



When Will Canopy Growth Corp.'s Bad Trip End?

Description

Canopy Growth Corp. ([TSX:WEED](#)) is now down approximately 36% since my [warning](#) that the stock could be heading for a correction that would be triggered by the banned pesticides scandal. It wasn't the most popular opinion at the time, but sometimes it pays to go against the herd. Many investors thought that the party at Canopy was far from over, but I remained skeptical.

There's no question that the reputation of the company has been tarnished, but the tainted marijuana scandal wasn't the only reason for the stock's decline. It was just a breeze that collapsed the house of cards that was Canopy's inflated stock price.

Canopy and other marijuana stocks were extremely overvalued at the last peak, and it was just a matter of time before things went south. Many speculative traders piled into the stock, and the volatility was off the charts. But why has Canopy fallen more than its peers in the marijuana space?

More options for Canadian marijuana investors

Canopy was one of the few ways to invest in the emerging marijuana industry at one time. It was the first stock to graduate to the TSX, and those investors who wanted huge growth without venturing into the venture exchange had no other options than Canopy. Fast forward to today, and there are many choices for the average Canadian marijuana investor. Some stocks may offer superior growth prospects or risk profiles, like **Aurora Cannabis Inc.** (TSXV:ACB) or **Aphria Inc.** (TSX:APH).

For investors who want a piece of the entire marijuana industry, there's **Horizons Medical Marijuana Life Sciences ETF** ([TSX:HMMJ](#)), which probably is a decent way to eliminate single-stock risk, but I think the correlation between marijuana stocks is too great to bother with an ETF that charges a hefty 0.75% management fee. You're going to see the same volatility as you would with a single stock, so I'd probably just stick with buying one or more marijuana stocks that trade on the TSX or the TSXV.

Has the banned pesticide/tainted marijuana scandal been forgotten?

The tainted marijuana scandal is old news now, isn't it? Most investors have probably forgotten by now, and it should be in the rear-view mirror since more regulations are likely to be put forth once

marijuana is legalized. So, why does the stock still have negative momentum?

Sure, the tainted marijuana scandal is old news, but some investors never forget, and they never forgive. To some investors, when someone mentions Canopy Growth Corp., the scandal is the first thing that comes to mind, and now that there are more options available, these investors will not be looking back.

Where does Canopy go from here?

Canopy is now falling back to the \$8 levels, and it looks like no bottom is in sight. While all marijuana stocks are lagging of late, it appears that Canopy is starting to become one of the bigger laggards.

If you're still keen on investing in the marijuana industry, then Canopy may be eventually become a "value play" if its downward spiral continues. I'd stay on the sidelines for now though, because Canopy is a falling knife right now, and you could get hurt if you attempt to catch it.

CATEGORY

1. Investing

TICKERS GLOBAL

1. TSX:ACB (Aurora Cannabis)
2. TSX:HMMJ (Horizons Marijuana Life Sciences Index ETF)
3. TSX:WEED (Canopy Growth)

PARTNER-FEEDS

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