



Aurora Cannabis (TSX:ACB) Stock Is Flying! Should You Buy it?

Description

Cannabis stocks have been on quite a roller-coaster ride since 2015. Taking **Aurora Cannabis** ([TSX:ACB](#))(NYSE:ACB) as a case study, it saw more than a 3,300% gain from the 2015 Canadian Federal Election to its highest points in 2018. Even in 2018, Aurora Cannabis stock saw two dips of 50% or greater before recovering and commencing the amazing fall we have seen in recent years. Over the past week, this stock has been absolutely flying. Should investors add it to their portfolio?

Why are cannabis stocks soaring?

In 2018, the use of recreational marijuana [became legal](#) in Canada. This was one of the major talking points of the Liberal Party's platform during the 2015 Federal Election. In anticipation of its legalization, companies that operated in this space saw incredible runs in 2017. It's a perfect example of "buy the rumour and sell the news."

As mentioned earlier, Aurora Cannabis saw a maximum gain of over 3,300% from election night to its highest point in October 2018. Meanwhile, other companies like **Canopy Growth** saw a max gain of nearly 3,200%. **Aphria** had a lesser, but still very impressive gain of 2,400%.

One of the points in the platform of the Biden-Harris team in this year's United States presidential election is the decriminalization of adult-use marijuana and the legalization of medicinal uses federally. Currently, 15 states have fully legalized marijuana, whereas another 28 have either legalized the use of medicinal marijuana or have approved its decriminalization. However, it remains illegal at the federal level.

Now, with Joe Biden at the cusp of a presidential victory, cannabis stocks are flying. As of this writing, Aurora Cannabis and Aphria stock have increased 52% and 20% over the past five days, respectively, and Canopy Growth has gained 48% over the past month. If Joe Biden is able to grab the win, there is a good chance that cannabis companies may absolutely explode.

Should investors buy cannabis stocks now?

A famous Mark Twain quote comes to mind in this situation: "History doesn't repeat itself, but it often rhymes." We have seen what happens when marijuana gets recognized at the federal level. Cannabis stocks went on incredible runs up until it was legalized, and the stocks proceeded to fall to all-time low after all-time low.

I would be very careful in purchasing shares of these companies right now. The market has seen a lot of activity from short-term traders affecting stocks this year. If an investor gives into the FOMO (fear of missing out), there is a chance they can get burned badly.

I am also [not a fan of Aurora](#) Cannabis. I think the company is run rather poorly. In May this year, Aurora Cannabis consolidated its shares through a 12:1 reverse stock split. This indicates that the company's stock has been going through incredibly rough times.

In addition, in early October, it was reported that Aurora Cannabis handed out millions of dollars in compensation and salary increases to executives while laying off more than 1,000 employees. The company also reported billions in losses around this time.

Foolish takeaway

There is no doubt that cannabis stocks have been flying as of late. A lot of this buying pressure may be a result of Joe Biden's probable presidential victory. However, I think it is extremely dangerous to chase stocks as they go on blistering runs. I am not a fan of Aurora Cannabis because of the company's history and management. If investors are truly interested in this industry, I would recommend patience and heightened prudence.

CATEGORY

1. Cannabis Stocks
2. Investing

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