

Is Now the Time to Buy Aurora Cannabis Inc. (TSX:ACB) Stock?

Description

I'm a big believer in [value investing](#), but I also see a lot of value in technical indicators that help gauge the direction that a stock is headed in and that can determine whether it is oversold or overbought. And if you're looking to buy **Aurora Cannabis Inc.** ([TSX:ACB](#)), you may want to pay attention to one indicator in particular.

The Relative Strength Index (RSI) looks at a stock's gains and losses over a period of time, although typically investors look at the past 14 trading days when using this indicator. A lot of selling relative to buying means that the RSI number gets lower, and once it falls below 30, it suggests the stock is oversold and could be due for a reversal.

This is something we've seen happen to Aurora's stock recently. Although Monday's 4.6% increase in price pulled the stock above the oversold line, the stock is still at an RSI of just 34. This could be the start of a bigger rally, as Aurora has been struggling lately, and year to date it is down more than 20%. While the stock is [volatile](#), it hasn't often fallen into oversold territory often.

The last time that Aurora was below an RSI of 30 was back in April, when it was around \$7.60. It would end up climbing to nearly \$9 a share just a few weeks later.

Although we're seeing a bit of a recovery already, how much higher the price will go is anyone's guess. The last time the stock traded above \$10 was back in March, and with some big acquisitions diluting existing shareholders, Aurora's stock has failed to gain much momentum.

Aurora has been on an acquisition spree

It was big news early this year when the company announced it was acquiring CanniMed Therapeutics Inc. in what was, at the time, a blockbuster deal for the industry, filled with drama and big money. However, it would only be months later before that record would be eclipsed with another mega deal, this time including **MedReleaf Corp.**, one of the largest medical marijuana stocks on the TSX.

In a fragmented industry, and many new entrants popping up, cannabis companies have been ripe for the picking for Aurora Cannabis and other big-name growers to easily grow their market share simply by swapping stocks. The problem for existing shareholders is that this has diluted their holdings, but it could result in a big payoff for investors in the long term.

Should you buy Aurora today?

While Aurora Cannabis could be back on the rise, investors should be careful not to ignore the risks involved in investing in cannabis. Valuations are very high, and the danger is that there could be a big market correction if growth doesn't materialize as expected.

However, in the short term there certainly looks to be a lot of upside for Aurora's stock. Aurora has become a name that's synonymous with the marijuana industry, so if you're bullish on pot, then it could

be a great time to buy the stock at a (slightly) reduced price.

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