



3 Breakout TSX Stocks to Buy Early

Description

Traders define a breakout stock as a security that moves up, breaking through the resistance (an established high point) or moving down, going below the support (an established low point). This definition of a breakout stock makes more sense from a trader's perspective. For investors, we can be a bit more flexible and consider stocks that might break out and grow beyond their current "normal" valuation as part of this pool.

A marijuana stock

Aurora Cannabis ([TSX:ACB](#))(NYSE:ACB) is almost a cautionary tale about investing in [marijuana companies](#) in Canada. The stock, which grew almost 4,000% between mid-2015 and early 2018, has now dropped down to a valuation that's 95% lower than its peak valuation. But though the scale of Aurora's fall is quite staggering, the pattern is not.

Most marijuana stocks in the country followed the same pattern: hyped-up growth than a hard fall. But now that the international legal marijuana market is expanding, with Germany joining the ranks, and the U.S. expected to come around soon, Aurora Cannabis might get to leverage its four medical and six consumer brands and start capturing the international market. A sizeable growth in revenues might be followed by decent growth in stock.

A hydrogen fuel cell company

Ballard Power Systems ([TSX:BLDP](#))([NASDAQ:BLDP](#)) is a powerful player in the hydrogen fuel cell market, which itself is quite nascent, and it was a decent growth stock up until the pandemic. After the pandemic, the stock rose too sharply (about 360% in fewer than 10 months), and then it fell. The good news is that it has reached (or will soon reach) the levels it would have been at if it weren't for the pandemic.

Ballard's breaking out is tied to hydrogen becoming a mainstream fuel in the green economy of the future. It does offer better power density than conventional EVs, and the "fuel" can be transferred in

minutes and doesn't require hours for charging. It has certain challenges to overcome (cost, for one), and if it does, the hydrogen economy might grow quite powerfully, and companies like Ballard would see demand spike.

An AI company

AI and data are the future of tech. That's the premise behind adding **Fobi AI** ([TSXV:FOBI](#)) to this list. It's a data-intelligence company that allows businesses to use the data they have to make smarter business decisions and engage their customers better. It's one overlap of data and the corporate world that has seen a lot of development, but the full potential of which hasn't been unleashed yet.

[Fobi AI stock](#) hasn't delivered on the promise and potential of AI yet. Since its inception, the stock stayed quite stagnant for a couple of years, and when it grew, it was more because of the sector dynamics than the company's merits itself. The stock has already slumped back and might continue to slide down for a while yet. That would be a good time to buy it and wait for Fobi AI's business applications and solutions to trigger organic growth.

Foolish takeaway

All three companies have the potential to break out when the time and circumstances are right, which makes now the perfect time to buy when the stocks are not getting the highlight their "potential" deserves. But it also makes them longshots, so make sure you don't expect sure growth from these stocks. They (most likely) *will* enter their [bull market](#) phase, but it might not be when you need them to.

CATEGORY

1. Investing
2. Tech Stocks

TICKERS GLOBAL

1. NASDAQ:ACB (Aurora Cannabis)
2. NASDAQ:BLDP (Ballard Power Systems Inc.)
3. TSX:ACB (Aurora Cannabis)
4. TSX:BLDP (Ballard Power Systems Inc.)
5. TSXV:FOBI (Fobi AI)

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Author

adamothonman

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