

Could Aphria's (TSX:APHA) Massive Fall Spell Curtains for All Marijuana Stocks?

Description

If you're an **Aphria** (TSX:APHA)(NYSE:APHA) shareholder, it's hard not to be sick to your stomach after seeing your investment lose over half of its value in just three trading sessions.

Gabriel Greco of Quintessential Asset Management rarely enters the public eye when with its short positions, as he explained in an interview with Amanda Lang on *BNN Bloomberg*. He only comes out to the financial media if he's got a smoking gun, and that very well may be what he has, as the Aphria versus Quintessential battle takes it to the next level.

So, with that in mind, Grego is no infamous short-seller like Andrew Left or Marc Cohodes, who brings a new short to the public eye on a seemingly regular basis. As an Aphria shareholder or even a holder of pot stocks, that has to make you worried, as Aphria has been leading all marijuana stocks lower over these past few days.

To make matters worse (as I've explained in a previous piece) the broader markets reek of bear droppings, and the current dip in the marijuana market may not recover, as the appetite for equities continues to decrease thanks to a barrage of fears that go well beyond the marijuana market. Simply put, buying the dip is dead for stocks in general. believe that's the case for pot stocks as well, which will undoubtedly experience amplified negative moves in the coming months if we are, in fact, in a bear market right now.

There's unsystematic risk at play for pot stocks. Aphria is crumbling (there's no shortage of coverage on the [Aphria versus Quintessential battle](#) here at Motley Fool Canada), and as the markets continue to falter, one has to think that right now is an opportunistic time for the short-sellers to come out with bearish theses on any one of the marijuana stocks, even if it's unwarranted.

When short-sellers smell blood, they go in for the kill.

Often, their research may be incomplete, yet they still want to scare the heck out of the shareholders of any given company to make a quick buck. Given the damage that's been done to Aphria in three short days, don't be too surprised if another short-seller sets its crosshairs on another marijuana company with a thesis that it's "overvalued"!

Judging from the number of weak-hands in marijuana stocks, I wouldn't at all be surprised to see any rightfully (or unrightfully) targeted pot stock [lose 90% of its value](#) on any random short's claim of severe overvaluation.

Foolish takeaway

Could Aphria's fall be the start of a chain reaction of short-seller claims in an already fragile marijuana market? Don't rule it out. You could lose your shirt in a hurry, so be very cautious if you're thinking about buying this current dip as it's not like the others with Mr. Market beckoning the bear from its cave.

Fortunately for long-term thinkers, a few resilient marijuana players will rise up from the abyss after the carnage is over with, so be picky when you place your bets, and make sure you've got enough cash on hand to average down your cost basis: you're most definitely going to need it.

Stay hungry. Stay Foolish.

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