



Aurora Cannabis (TSX:ACB) and Canopy Growth (TSX:WEED) Continue to Destroy Investor Wealth

Description

The last month was really bad for cannabis investors, to say the least. Just when you thought that the cannabis stocks have bottomed out, the decline has gotten more severe.

Horizons Marijuana Life Sciences Index ETF is trading at \$11.47 and hit its 52-week low yesterday. The ETF fell 3.1% yesterday and is trading just above its IPO price of \$10.84. The marijuana ETF [has now declined close to 25% since September 6](#) this year and is trading 58% below all-time highs.

The two top holdings of this ETF, **Aurora Cannabis** ([TSX:ACB](#))(NYSE:ACB) and **Canopy Growth** ([TSX:WEED](#))(NYSE:CGC) have also experienced considerable erosion in market value.

Aurora Cannabis and Canopy Growth

Shares of Aurora Cannabis are trading at \$5.44, which is 1.3% above the 52-week low and 67% below the 52-week high. The stock has lost 36% since its reported quarterly results below analyst estimates on September 12. Investors were unimpressed, as the company reported sales that were below its own forecast as well.

Shares of Canopy Growth are trading at \$28.9, which is 0.8% above the 52-week low and 62% below the 52-week high. Canopy Growth has also lost significant market value since it reported quarterly results in August.

Vaping scandal, regulatory issues, and more

Last month, the vaping scandal hit cannabis stocks hard. Several companies, including Aurora Cannabis and Canopy Growth, were expecting the next wave of legalization for edibles, vapes, and concentrates to drive up product demand by the end of this year.

Vaping products have declined significantly in the U.S., as 14 deaths have been attributed to them.

Cannabis vapes reportedly caused one death.

The regulatory issues have plagued cannabis investors for a while and were exacerbated last month with the suspension notice sent to **CannTrust**. Further, MKM Partners began coverage on five cannabis companies including ACB and WEED with a “cautious” outlook.

Canopy Growth was also downgraded by **Bank of America Merrill Lynch** last week, as the investment bank believes that analysts are over-optimistic about the company’s growth estimates.

What is the **SAFE** bill that has driven cannabis stocks lower lately?

The bloodbath continued this week as Aurora fell close to 5% on Monday and over 6% yesterday. ACB has slumped 14%, while Canopy Growth is down 12% since last Thursday (September 26), as investor optimism about the SAFE bill subsided.

So, what is the SAFE bill and how is it related to cannabis? The Secure and Fair Enforcement (SAFE) banking act was passed by the House of Representatives last week. The bill was approved by a vote margin of 321-103.

This bill protects banks that lend to cannabis companies. As cannabis is still illegal at the federal level in the U.S., banks are cautious to be a part of the lending process in the industry. Now the bill has to be approved by the Senate, which generally takes its own course.

Should you buy **Aurora** and **Canopy** at the current prices?

One can say that investors have overreacted, and that has resulted in this massive correction. While vaping sales will be impacted, this will translate into incremental sales for edibles and traditional pot products.

The growth story for Aurora, Canopy, and peers continues to remain strong with the global legalization of cannabis driving the total addressable market consistently higher. Aurora is currently trading 85% below its average target price, and Canopy Growth is trading 81% below its 12-month target price.

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