



## Why CannTrust (TSX:TRST) Investors Shouldn't Expect a Miracle

### Description

Trying to catch a falling stock can be a very risky proposition. After all, there's no rule that just because a stock has declined in value that it will return back to where it was before. Even if you wait years, there's no guarantee that a decline won't be permanent.

That's the very real scenario that **CannTrust Holdings Inc** (TSX:TRST)(NYSE:CTST) investors face today: the stock that might be headed toward zero.

Without a significant development, such as Health Canada coming to a decision that isn't likely to result in the suspension of CannTrust's [license](#), there's not much hope for the stock to go anywhere but down.

### Stock is a very risky, speculative buy today

Whether technical indicators suggest the stock is a buy, or whether the share price is trading at lower multiples of sales or book value, that alone won't be enough to guarantee that the stock will bounce back.

The risk is enormous, and investors still holding onto the stock face the very real scenario that they could end up losing all of their money.

While speculators could impact the share price over the short term — and we've seen CannTrust's stock get a bump when the company announced it was getting rid of its CEO — the factors weighing down the stock aren't going anywhere and could ultimately get stronger.

In some situations, after a [scandal](#) hits could be a good time to buy a stock on a very big dip in price, but that's only the case when there's a likelihood that the stock will recover in value.

When there's a fundamental problem with its business that will affect its ability to continue functioning, it's a very different scenario altogether.

If a company has no real prospects to be able to generate cash flow, there's going to be no reason to invest in the stock and it becomes purely speculative.

The danger when it comes to speculation is that for a stock that might not have much of a future, it's akin to going to a casino with your money.

At that point, it becomes more about gambling than investing, and that's what individuals owning CannTrust shares could find themselves doing today.

## Bottom line

Price alone shouldn't be a reason to buy, hold or sell a stock. Whether CannTrust is trading at \$3, \$2 or even \$1, investors are still putting themselves at significant risk.

The only way CannTrust's stock could generate value for investors is with a miracle where the company is able to avoid significant punishment given its very public violation of Health Canada's cannabis rules.

There's no way to predict how Health Canada will act given the lack of precedents, but there's a lot more reason to believe that the regulator will come down hard on CannTrust than it going lightly on the cannabis operator. That makes CannTrust a strong sell, regardless of price.

Ultimately, there are much better stocks for investors to choose from today, and CannTrust is simply not worth the significant risk involved.

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