



Should You Buy, Sell or Hold the Popular Stock You Own?

Description

What are the most popular fish in the ocean? Starfish. What are the most popular stocks on the TSX? [Energy stocks](#).

A year back, everyone was going crazy over tech; even Warren Buffett couldn't ignore energy (Buffett invested in **Suncor Energy** ([TSX:SU](#))([NYSE:SU](#)) and **Dominion Energy Transmission** in 2021). Today, the popularity of energy stocks is through the roof, and no one is bothered about tech. Popularity is good as it increases demand for stocks and their price. But as always, the euphoria ain't going to last as it is driven more by investor sentiment than fundamentals.

The curious case of popular stocks

Let's take the case of **Cineplex** ([TSX:CGX](#)) and **BlackBerry** ([TSX:BB](#))([NYSE:BB](#)) in early 2021. The trend in meme stocks gained popularity when Redditors used a trading strategy called short selling to make quick money from stocks by taking a significant [short position](#). In other words, hedge funds were bearish on these stocks and sold them, intending to buy them at a lower price in the future and pocket the gains.

Redditors promoted these stocks on social media by showing on their trading screens how a young trader could buy a yacht trading on meme stocks. Many young traders and investors hopped onto the bandwagon over FOMO (fear of missing out). They bought Cineplex and BlackBerry at inflated prices driven up by hype. And they are still holding these stocks in hopes of selling them at least at the cost they bought them at.

But with [inflation](#) at 8.1% in June, you are losing a lot more. Let's take an example. Joe purchased BlackBerry stock for \$14 in March 2021 to make quick money. He did have a few chances to sell the stock at breakeven, but he passed on them in hopes of selling it at \$20. That never happened as \$14 was an inflated price, and \$20 is a price BlackBerry could reach when it secures significant market share.

The stock kept falling, and Joe is now sitting on a 44% loss. His \$500 investment in BlackBerry is now

\$280. After factoring in 8% inflation, the loss has increased to 52% as the purchasing power of \$280 has reduced to \$240.

How to trade popular stocks

The above case is of an average Joe who burnt cash in FOMO trades and exited the stock market never to trade again. The truth about stock market investing is it is boring. The real value lies in stocks that are not popular or heavily promoted. You may hold a stock that suddenly becomes popular. That is the time to book some profit instead of buying it.

For instance, a year back, Suncor Energy was an eyesore for investors as it cut dividends and swung into losses because of an oversupply of oil. That was the time to buy Suncor. You may look at the valuation and see a 1.27x price-to-sales ratio for a company with 55% revenue growth and think it is an undervalued stock. But the trick with valuation is you can't see the figure in isolation. Suncor is a cyclical stock, and this revenue growth is just temporary because of inflated oil prices due to the global energy crisis.

Suncor Energy stock at a crossroads

The oil price has rallied to US\$100 a barrel since Russia invaded Ukraine. Russia is the second-largest oil producer ahead of Saudi Arabia and behind the United States. Russia and Saudi Arabia have a cost advantage over Western countries as they can produce oil at a cheaper rate.

A global recession could suddenly reduce oil demand and trigger a price war, negatively impacting Suncor stock. The fear of a recession has already pulled it down 20% from its high. It is difficult to say when the price war will hit.

Suncor stock is popular at the moment. You may be bullish on it like the market. But one has to be fearful when everyone is greedy. So consider whether you should book your profit before Suncor falls to its average price of \$30 from its current inflated price of over \$40.

CATEGORY

1. Energy Stocks
2. Investing
3. Stocks for Beginners

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2. NYSE:D (Dominion Resources, Inc.)
3. NYSE:SU (Suncor Energy Inc.)
4. TSX:BB (BlackBerry)
5. TSX:CGX (Cineplex Inc.)
6. TSX:SU (Suncor Energy Inc.)

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