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LESSONS FROM CRYPTOCURRENCY'S UPS AND DOWNS COULD YIELD SOME CLUES

Will marijuana stocks get high(er)?

Back in November of last year, I had a non-investment savvy friend ask me about bitcoin. I told him that it was massively overbought by about 300 per cent – and ready to crash. In fact, I was so convinced of this argument that I wrote a blog post on it, “Bitcoin is more than a ‘Bit’ overbought”, at my website, valuetrend.ca.

Guess I was right. As I had predicted then, the bitcoin index has fallen from just under US\$20,000 (when I made that call), to slightly less than US\$6,000 at the time of writing. I was wrong in my prediction – in that bitcoin didn't just fall 300 per cent. It fell about 350 per cent. Chastise me for being too optimistic (grin).

I like to remind my pal that I saved him significant skin thanks to my cautious stance when answering his bitcoin-buying ques-



Keith Richards

tion. Truthfully, he earned that free advice through some bike racing teamwork that helped me win an important Gran Fondo Florida championship race last year. So we're already square.

My buddy (let's call him “Wrong way Feldman – a.k.a. Gilligan's Island”) has been asking me about marijuana stocks lately. Given my buddy's track record, one might imagine I'd tell him to avoid this sector, recalling his mistimed enthusiasm for bitcoin in the past. But this time, the answer to his question is not as cut-and-dried as it was with bitcoin.

So grab some chips to stave off the munchies while I explain why well-selected marijuana stocks are not in the same boat that bitcoin recently was.

Canadian pot stocks (saving me the time to spell out “mari-

juana” every time) are a mixed bag. While bitcoin was unbelievably overbought and obviously in an Elliott wave 5 cyclical peak – I can't really paint the entire pot of pot stocks with the same brush.

To analyze the sector, I tore apart the **Horizons Marijuana Life Sciences Index ETF (HMMJ-TSX, \$16.21)**. Three of the larger pot stocks listed in Canada that make up part of the index are **Aurora Cannabis Inc. (ACB-TSX, \$7.11)**, **Canopy Growth Corp. (WEED-TSX, \$33.14)**, and **Aphria Inc. (APH-TSX, \$10.68)**.

Together, these stocks make up about a third of the Horizons marijuana index ETF. Of the three names, only Canopy Growth is in an upward trend. It's pausing within the trend right now, which may represent a decent entry point.

The other two are basing and slowly rising with a significant overhead resistance point

ahead- there are no bullish technical signs at this time on these stocks.

Further, the ETF, which contains 37 direct or related stocks in the cannabis sector, is following the same pattern as Aurora and Aphria. That is, the ETF is also basing, rising slightly and about to hit a major resistance point. This should tell us that the majority of these stocks are unattractive. Having said that, there are some gems within the bunch if you look closely enough. WEED may be such an example.

My advice to my pal was: If you want to buy a pot stock, consider Canopy Growth. Be mindful of the risk, so don't throw too much into the trade. It's nowhere near being a sure thing just yet.

I'd avoid most of the other stocks in the sector for now. The future might be good for the sector, but it's early in the game.

My pal bought the stock, with



a cautious amount of capital. I'll keep my fingers crossed for him.

Keith on BNN Bloomberg

Keith appears regularly on BNN Bloomberg's *Market Call* to answer viewer questions about the technical analysis of stock trends, and to provide unique insights on the factors of technical analysis used in successful investment management.

His next *Market Call* appearance will be on Friday, Aug. 24 at noon. If you have questions about the technical analysis of stock trends for individual stocks, be sure to phone in with your questions for Keith during these shows.

Call toll-free at 1-855-326-6266. You can also email your questions ahead of time (please specify they are for Keith) to marketcall@bnn.ca.

MoneyShow features two rock stars

It appears that two famous rock star names will be at this year's MoneyShow Toronto, taking place from Sept. 14-15 at the Metro Toronto Convention Centre.

Keith Richards (the Rock Star of Technical Analysis, as BNN once called him) and Gene Simmons, international rock star and founder of Kiss, are both scheduled to speak. This may be a show to see!

Note that Keith is speaking on Friday, Sept. 14 at 4:15 p.m. (Mr.

Simmons' talk begins at noon on the same day.)

Keith Richards, Portfolio Manager, can be contacted at krichards@valuetrend.ca. He may hold positions in the securities mentioned. Worldsource Securities Inc., sponsoring investment dealer of Keith Richards and member of the Canadian Investor Protection Fund and of the Investment Industry Regulatory Organization of Canada. The information provided is general in nature and does not represent investment advice. It is subject to change without notice and is based on the perspectives and opinions of the writer only and not necessarily those of Worldsource Securities Inc. It may also

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