



Cannabis Investors: Why Now May Be a Good Time to Play With the House's Money

Description

To say 2017 was a great year for pot stocks would be a vast understatement. Many Canadian cannabis producers more than tripled this year, and as we enter the year marijuana will become legalized across Canada, I think pot stocks still have plenty of room to run, despite concerns over what some believe is a [speculative cannabis bubble](#) which may pop before the big day.

Canopy Growth Corp. ([TSX:WEED](#)), **Aurora Cannabis Inc.** ([TSX:ACB](#)), **Aphria Inc.** (TSX:APH), and **MedReLeaf Corp.** (TSX:LEAF) could certainly clock in another year of triple-digit percentage returns, but it's important to remember that such incredibly volatile, high-risk stocks could violently correct in the event of an unforeseen negative development.

Sure, cannabis stocks had an incredible year, but the general public is already starting to forget that the sentiment was quite bleak earlier in the year, especially during the spring, when all pot stocks experienced a pullback between 30% and 50%, paving the way for a volume dry-up in summer. After the euphoric highs were reached, a nasty hangover followed.

If you took a contrarian position after the fallout and [became greedy while the general public was fearful](#), you could easily have quadrupled up over the course of just a few months. It's anybody's guess as to whether history will repeat itself in the new year, but if it did end up happening again, you might want to have ample cash on the sidelines to take advantage of such an opportunity, assuming the correction isn't triggered by news that's detrimental to the industry.

Now that we're on the other side of the spectrum, should you be fearful while others are greedy?

Not exactly, but it certainly wouldn't hurt to exercise caution after the recent exponential increase in the average cannabis stock. It never hurts to take a profit off the table, and if you've already doubled, tripled, or quadrupled up this year, you may want to take your original bet off the table and play with the house's money. You'd still profit a great deal from a further run-up in cannabis stocks, and you wouldn't lose your original investment should another correction present its ugly face.

Bottom line

It's easy to become overly euphoric and greedy with high-flying stocks, especially with the tremendous momentum experienced of late. It goes against human psychology to think like a contrarian, but if you manage to, you can protect your portfolio from a downfall and profit off those who are overly greedy.

Stay hungry. Stay Foolish.

CATEGORY

1. Investing

TICKERS GLOBAL

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

PARTNER-FEEDS

1. Msn
2. Newscred
3. Sharewise
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