



Will This Week See a 15% Pullback in Marijuana Stocks?

Description

Last week investors saw shares of **Canopy Growth Corp.** ([TSX:WEED](#)) appreciate by slightly over 15% as the dominant marijuana producer continued to flex its muscles and maintain its dominance over smaller competitors. With a market capitalization of more than \$7 billion and trailing revenues of no more than \$70 million, there may be a little more downside than many investors would like.

Although shares have performed extremely well as of late, shareholders who have made a significant amount of profit from this investment may want to look at each of the five days last week individually. On Monday, shares rose by close to 13% and proceeded to trade almost sideways for the rest of the week to close at \$37.48 per share. Investors who sought additional developments throughout the week were clearly disappointed.

Given the company's past history, investors have reason to be concerned. Close to a year ago, shares of Canopy Growth Corp. jumped from less than \$5 per share to the mid-teens only to jump back to \$8, where it traded for several months. Investors should therefore realize that the stock market (or a specific sector) can in fact decline in value. Currently, the marijuana industry has delivered fantastic results for a number of weeks alongside the U.S. economy, which may be about to turn.

As a reminder, a U.S. government shutdown began this past weekend.

For investors who are anticipating future catalysts, the bad news is that Canopy Growth Corp.'s earnings won't be coming out for another month. Barring another "surprise" announcement, investors will have nothing new to send shares higher.

Without additional euphoria, there is little reason for shares to hold onto their existing momentum: enter a decline of at least 15% — maybe more.

Of course, Canopy Growth Corp. is not the only name in this basket. In the past week, shares of **Aphria Inc.** (TSX:APH) have [followed a similar path](#) to close up more than 20% for the week — and shake up many of the short- sellers in the process.

With markets starting to return to normal levels, it's increasingly likely that short-sellers are entering this industry, creating a level of supply that would otherwise not be present in many of these stocks. As

witnessed during the technology boom, and, to some extent, cryptocurrency, rationale thinking does eventually prevail. The only question is this: how long will it take in this [particular case?](#)

CATEGORY

1. Investing

TICKERS GLOBAL

1. TSX:WEED (Canopy Growth)

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