



Are Marijuana Stocks the Right Choice in the Current Market Environment?

Description

Just prior to the recent pullback, which included an 8% decline in the TSX Composite, equity markets around the world were making all-time highs, including the two biggest markets globally: the United States and China.

You may even recall the historic rise of Bitcoin and several other blockchain technologies, which many had forecasted were destined to create an entirely new asset class.

While Peter Smith, the CEO of Blockchain, which happens to be the owner of the world's leading digital wallet, recently said that he thinks the digital currency boom is the direct opposite of the late 1990s internet bubble. The world's most famous investor, Warren Buffett is on record with a differing viewpoint: "What's going on definitely will come to a bad ending."

It would seem that perhaps Buffett's argument holds more weight — at least up to this point — as the price of a single [Bitcoin has fallen nearly 60% from its January highs](#), even following the latest rally in the world's largest cryptocurrency by market capitalization.

Many have attributed the latest sell-off to hit the broader markets to a recent spike in interest rates, as the bond market attempts to respond to higher expectations for inflation.

Yet as fixed-income investors sell their current holdings to buy securities offering higher coupons, those still holding bonds are essentially left in the lurch. As the early movers have shifted allocations out of fixed income, those who'd opted to stay in bonds saw the value of their holdings decline in price.

And as we know from the equity markets, when investors start to see losses pile up, this tends to lead them to follow in suit, even if that isn't the right decision.

Beware of euphoric investor sentiment

But while the above scenario is being driven largely by fear-based, or risk-averse, decision making from large institutional investors, there may be another factor at play that, if perhaps not to blame in and of itself, may be exacerbating the current sell-off.

There are some common signs that investors should be on the watch for to avoid buying into asset bubbles, and one of the most common symptoms of a dangerous bubble forming is the “me too” attitude, where people see their friends, family members, or colleagues making enormous sums of money from their investments and become fearful of not getting involved for fear of missing out.

Warren Buffett is famously known for his quote, “...be greedy when others are fearful,” but the opposite of that statement is equally true: “...be fearful when others are greedy.”

Take what is being given to you

There are times when it becomes difficult to find truly great companies trading at attractive prices.

In those types of environments, it can often make sense to chase after higher-risk, higher-reward investments like artificial intelligence, marijuana producers such as **Canopy Growth Corp.** ([TSX:WEED](#)), or even cryptocurrencies.

Yet the latest pullback has created a [chance to buy some truly great, proven businesses](#) at prices that haven't been available in year.

Foolish investors may be wise to take some of the money they've made in marijuana stocks over the past few years and put those profits to work in something more tried, tested, and true.

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