



## 3 Reasons You May Want to Consider Trimming Your Marijuana Stocks

### Description

With the enthusiasm around marijuana stocks starting to border on “tulip mania,” it’s a good time to see if pot stocks are still the best place to be putting your hard-earned money.

#### Not every marijuana stock can be a winner

Back in May, I wrote an article for fool.ca titled, “[This Is the #1 Reason Why Marijuana Stocks Can Still Go Higher](#),” which suggested that despite the fact that investors’ attention had turned elsewhere, there was still huge upside in Canadian marijuana stocks.

Since then, marijuana stocks have absolutely taken off. Canada’s largest company by market capitalization, **Canopy Growth Corp.** (TSX:WEED) [has risen more than 300% since May](#), despite giving back some of those gains this week. **Aphria Inc.** (TSX:APH) is up 200% over that span. **Aurora Cannabis Inc.** (TSX:ACB) has done even better still, up 400%.

Many lesser-known stocks have performed similarly well, including **Cronos Group Inc.** (TSXV:MJN) and **MedReleaf Corp.** (TSX:LEAF).

But the only problem with this is that not every marijuana stock will turn out to be one of the eventual winners.

Some of the marijuana stocks will undoubtedly get a reality check in the coming weeks and months, and if you’ve done well up to this point, you may want to do your best to avoid being the one “holding the bag” when that happens.

#### Looking ahead to legalization day

Some may be intent to hold on and see this wave through to the expected legalization day of July 1 later this year in hopes of seeing their profits multiply.

Maybe that strategy will work. Maybe it won’t.

But one thing we do know for sure is that Canada's recreational market is not even yet in its nascent stages.

And while much is being made of the projected \$10 billion market plus the added opportunity of expansion into foreign markets like Chile, Australia, and Germany, those figures and plans are still many years away.

When marijuana producers report earnings in the third quarter this year — the first quarter of legal recreational sales — sales and profits will be but a tiny fraction of what's being priced in by the market today.

### **A stampede towards the exits**

Should 2018 earnings disappoint expectations, the marijuana market could turn sour in an awful hurry.

The nature of most investors is that they tend to get a little nervous or "trigger happy" when their investments appreciate by such an impressive magnitude over such a short period of time.

Given this year's run up in marijuana stocks, mind you on the back of the previous "green rush" rally, the beginning of a sell-off, which we may have started to see this year, could spark a stampede for the exits.

### **Bottom line**

As Kenny Rogers famously sings in the "The Gambler," "You gotta know when to hold 'em, know when to fold 'em, know when to walk away, and when to run."

It might be time to put those newly found marijuana riches to better use in search of the next wave of euphoria.

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1. Investing

### **POST TAG**

1. Editor's Choice

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

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