



Marijuana Stocks: Is Canopy Growth Corp. Stock a Buy Under \$30?

Description

With markets resuming their upward journey during the past two trading sessions, many investors are wondering if their favourite marijuana stocks, such as [Canopy Growth Corp. \(TSX:WEED\)](#), will also follow this move higher.

The answer to this question is very complicated. It seems marijuana stocks are trading on their own momentum, and the market's general direction may not fuel their prices this time around. In the past two trading sessions, when the S&P/TSX Composite Index rebounded, the top three marijuana stocks didn't participate in this rally.

In fact, Canopy stock declined more than 5%, adding to its 17% losses during the past month. So, what's causing these top momentum stocks to lag, as we see markets trimming their losses from the recent correction?

On the fundamental side, I think not much has changed for Canopy, Canada's largest producer. In its annual update last month, the company said it has 5.6 million square feet of production capacity spread across seven Canadian provinces. That means once Canada legalizes recreational marijuana, it's positioned to grab about 20% market share based upon its current capacity.

Internationally, the company is well positioned to expand, especially in European markets. The company has interests and operations spanning seven countries and four continents. It owns a pharmaceutical distributor in Germany and has entered joint-venture, or partnership, agreements in several countries, including Spain, Australia, Denmark, Brazil, Jamaica, and Chile.

Is Canopy stock a buy under \$30?

As I've mentioned in [earlier articles](#), Canadian pot stocks traded in extremely overbought territory at the beginning of this year. In the case of Canopy, its jump to \$44 a share was totally unrealistic.

Trading at \$26.90 a share at the time of writing, Canopy stock is close to the consensus target price of \$29 by analysts on the Street. Going forward, it'll be really tough for marijuana producers, including Canopy, to outperform the market, especially when all the good news has been priced in to their stocks.

The market focus from here has shifted to the actual execution and regulatory risks, as Canada nears its summer deadline to legalize the recreational market. I think the risk to downside is greater than upside. That suggests short-term traders will find it hard to make money on these bets.

If you're a long-term investor, I think there is more downside to pot stocks, and you'll find better levels to enter this trade. Waiting on the sidelines is a good strategy for investors in marijuana stocks.

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Date

2025/08/18

Date Created

2018/02/13

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