2 Volatile Stocks to Treat With Caution

Description

Canada's primary stock exchange continues to display remarkable resiliency amid the market noise and heightening inflation risks. The TSX is 19.7 points shy of its record high on October 25, 2021, after finishing at 21,265.10 on November 3, 2021. However, investors should maintain cautious optimism and be smart in choosing stocks.

It wouldn't be wise to gamble in the homestretch and incur losses instead of gains. **Canopy Growth** (TSX:WEED)(NYSE:CGC) and **Parkland** (TSX:PKI) trade at a discount in November but are volatile stocks. Be careful with them if you don't want your money to fly out the window.

Tarnished reputation

Canopy Growth hasn't lived up to its reputation as the leader in the cannabis space. The weed stock's performance so far in 2021 is atrocious. At $16.76 per share, investors are losing by 46.49%. But if you're holding WEED shares, market analysts recommend a hold rating. They still see a 55.14% upside potential in 12 months.

David Klein, Canopy Growth's CEO, admits the company has overbuilt but learned its lesson. He said, "With the right strategy and strong foundation in place, we are confident in our ability to deliver long-term success as Canopy's products and brands continue to demonstrate their appeal to consumers in our core markets."

Klein reiterated that Canopy isn't waiting for the federal legalization of marijuana in the United States. The $6.59 billion cannabis producer has an exciting product pipeline planned for the coming quarters, according to Klein. Still, Canopy Growth is keeping its eyes on the pot market across the border. A new deal to acquire an edibles company is in the works.

Meanwhile, the bright spot is the 23% revenue growth in Q1 fiscal 2022 (quarter ended June 30, 2021) versus Q1 fiscal 2021. It also maintains the highest market share in Canada's recreational cannabis market. Mike Lee, Canopy's CFO, said, "We look forward to scaling our new operating model incoming months as we push forward our profitability goals in the fiscal year 2022."

Record quarterly results

Parkland distributes and refines fuel and petroleum products for customers in Canada, the United States, and other international markets. However, the energy stock hasn't gained significantly in the last 12 months like others in the sector. At $38.03 per share, the trailing one-year price return is 6.17%, while the year-to-date loss is 3.26%. Note that Parkland pays a 3.37% dividend.

My sentiment is contrary to market analysts' strong buy rating for Parkland. They have a 12-month price target of $50.13, or a 31.83% return potential. The $5.76 billion company reported a record $364 million adjusted EBITDA in Q3 2021, 8% higher than in Q3 2020. Parkland's adjusted earnings of $107 million was also a record (15% year-over-year growth.

Bob Espey, Parkland's president and CEO, said it was the strongest quarterly and year-to-date results in its history. Notably, adjusted net earnings attributable to Parkland after three quarters in 2021 reached $295 million — a 264.2% increase versus the same period in 2020.

The verdict

Between Canopy Growth and the energy stock, the latter might be worth buying. The weed stock remains a speculative investment. You won't see explosive growth or earnings anytime soon. Parkland's most recent quarterly results demonstrate strength and growth trajectory.

CATEGORY

1. Cannabis Stocks
2. Dividend Stocks
3. Energy Stocks
4. Investing

TICKERS GLOBAL

1. NASDAQ:CGC (Canopy Growth)
2. TSX:PKI (Parkland Fuel Corporation)
3. TSX:WEED (Canopy Growth)

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Date
2025/07/21
Date Created
2021/11/05
Author
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