

## Where Are Canadian Marijuana Stocks Headed From Here?

### Description

With prices for many major Canadian marijuana stocks such as **Canopy Growth Corp.** ([TSX:WEED](#)), **Aphria Inc.** (TSX:APH), and **Aurora Cannabis Inc.** ([TSX:ACB](#)) trading sideways over the past few months, investors are now wondering which direction stocks will move from here, and what the long-term play with this industry is overall.

Some analysts like fellow Fool contributor Joey Frenette believe that right now may be the [time to be greedy](#) with respect to the marijuana industry, with the most recent leveling off of many stocks representing a potential buying opportunity for stocks such as Aurora and Aphria given their outsized growth potential when compared to competitors.

I have stated in the past that industry fundamentals relating to supply and demand are not fully known, and therefore represent a significant risk factor for long-term investors. I have shown skepticism with respect to how the financial models of many analysts have been put together to project how much marijuana will be consumed in Canada. I have also shown skepticism about how the commodity will eventually be priced, representing a huge unknown for me. How this commodity will be taxed federally, what sort of restrictions will be placed on where it can be bought and how it can be advertised, and a slough of other regulatory issues abound.

That said, these risk factors are only risk factors largely because they are unknowns. At this point, everything is a projection, and projections, like plans, often go awry quickly.

For investors looking for value in the industry, I would recommend waiting on the sidelines until the clear market positions of various competitors are mapped out. Right now, it remains very difficult for an investor to predict which exact direction a stock will trade, as much of the stock price movement of late can be linked to positive or negative sentiment relating to the industry overall.

### Bottom line

The Canadian cannabis industry is a very difficult one to assess at this time. A wait and see approach is the only one I would recommend at this time. For speculators, I would suggest considering only the cannabis producers with positive (and preferably growing) margins at this point, as I believe it will be a race to the bottom in terms of which firm can lower their production costs the most to “out-profit” the competition.

While a significant amount of upside with a few of these cannabis firms may remain, I would recommend taking a cautious approach for investors intent on investing in marijuana stocks – don’t put all your eggs in this basket.

Stay Foolish, my friends.

### CATEGORY

1. Investing
2. Top TSX Stocks

## **TICKERS GLOBAL**

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

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