

Why Cannabis Stocks Might Be the Ultimate Short-Term Investments

Description

In 2017, cannabis stocks have been all the rage with **Canopy Growth Corp.** ([TSX:WEED](#)) seeing its share price double this year, and **Aurora Cannabis Inc.** ([TSX:ACB](#)) growing 140% in just the past two months. Although these are impressive results, these stock performances have been the norm rather than the exception in the industry.

With [share prices rising at an incredible pace](#), many disciplined investors are likely asking one very important question:

Can the growth continue?

The dangerous part about buying a stock that has already had such incredible growth is that there may not be a lot of upside left. However, with sales rising and companies locking in supply deals and other agreements, there could still be plenty of ways for cannabis stocks to continue to grow.

In its most recent quarter, Canopy was able to double last year's sales, and at less than \$18 million, it's hard to believe that the company could be anywhere near its peak. It's almost a certainty that the share price for stocks like Canopy and Aurora will continue to rise, but the real question is, how much more of a premium will investors be willing to pay?

How much more upside is left?

Canopy's stock price has reached over \$21 a share this year, and in 2018, [we could see that number get even higher](#). For the share price to double next year, that would mean it would be trading at over \$42, and the company would have a market cap of over \$8 billion. For an industry that still has a lot of unknowns and many competitors, it might be hard to see that valuation occur.

Aurora is also near a \$3 billion cap, and although the industry will have a great deal of potential, I'm just not sure it can accommodate all of these high-growth stocks.

Can the industry live up to the astronomical hype?

This biggest reason to be cautious about marijuana stocks is that the share prices currently have a lot of hype priced in to their valuations, and if those expectations are not met, we could see some big bubbles bursting next year. It is hard to assess that today, because there are still so many uncertainties and question marks surrounding the industry.

Province by province, we've seen different plans as to how cannabis will be sold and distributed. While some provinces will have more pot-friendly rules than others, it won't all be the same. The black market won't fade away either and will still generate a lot of marijuana-related revenue.

What should investors do?

The cannabis industry is still in the honeymoon phase, where all is great and growth is infinite. This means that as we see cannabis companies like Canopy secure more deals or acquire companies, the share prices will continue to climb.

Although the uncertainty in the industry presents a risk in the long term, in the short term, it could be a great opportunity to buy in to the hype before reality sets in.

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

2025/08/22

Date Created

2017/12/17

Author

djagielski

default watermark

default watermark