



Why Aurora Cannabis Inc. Stock Could Surge to \$20 This Year

Description

The incredible valuation multiples Canadian cannabis producers now command in the market have resulted in a dilemma of sorts for speculative investors. Buy now and get a double up this year as other investors pile into the country's largest producers pre-legalization? Or wait it out, betting that companies like **Aurora Cannabis Inc.** ([TSX:ACB](#)) will see their levitated valuations fall to the ground given the lack of fundamentals to support such a "Houdini" trick?

Here's the bull case for why Aurora stock could indeed hit \$20 this year.

Insanity breeds more insanity

Betting that a crowded trade will become more crowded, borrowing costs will increase for short positions (squeezing such positions out), and investors will continue to have an appetite for giving their money to cannabis producers at [ever-increasing valuations](#), are three key drivers here of a \$20 stock price for Aurora.

Basically, the "Greater Fool" theory is at play here (and I don't mean Fool as in Motley Fool – this is a real economic theory, look it up). You're going to need to hold onto the belief that your speculative investment will not be held accountable to any fundamental financial analysis, and the plumber down the street will gladly exchange his hard-earned money for shares in your speculation.

Sentiment is the only thing that matters

What are pot smokers who put their life savings of \$10,000 into Aurora stock saying on discussion boards? This will be a key focal point for investors betting on a double up of Aurora's current stock price; mania in the retail investor segment of the market must hit an all-time high for such an event to occur.

Keep an eye on what your pot-smoking friends (who obviously have a prescription, right?) are saying about companies like Aurora. They're driving the stock price, not Bay Street.

Legalization hype to take off

Let's face it: the Canadian cannabis sector has ridden the wave of legalization hype like a champ. I can't believe how long investors have continued to inflate valuations using the excuse, "legalization is around the corner." That said, I also expect this hype to hit next-level status in the coming months.

We are exactly 103 days away from legalization — get used to seeing that number diminish and the volume of coverage on legalization pick up. A doubling of Aurora's stock price depends on it.

Aurora is acquired

It's a long shot, but as fellow Fool contributor Joey Frenette recently pointed out, given the "[Valeant-style](#)" acquisitory nature of the sector at this point in time, anything's possible.

Stay Foolish, my friends.

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