



Which Is More Likely to Recover: Pot Stocks or Bitcoin?

Description

Last week was tough for both Bitcoin and pot stocks. Since trading near US\$19,000, Bitcoin has fallen to US\$14,000 and is down more than 20% in the past month alone. This is a significant downturn for the cryptocurrency, [which produced returns of 1,500% in 2017](#).

The week wasn't much better for Cannabis companies, as **Canopy Growth Corp.** ([TSX:WEED](#)) dropped 5% and **Aphria Inc.** (TSX:APH) saw its shares drop 6%. Meanwhile, **Aurora Cannabis Inc.** ([TSX:ACB](#)) saw its stock go over a small cliff, dropping 21% as it continues its battle with **Cannimed Therapeutics Inc.** (TSX:CMED).

What we'll see in the weeks ahead is anyone's guess, as these fluctuations haven't been fueled by a major development or a reason that would justify such a big correction other than a sell-off by a big investor.

The big question investors are likely asking is this:

Is it time to sell?

We've seen momentary declines in pot and Bitcoin, but both have always found ways to recover and soar back to new highs.

When it comes to speculation, prices can sometimes be fickle, and a sell-off can be triggered by one big investor. A big enough drop in price may trigger stop-losses along the way, which could lead the stock into a free fall.

When it comes to pot and cryptocurrencies, where valuations have soared this past year, investors will likely want to keep their fingers close to the trigger to ensure those gains don't disappear. That's where a stop-loss can help, but it could also accelerate a sell-off.

Warren Buffett [recently issued a warning](#) about Bitcoin ending badly, and although that may be true, it's uncertain when that may be. Meanwhile, Robert Herjavec believes that the cryptocurrency could hit US\$20,000. Given the astronomical returns we've seen Bitcoin generate already, it could be a good

time to sell, especially if you've already made a good profit.

With marijuana stocks, it's even less clear which direction share prices will go from here. As legalization gets closer and we see more developments in the industry, people will likely jump on the bandwagon again and share prices will form a recovery. While many marijuana stocks have doubled or tripled in value, the popularity remains, and it's unlikely that we're seeing a crash just yet.

Speculating makes for a lot of price volatility

Given that it's sometimes hard to gauge what's behind a price increase or decline when speculation is involved, it can prove very difficult to forecast ahead.

For example, Canopy Growth's stock soared more than 40% in the first six trading days of 2018. However, in the three days that followed, the share price dropped 23%. These are the roller coasters that investors can expect not just from Bitcoin, but also from any stock or commodity that is heavily influenced by speculators.

One of the benefits of speculating is that price can go up very quickly, generating strong returns in a short amount of time. However, the danger is that it can also erase those gains very quickly, which can happen without any warning.

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2. TSX:WEED (Canopy Growth)

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