



Why Aurora Cannabis's (TSX:ACB) Stock Price Fell 5.66% in August

Description

The marijuana sector took a hit in August with investors recording some double-digit losses on several industry tickers, and **Aurora Cannabis's** ([TSX:ACB](#))(NYSE:ACB) stock price wasn't spared. It only recorded a modest 5.66% decline and somehow defied the negative selling pressures that clobbered its peers during the past month.

Given that **Horizons Marijuana Life Sciences ETF**, which is a good proxy for the whole industry, was down over 10% for August, the good question should be, "Why did Aurora's share price hold ground in August?"

But since the ticker actually declined, though modestly, let's look at why this happened.

Peer group pressure

One can't just look at company-specific news and developments and pinpoint why shares went down during the month. Answers are easily found somewhere else, though.

Cannabis stocks have suffered their usual annual valuation declines during the mid-year periods witnessed over the past few years, as a general negative sentiment on the industry swept over the investing public, fueled by increasing demand for clarity on the path to profitability as well as exogenous fears.

Most peers trended down during the month. The [deepening scandal](#) that rocked **CannTrust Holdings** could have significantly dented the industry, while market leader **Canopy Growth's** dismal earnings report by mid-month further shook marijuana investor faith.

The industry negative pressure was just too strong. Canopy was down 24% for the month, **Village Farms**, an early riser for the year, traded 5.5% lower, while **Aphria** ended the month up only 21.6% after giving up a massive 40% gain garnered after a surprise revenue growth and a positive earnings news release on August 1.

Investor flight from risky assets?

Marijuana equities are largely very speculative, high-risk assets with steep valuations, and these usually suffer during flights to safety.

As global equity markets seesawed on news of a Donald Trump-led U.S./China trade war, yield curve inversions in North America, political negatives in Europe, and the prospect of a near-recession Germany, risky assets get punished, as the smart money finds safety in perceived safe havens like bonds and gold.

Where would this leave the very youthful, yet to be proven, high-risk, and extremely volatile pot stocks? They get punished in such choppy markets.

But the giant's shares held on

Company shares enjoyed a mini-rally early in August after an Aphria surprise and an [encouraging earnings guidance](#) from ACB on August 6 that promised a 596% year-over-year rise in quarterly marijuana segment sales from 2018 to be reported this September maintained the gains to mid-month.

The company expects to report a sequential revenue increase of about 58% for its June-ended quarter, and management expects to report growth in all the important segments, including Canadian medical and exports.

Most noteworthy, the company could narrow down its adjusted EBITDA losses significantly in the coming earnings report, and that's a bullish sign towards the business's potential to finally become earnings and cash flow positive in the near future and reward investors for their patience and faith.

However, gains were given up mid-month when it was revealed that the rot at the latest bad apple of the sector, CannTrust, is actually much deeper than previously anticipated, and they were made worse when market leader Canopy released horrible results to drag the industry down.

Foolish bottom line

Aurora's share price was largely dragged down by a general industry selling pressure and an unsettled equities market; otherwise, the company is trying to impress, and we will get better details of how the business performed in the quarter to June by mid-September.

It's advisable to hold Aurora for the long term, as the aggressive giant takes aim at Canadian cannabis leadership and global pot dominance.

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