



Canopy Growth Corp. Surges 14.4% in a Day: Could Shares Hit \$25 Before Year's End?

Description

Last month, when **Canopy Growth Corp.** ([TSX:WEED](#)) was trading in the \$11 range, I wrote an article about [how the stock could soar to \\$20 before the conclusion of 2017](#). I realized it was an extremely aggressive price target (implying a ~70% return in less than a quarter), and it seemed far-fetched at the time; however, I emphasized in numerous pieces that the likelihood of potential positive developments would heavily outweigh the potential for negative ones.

Many provinces were shedding light on their plans for nationwide legalization, supply deals were being awarded, and I'd stated that such major short-term catalysts would send shares of all Canadian cannabis stocks exponentially higher before legalization day.

Constellation Brands deal could just be the first of many investments by big sin firms

Although I expected a tonne of positive developments to lift cannabis stocks, with Canopy leading the pack, the investment by beer maker **Constellation Brands Inc.** ([NYSE:STZ](#)) for a ~10% stake in Canopy for \$245 million came as a very pleasant surprise.

Not only was the deal an incredible vote of confidence from a massive firm, but it opened a huge door for other sin companies that may follow in Constellation's footsteps to get a piece of the Canadian green rush. This is a gigantic opportunity for the entire cannabis industry, and the development has clearly brought investor euphoria to new highs following the drought that cannabis stocks experienced a few months ago.

During the summer, when cannabis stocks took a slight pullback, I [urged investors to be greedy while others were fearful](#) and predicted that cannabis stocks would make up for lost time by the end of the year; this is indeed what has happened, as shares have now more than doubled since my original buy recommendation on all cannabis stocks in late August.

If you haven't bought shares yet, it may not be too late; however, the easy money has already been made, as it seems most of the potential for positive developments is already baked in to the stocks of

all cannabis companies at current levels.

Is it still safe to buy cannabis stocks?

More industry-wide positive developments are certainly possible (supply deals and major investor announcements), but I believe it'll be the quarterly results that will dictate the direction of cannabis stocks as we move past legalization day.

One of the reasons why [Canopy remains my top pick](#) in the cannabis space is because it's been wheeling and dealing at a faster rate than that of its peers. As more deals are announced, I suspect the stock will continue to rally, even if such deals won't be accretive to the company's bottom line until a much later date.

Bottom line

Cannabis stocks still offer growth unlike anything else in the market today. Shares of WEED have more than doubled in fewer than three months thanks to a sequence of very positive developments, including the announcement of a ~three-million-square-foot, B.C.-based capacity-expansion plan, an investment by Constellation Brands, a supply deal win for N.B., and many other deals that the company has in the past few months.

Are there more developments that could drive shares higher?

Definitely.

However, it appears the best ones may have already happened, so if you're thinking about betting on Canopy or any other cannabis stocks after such an upward spike, be cautious and only invest what you're willing to lose. The probability of a short-term pullback has been raised significantly, so make sure you've got a long-term time horizon, because short-term pain may be in the cards.

My original target of \$20 before the year's end seemed absurd a few months ago, but now that shares are at \$19.36, it seems like my original target will need to be raised to \$25, as WEED looks poised to break the \$20 mark at some point over the next few days.

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2. TSX:WEED (Canopy Growth)

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