



2 Stocks That Are Crashing Fast!

Description

It can be challenging to witness stocks that you have invested in on the decline, right before your very eyes. You look for stocks that can provide you with high returns in the future. Facing losses is the last thing you want to think about when investing in stocks.

However, stocks in a volatile industry are prone to both significant gains and crippling losses. I think you would agree that one of the most volatile sectors operating on the TSX right now is the legal marijuana industry.

Companies rose to phenomenal heights in anticipation of the legalization of recreational marijuana. In lieu of reaching profitability and rising to greater heights, pot producers are struggling to achieve profitability.

Riddled with scandals, regulatory restrictions, and competition from an ever-popular illegal pot market, **CannTrust Holdings** (TSX:TRST)(NYSE:CTST) and **Hexo** ([TSX:HEXO](#))(NYSE:HEXO) are unable to find a footing. Both of these pot stocks are crashing fast, and it seems like nothing is stopping them right now.

A stock you cannot trust

Several issues are plaguing the overall cannabis sector in Canada. Scandals are a foremost issue for any industry. Even one scandal can send the whole industry reeling. And a scandal is what happened with CannTrust Holdings right in the midst of it.

Health Canada, the regulatory body providing oversight for the legal weed industry, suspended CannTrust's licence to produce and sell marijuana. The move came in light of the discovery of illegal rooms in CannTrust's facilities, where it was producing [illegally sourced strains](#) of cannabis.

The licence suspension subsequently lowered the stock's revenue potential, and the company is unable to function in the market at a time where pot producers need to establish a place for themselves. At the time of writing, the stock is down 88.77% from its 52-week high, trading at just

\$1.51.

Hexo is down, but is it out?

Another pot stock on a constant decline is Hexo. This Canadian marijuana company's shares have been volatile. Trading at a 52-week low of \$3.03 per share, Hexo is down 72.73% from its 52-week high of \$11.11 per share. Hexo was already doing bad enough, keeping in line with the rest of the significant pot producers. Things took a turn for the worst.

The stock witnessed a [23% decline](#) on October 10, 2019, after providing a preliminary fiscal Q4 2019 estimate and withdrawing its outlook for fiscal 2020. The company is currently taking on \$70 million in private funding from within its top brass to put its money where its mouth is and prove to investors how confident it is about its potential.

Hexo is also making an attempt to combat the illegal pot market, which is a significant threat to the legal pot sector in Canada. The illicit market accounts for an estimated 40% of all marijuana sales in the country, thanks to its lower prices. The inventory is subsequently higher for the legal industry, and it is just whiling away.

Original Stash, launched by Hexo and priced at just \$4.49 per gram, is an attempt to bring buyers to the legal sector. It remains to be seen how that plays out.

Foolish takeaway

CannTrust is a stock I would recommend everybody avoid. The company is on the path to recovery, looking to regain the trust of Health Canada. If the regulatory body gives CannTrust its licence back, the stock can recover. If CannTrust does not get its licence back, the stock's value can hit zero.

Hexo is making an admirable effort to help the legal cannabis industry. While Hexo's attempt to reassure its investors seems a little too hopeful and too naïve, the company has a better chance of recovering between these two. I would not place all my bets on Hexo, but if you want to take a risk, it is not too bad an option to consider.

CATEGORY

1. Cannabis Stocks
2. Investing

TICKERS GLOBAL

1. NASDAQ:HEXO (HEXO Corp.)
2. TSX:HEXO (HEXO Corp.)

PARTNER-FEEDS

1. Business Insider
2. Msn
3. Newscred

4. Sharewise
5. Yahoo CA

Category

1. Cannabis Stocks
2. Investing

Date

2025/08/26

Date Created

2019/11/05

Author

adamothonman

default watermark

default watermark