



What Could Devastate Marijuana Stocks?

Description

Over the past several weeks, shares of Canada's marijuana companies have performed relatively well. The one-month return for shares of **Canopy Growth Corp.** ([TSX:WEED](#)) are positive 5% in spite of what could have been a major setback for the industry.

Although the Federal Government has committed to legalizing the substance by July 2018, the provincial governments have been vocal about needing more time to get the chains of distribution set up and government workers trained on how the new sales delivery and product use will be dealt with on a day-to-day basis.

This could have spelled doom for investors who took positions in the medical marijuana industry in the hopes that the legalization of marijuana would lead to significantly higher demand. Those investing in the industry were really hoping that the biggest challenge they would face would be trying to produce enough marijuana to meet the mainstream demand.

Although the provincial governments looking to push back the legalization of the product may be seen as bad news, the market has decided otherwise. By vocalizing their concerns, the provinces have confirmed that they clearly acknowledge the product will be legalized. In addition, the provincial governments may also be signaling that they are a little behind the ball, potentially opening the door for distribution to be done in a much more consumer-friendly way.

Over the past month, it is not only shares of Canopy Growth Corp. which have increased in value. Shares of **Aurora Cannabis Inc.** ([TSX:ACB](#)) have increased by close to 20%, coinciding with a move from the venture exchange to the Toronto Stock Exchange (TSX). The TSX is where bigger companies are listed once they've become more established.

MedReleaf Corp. ([TSX:LEAF](#)) has declined over the past four weeks. The company, which recently completed an initial public offering, is still finding a proper range. Currently priced near the \$8 mark, the company has declined by approximately 7% over the past month in spite of being one of the better outfits in the industry.

Depending on when legalization will take place and when consumers will be able to purchase the

substance without a prescription, investors may need to worry. Given the current cost of each company to acquire a client and the revenues driven from each client, there is a rather large cash burn for a number of these marijuana companies. Investors who have been patient will eventually need to worry about the solvency of each company, but until that time, we are not yet out of the woods.

With the expectation that legalization will still happen within a reasonable amount of time, it would seem that investors may be getting the last laugh if things are to work out in a reasonably short period of time. The next year will be a very important one for investors.

CATEGORY

1. Investing

TICKERS GLOBAL

1. TSX:ACB (Aurora Cannabis)
2. TSX:WEED (Canopy Growth)

PARTNER-FEEDS

1. Msn
2. Newscred
3. Sharewise
4. Yahoo CA

Category

1. Investing

Date

2025/08/18

Date Created

2017/07/31

Author

ryangoldsman

default watermark

default watermark