



Tax-Loss Selling: Buy Pot Stocks in 2020

Description

January 2020 is the perfect time to [buy pot stocks](#). **Aurora Cannabis (TSX:ACB)(NYSE:ACB)** stock is ending the year with a substantial sell-off, setting savvy stock market traders up for a considerable profit opportunity at the beginning of 2020. The stock market sell-off in December is likely due to tax-loss selling. Tax-savvy traders are cashing in stock market losses to offset capital gains to save on taxes with the Canada Revenue Agency.

In about 30 days, these same traders will re-open their positions in Aurora Cannabis, sending the stock price back up. Canadians with extra cash savings lying around can take advantage of the end-of-year tax-loss selling by buying shares in some of 2019's biggest losers — at least, those which also have strong potential to rebound during 2020.

What is tax-loss selling?

Many risk-loving traders in the stock market will hold more speculative investments outside a TFSA and RRSP, which means that the capital gains are subject to tax each year. According to the Canada Revenue Agency, traders who sold their losing stock market positions by December 27 can use those realized capital losses to offset other taxable capital gains for the past three years or any subsequent year.

As long as these traders do not repurchase their shares within 30 days, they can write off these losses on their taxes with the Canada Revenue Agency. The waiting period is the downside of this tax-saving strategy. If the tax-loss sellers want to re-open their positions, they might end up rebuying at a higher price, defeating the purpose of the tax savings.

Aurora Cannabis closed the year 2018 off at a stock price of \$6.78. By the start of February, the stock price had already increased to \$10 per share. Aurora Cannabis saw similar price activity around the 2018 New Year, closing 2017 off at just under \$10 and soaring as high as \$14.79 in January 2018. With Cannabis 2.0 now underway, marijuana investors are likely to see the same stock market volatility going into 2020.

The number one pot stock to buy for 2020

Aurora Cannabis is one of the best marijuana stocks to buy and hold throughout 2020. Shares in Aurora Cannabis are less pricey than the popular **Canopy Growth** stock. Further, Aurora's revenue growth is outstanding at year over year quarterly growth of 153.60%.

In December 2019, Aurora Cannabis announced its first shipment of Cannabis 2.0 products, which should send the firm's revenue flying yet again throughout 2020. At the start of January 2020, eager cannabis consumers can purchase a variety of CBD and THC-infused gummies, chocolates, baked goods, and mints.

In a Deloitte report, analysts' estimate that [Cannabis 2.0](#) products are worth \$2.7 billion with extracts, including edibles, leading the gains with a market value of \$1.6 billion. Following closely behind are cannabis-infused beverages, which will add around \$529 million to marijuana economic activity in Canada.

Massive stock market volatility attracts tax-loss selling

Where there is substantial stock market volatility, there are likely significant losses in the accounts of many stock market traders. Industries that experienced considerable volatility during 2019 are prime candidates for tax-loss selling.

Look for stocks to buy, like Aurora Cannabis, that have the potential to rebound in 2020. Smart Canadian investors should pick up shares in volatile industries before mid-January to cash in on the losses of other traders.

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