



Aurora Cannabis Inc. (TSX:ACB) Could Skyrocket Into the Mesosphere!

Description

Mixing cannabis stocks and a [bear market](#) can be hazardous to your wealth, as we discovered out over the last few months.

Pot stocks took the most damage in the market-wide October-December sell-off, and while the appetite for speculation usually fades much faster than the overall appetite for equity investments, I think the reverse will also prove true: speculative securities will come roaring back when investors are feeling sanguine about stocks again. So, you can think of pot stocks as hyper-beta plays given their potential to amplify moves made by the broader markets.

If you're a longer-term investor who's able to stomach the massive amounts of volatility, however, stocks like **Aurora Cannabis** ([TSX:ACB](#))(NYSE:ACB) are ripe for plucking in spite of the disgusting negative momentum exhibited of late.

In a previous piece, I noted that many [principles of Warren Buffett](#) still applied in the seemingly nonsensical world of marijuana. Buying on fear and selling on greed has been an incredibly effective strategy for pot stocks over the last few years. While it may be different this time around with a bear market on the horizon, I think it'd only be prudent to buy quarter positions on the way down to better weather the potential storm on the horizon.

Moreover, the probability of an investment from a disrupted firm that's itching to get into the marijuana industry will likely have been raised substantially now that valuations are more attractive relative to peak levels.

Constellation Brands bought **Canopy Growth** on the dips, and as marijuana stocks continue to retreat further in early 2019, I wouldn't at all be surprised to see Aurora Cannabis become the next pot player to land a dance partner (likely from the pharmaceutical industry). As you're reading this, Aurora Cannabis could be buttering itself up to become a prime takeover target for big pharma firms that'll see the legalization of cannabis (or cannabinoids) as a massive threat.

Foolish takeaway on Aurora Cannabis stock

As Aurora's stock price continues to retreat, the valuations will look increasingly attractive through the eyes of pharma players regardless of where the economy is headed next.

Cannabis is a wonderful sleep aid, pain reliever, and appetite enhancer with side effects that are less damaging over the long term than most other options that are currently on the market. So, there's no question that pharma firms are hungry for a takeover of a pot player with a medical focus to hedge themselves from a potential disruption to their top lines.

And while Aurora's prior acquisitions of CanniMed Therapeutics and MedReleaf may have been ridiculously overpriced, the talent that Aurora paid up for will likely pay much bigger dividends each year that passes because pot powerhouses will soon become scarce after pharmaceutical players join the cannabis arms race.

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