



Canopy Growth Corp. Surges Over 20% in a Day: Why 2018 Could Be Another Huge Year for Cannabis Stocks

Description

I've been extremely bullish on **Canopy Growth Corp.** ([TSX:WEED](#)) all year with my absurdly aggressive price targets, which have implied huge upside over a very short time span.

Here's a quick recap of my projections:

In a piece published in late October, I'd [predicted that shares of Canopy would soar to \\$20 by year-end](#), and I shed light on how it would surge ~69% from \$11.82 to \$20 in just a few months. In early November, shares of Canopy hit the \$20 mark briefly, and I [increased my year-end price target to \\$25](#) — another extremely bullish price target, which has, yet again, been crushed before 2017 could conclude.

Both my \$20 and \$25 price targets from October and November seemed far-fetched at the time, but now that shares are flirting with the \$28 levels, it appears that my extremely bullish price targets were far too conservative, even though they were way more aggressive than your average analysts' price target.

Why does Canopy continue to skyrocket?

As I've noted numerous times in past pieces, there are a tonne of positive developments pouring in. Developments like expansion plans, supply deals, acquisition announcements, major investment announcements, and provincial distribution plans are all fueling the rally higher. As we move closer to the summer 2018 legalization day, I suspect the rate of these developments will accelerate, as cannabis producers and government regulators scramble to prepare themselves for the big day. Add a great deal of uncertainty to the mix, and you get euphoric investors with the FOMO (fear of missing out) mentality.

With Canopy shares tripling over the past year, there are many reasons to be fearful of a violent correction. The possibility of a correction is quite high in the new year, so investors should definitely only invest what they're willing to lose at these levels.

Although the risks are high, I still believe the rewards are far greater. I think it's very likely that shares of all cannabis stocks will still manage to hit new highs by the time 2018 comes to an end, even with a 50% correction throw into the mix.

While 2017 was a huge year for Canopy and other pot stocks, many investors are still forgetting that there was a correction earlier in the year ([which I also predicted](#)), which saw stocks like Canopy correct by nearly 50%. Volumes dried up, and there was a great deal of political uncertainty; it was then I urged investors to take [Warren Buffett's advice](#) and be greedy while others were fearful.

Shares have more than tripled since my contrarian recommendation, but don't fret if you missed out, as another correction could give you an opportunity to back up the truck before the "green rush" has its next leg up.

When will the next pot stock correction be?

As I've mentioned earlier, I believe the rate of positive developments is going to pick up pace with legalization day on the horizon, so I don't think a huge correction is in the books, unless a major unexpected development derails legalization plans for 2018.

Justin Trudeau stated that summer 2018 is the date for legalization, which is rather vague, but given recent resistance from Tory senators, I think it's probable that another legalization date delay could be in the cards. That could mean legalization day could be pushed to 2019 and beyond, and if such an announcement were to happen, I think pot stocks would shed a tonne of value, as investors start losing credibility in proposed legalization dates.

Bottom line

Canopy remains my top pick in the cannabis sector. Management is the best in its class, and I think the market cap gap between Canopy and its peers will widen over the years, as it separates itself from the pack. Here's why I believe shares could [hit \\$50 before legalization day arrives](#).

If you're going to invest in pot stocks, then you'd better make sure you're following the day-to-day or week-to-week developments closely, because the thesis is constantly changing, and that means a lot of homework to do for the individual investor.

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