



Canopy Growth Corp. Plunges: Should You Buy the Dip?

Description

Canopy Growth Corp. ([TSX:WEED](#)) has been on a wild ride over the past year, and investors are wondering if the stock's volatility is attractive, or a reason to stay away.

Let's take a look at Canada's top cannabis company to see if it deserves to be in your [portfolio](#).

Stock swings

Canopy's stock has traded in a range of about \$7-36 over the past 12 months. The direction has not been straight up, and investors who'd bought at the highs in early 2017 had to weather some scary downside before the stock recovered.

Canopy surged above \$17 in the first quarter of last year on investor enthusiasm about the potential windfall from the opening of a recreational market in Canada.

The months that followed, however, saw concerns start to creep in, as some provinces voiced concerns about their abilities to hit a summer 2018 target to open their respective recreational markets.

Canopy's stock price slid to below \$7 per share in early June before starting its recovery.

What changed?

The federal government confirmed its commitment to open the recreational market in the summer of 2018, and several provinces have announced initial blueprints for how they plan to allow the sale and distribution of cannabis products.

Some have even signed supply agreements with Canopy.

In addition, Corona owner **Constellation Brands** announced a 9.9% stake in Canopy. The company plans to launch cannabis-infused beverages in markets that allow recreational marijuana use.

Canopy's stock price really started to take off again in September, and aside from a couple of big dips, continues to test new highs.

So far, investors who bought the dips have been [rewarded](#).

Should you buy today?

At the time of writing, Canopy is trading at \$29.40 per share, down about 18%.

That's a scary move, and investors should expect this kind of volatility to continue, so I wouldn't back up truck to buy the dips.

On a valuation basis, Canopy is extremely overbought based on the current revenue stream. Investors are betting big on the hopes the company will secure a significant part of the anticipated recreational market in Canada and around the world.

Canopy could certainly grow into its valuation, but to justify the current market capitalization of \$5.6 billion, the stock is priced for perfection, and then some.

If you'd bought Canopy in 2017, it might be wise to book some profits. New investors should be careful chasing this stock today.

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