



Aphria Inc (TSX:APHA) Clobbered as Market Mayhem Resumes

Description

Aphria (TSX:APHA)(NYSE:APHA) took a beating on Monday after the TSX fell 118 points, cementing a week of steady losses for the stock. The immediate reason for Aphria's sell-off is most likely the broader TSX sell-off, which was, in turn, influenced by losses in the Dow and NASDAQ. However, the TSX slump does not completely explain the slide: Aphria was down much more sharply than the TSX was at about 9.5% (vs. the TSX's 0.8%).

Why is Aphria getting hit in the markets right now?

First let's take a look at what's going on in the TSX.

Market mayhem

Monday's sell-off capped several days of losses for the S&P/TSX composite index. The index got [hit hard in October](#), then started to recover early in November, then started falling again this past Friday. October's TSX losses were driven by two factors: spillover effects from U.S. market carnage, and a particularly sharp sell-off in cannabis shares.

Now that cannabis stocks are becoming some of the biggest in the country by market cap, sharp losses in these stocks can send the TSX lower. So, it's almost as likely that pot stocks like Aphria are driving the TSX down with them and vice versa. In light of this, we need a more specific reason why Aphria shares are falling.

Outshone by Aurora

One reason Aphria might be getting pummeled now is simply other cannabis stocks getting more attention. **Aurora Cannabis** recently released a blowout earnings report with some stellar numbers, and that may have led cannabis investors to sell Aphria and buy Aurora. At the same time, Aurora itself was down on Monday, though not nearly as sharply as Aphria. **Canopy Growth** is up slightly ahead of its Wednesday earnings report.

My advice? Wait for 2019

My advice for anyone considering investing in Aphria is to wait for the company's 2019 earnings reports before buying the stock. With Aurora and Canopy releasing earnings this week, those stocks simply offer have better financial data post-legalization than Aphria. Those stocks are also likely to benefit from the increased coverage that comes from releasing highly anticipated earnings reports.

Another thing to consider is that cannabis stocks tend to move together in concert as a sector. Shortly after Canopy announced its \$5 billion acquisition in August, all other TSX-listed cannabis stocks rallied with it. For the time being, investing in a [cannabis ETF](#) may have the same net effect as trying to pick one winning stock. A final thing to keep in mind is that cannabis stocks in general are highly speculative for now, with gains mainly riding on sky-high revenue growth despite questionable profits. For my part, I'm avoiding this sector altogether for the foreseeable future.

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