is unclear. Meme stocks are much more volatile and sensitive to crowd sentiment. Investors simply cannot predict the company's revenues or cash flows with any degree of certainty.

## What now?

Facedrive stock is down yet another 12.4% in morning trading. The market's sentiment has clearly shifted. The stock's market value and volume have both declined in recent days, which means the momentum could be declining. If this downward trend continues for a few days more, even traders could abandon it.

Facedrive's struggles to generate revenue and the ongoing correction in tech stocks makes matters worse. It means the team has limited options to raise funds and save itself from bankruptcy.

## Foolish takeaway

Management resignations, paltry revenue, growth warnings and volatile stock moves are all red flags. For most Canadian investors, Facedrive is simply uninvestable. For traders, however, near-term volatility could surface some opportunities. Betting *against* the stock while it's declining could be one of many strategies experienced traders can apply here.

However, I prefer to look elsewhere for better opportunities. There are plenty of other tech stocks that are reliably growing and far less volatile.

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