

## Cannabis Investors: Cronos Group Inc. Hits the NASDAQ: Time to Buy?

### Description

**Cronos Group Inc.** (TSXV:MJN)([NASDAQ:CRON](#)) is the first Canadian pot stock to hit the NASDAQ exchange, and shares responded by rallying nearly 11% on the TSX exchange. Marijuana stocks have been all the buzz in Canada, but now, with the door open for American investors to jump in through a U.S. exchange, will the euphoria return to the entire marijuana industry?

I think the move could inflate Cronos Group and systematically drive all marijuana stocks higher, as Americans become more engaged in weed investing. That said, I believe marijuana stocks are in bubble territory right now, and unless [you're comfortable](#) losing every penny of your investment, you should steer clear of them as you would speculative mining stocks that trade on the venture exchange.

### Cronos on the NASDAQ will further inflate the bubble

Cronos operates a basket of cannabis producers and is a likely candidate to consolidate the incredibly fragmented industry. I believe there will be reignited hype in the very short term from a marijuana stock hitting a U.S. exchange, but it's not something to get excited about, unless you're a swing trader.

### A word of warning on pot stocks

The Canadian government is creating a highly regulated legalized environment that's really "no fun" for your everyday cannabis smoker. That means all marijuana stocks will have no pricing power through branding, which is horrible news for **Canopy Growth Corp.** ([TSX:WEED](#)), which owns the top recreational brands and was the best suited to become a Marlboro of its industry. Cannabis will be a commodity, and it's going to be taxed about a dollar per gram, not including provincial sales taxes.

This may lead to over taxation and cause people to go to the black market. Excessive taxation, when combined with the legality of personal cannabis plant growth, will cause major producers to miss out.

There will be a supply shortage in the early stages, but once Canadians can grow and share weed, the shortage may be primarily met through the black market, and not weed supplied by major producers with a fat tax slapped on their products. The [black market](#) looks like it'll be more economical for cannabis smokers in a legalized environment, and if that's the case, all cannabis producers could crash violently, and Cronos is no exception!

### Bottom line

Cronos's debut on NASDAQ could reignite euphoria in an industry that is already in a bubble, but I'd advise caution, as it's going to be very difficult for any single company to gain an edge in the nascent cannabis industry with strict regulations to be put in place. That means you're essentially betting on a miner of some commodity, which isn't a business that I'd be comfortable investing in over the long term.

I'd say steer clear of Cronos and all things cannabis at these levels, unless you're an experienced trader.

Stay hungry. Stay Foolish.

## CATEGORY

1. Investing

## TICKERS GLOBAL

1. TSX:CRON (Cronos Group)
2. TSX:WEED (Canopy Growth)

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