Why Aurora (TSX:ACB) Stock Is Worse for Trading Than Canopy Growth (TSX:WEED) Stock

Description

For some reason, investors are more interested in **Aurora Cannabis** (TSX:ACB)(NYSE:ACB) stock than in **Canopy Growth** (TSX:WEED)(NYSE:CGC) stock. However, I believe the latter is a better stock to invest in.

Being in the cannabis industry and losing money, both companies are speculative investments. It doesn't matter if the businesses experience extraordinary revenue growth when they're posting net losses. As a result, ACB stock and WEED stock largely attract speculative investors who are looking to book quick gains.

Previous gains

That worked a couple of times recently. ACB stock went from $6 to $14; it essentially more than doubled by appreciating 133% in about two months from August to October 2018. The stock doubled again after retreating to the $6-per-share level in December 2018 and climbed to roughly $13 per share.

In the first half of 2018, Canopy Growth stock consolidated. Then, it climbed more than 85% from $35 to $65 per share. By late 2018, WEED stock retreated to $35 per share again and hit $65 in less than two months.

Trading ranges will break

As described in the previous section, Aurora stock hit the roughly $6 low and $13 high twice, and Canopy Growth stock hit the roughly $35 low and $65 high twice.

Trading ranges will eventually break. Sometimes the stock breaks out. Sometimes it breaks down. In this case, the third time wasn't a charm. And both stocks broke the lows in their trading ranges. Technically, that's the cue for investors (traders) to get out or at least not to get back in yet.

Instead, investors should wait for the stocks to base or show signs of support before buying.

Why Canopy Growth stock is better for trading than Aurora stock

Canopy Growth's trailing-12-month revenue was almost $291 million, while Aurora's was $168 million. As the leader in the space, if there's an uptick in cannabis stocks, Canopy Growth stock will be the first one to feel it. At the same time, it should also have greater resilience against selloffs.

As you can see from their recent price actions, WEED stock remains above its 200-day simple moving average and has, in fact, bounced off from it. Then there's ACB stock, which has broken below its long-term simple moving average, which is a bearish sign. From a technical analysis point of view, Canopy Growth stock is holding up much better than Aurora stock.

The Foolish investor takeaway

Because ACB and Canopy Growth stocks are speculative, investors should either steer clear of them or keep their positions to a minimum. Between the two, Canopy Growth is a safer bet to trade because of its leading position in the cannabis space.

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1. Cannabis Stocks
2. Investing

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2. NASDAQ:CGC (Canopy Growth)
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