Are Canadian Marijuana Growth Stocks Safer to Own as Political Risks Gradually Fade?

Description

Canadian marijuana stocks have picked up speed again after a slow summer. With investor euphoria sending cannabis stocks to new highs, many investors may be wondering if it's too late to profit from the second wave of the Canadian green rush.

While the emerging marijuana industry comes with triple-digit percentage growth numbers, it's important for investors to realize what they're getting into to minimize the chance of losing a great deal of money. With such high-risk/high-reward investments, such shortcomings are always a possibility, especially with an industry that many of us may know very little about.

A lower degree of political risk is making investors euphoric

As political risks gradually die down, many investors are hitting the buy button on various pot stocks, since one of the biggest risks to owning such stocks was their uncertain fate as to whether or not legalization day were to be delayed. With many provinces announcing details on their plans for distribution and regulation, it's become clear to everyone that nationwide legalization is, in fact, imminent with less resistance from premiers as of late.

Premiers are no longer resisting as much as they did in the past; instead, they've accepted the fact that marijuana is going to be legalized, and any concerns they have will need to be addressed by their own plans.

Canopy Growth Corp. ([TSX:WEED](#)) recently applauded Manitoba's recent cannabis-distribution plans, which will allow private retailers to co-exist with high public safety standards. That is a huge win for Canopy in particular, because that means it can unlock the true potential of its brands in the early stages of legalization.

What are regulators concerned about?

The two [major concerns](#) are keeping marijuana out of the hands of minors and being competitive with the black market. That means tight regulations and potentially lower than expected taxes on the marijuana to essentially eliminate the black market sooner rather than later. The price per gram of dried marijuana is expected to be high in the initial stages of legalization; it should gradually drop as producers start to fulfill the huge demand that's expected to trump supply in the first few years of legalization.

Keep an ear out for further announcements to address these concerns. I believe they will be near-term catalysts for all marijuana stocks.

Is it too late to profit from pot stocks?

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The valuations are out of this world, but then again, when have marijuana stock valuations ever been down to Earth? Investor euphoria is fueling the surge in marijuana growth stocks. In many of my previous pieces, I've mentioned that a tonne of positive headlines would likely be in the cards up to legalization day, which would drive the stock exponentially higher over the short term.

I still believe there are positive developments that will present themselves between now and legalization day, so that means the rally could have a lot more room to run.

With that being said, I believe the easy money has been made, so investors should not panic should a near-term correction occur. Shares have doubled over just a few months, after all.

If you've got the risk tolerance, then you may want to get some skin in the game, but only if you're comfortable with ridiculous amounts of volatility. If you're going to sell after a double-digit percentage decline, then you should probably wait on the sidelines, because such a dip is likely given the ridiculous volatility experienced by pot stocks of late. If you can stomach short-term pain for long-term gain, then marijuana stocks are still a great buy, but just don't make it a core holding!

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