



Aurora Cannabis Inc. Dropped 36% Last Week: Is Now a Good Time to Buy?

Description

Last week was dreadful for the TSX, but it was even worse for pot stocks. To close out the week, **Aurora Cannabis Inc.** ([TSX:ACB](#)) saw its share price shed more than 36% of its value, and at \$8.50, it hasn't closed this low since December. While all the big pot stocks were down more than 30% last week, Aurora's decline was the biggest.

For prospective pot investors, it might be a great second chance to invest in Aurora after missing out on earlier gains. Let's take a closer look to see whether you should consider buying the stock after this recent crash.

Bad week for the markets overall

When you see a significant decline like this, your instinct is to look for something obvious. The problem is that there weren't any significant developments last week that would have justified a correction like this, and that makes it hard to determine where the stock might go from here.

While we can say pot stocks as a whole had a bad week, so did the TSX and even the NYSE, for that matter. What this suggests is that the sell-off wasn't the result of anything that Aurora did or negative developments in the cannabis industry, but something broader than that.

Speculative buys were hit the hardest

The one reason why pot investors should be concerned is that while the markets had a bad week overall, not all stocks and industries were hit equally hard. Although pot stocks lost about a third of their value, **BCE Inc.** ([TSX:BCE](#))([NYSE:BCE](#)) was down just 3%, and even **Cameco Corp.** ([TSX:CCO](#))([NYSE:CCJ](#)), which has had such a negative outlook that it had to [cut its dividend](#) last year, saw only minor losses.

Meanwhile, Bitcoin was down more than 25% last week, as it struggled to stay above US\$8,300 — a level the cryptocurrency has not traded at since November.

The common theme in all of this: highly valued speculative investments saw the biggest declines last

week. On the TSX, we saw two big acquisitions in the cannabis industry last month, and my suspicion is that it was **Aphria Inc.** (TSX:APH) and its [recent purchase announcement](#) that may have prompted investors to take a second look at the enormous valuations in the pot industry. The high price tag may have shined the light on just how out of control prices have become.

While that might not explain the sell-off in the U.S., it could explain why pot stocks in particular took such a heavy beating. Speculative buys were clearly the target of investors looking to tighten up their portfolios.

Should you buy Aurora?

Despite the significant drop in price, there could still be more to come. What's perhaps most stunning in all of this is that even though Aurora saw such a big decline in price, it is still trading at more than 160 times its sales in the past year.

While I wouldn't be surprised to see pot stocks make a recovery ahead of legalization, there could still be more of a sell-off to come, and for that reason I would still avoid investing in Aurora and other pot stocks.

CATEGORY

1. Investing

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1. NYSE:BCE (BCE Inc.)
2. NYSE:CCJ (Cameco Corporation)
3. TSX:ACB (Aurora Cannabis)
4. TSX:BCE (BCE Inc.)
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Author

djagielski

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