

## Here's My Prediction for Cannabis Stocks Before and After Legalization Day

### Description

**Canopy Growth Corp.** ([TSX:WEED](#)), **Aurora Cannabis Inc.** ([TSX:ACB](#)), and **Aphria Inc.** (TSX:APH) are back in correction territory after more than quadrupling up in the latter part of last year. For a long-term investor, it's become quite difficult to justify buying shares of these stocks to capitalize on the much-hyped Canadian "green rush." There's no question that cannabis stocks appear to be completely ignoring the fundamentals and are thus only suitable for speculative traders with cash to gamble.

Valuations continue to be [out of this world](#), even after the recent cannabis correction, and with the recent M&A activity conducted by Aurora and Aphria near bubbly highs, I think we're entering yet another severe cannabis industry hangover — similar to the one experienced in the first half of 2017.

Sure, we may be inching closer towards legalization day, but long-term investors need to realize that a nasty "sell-on-news" scenario could end up playing out. The FOMO (fear of missing out) mindset of speculators has been driving shares parabolically higher over the past year. I think we've reached a point where positive developments simply aren't enough to propel stocks higher. It's going to take a lot more to impress investors, especially when you consider that "growth" stocks in the broader stock market and FOMO are starting to fall out of favour.

I think many cannabis traders are making assumptions about many things that could just end up being smoke in mirrors. There are still too many uncertainties that exist to make an informed decision, and to this day, it's nearly impossible for analysts to formulate an accurate model of what to expect for the year ahead. The range of analyst forecasts for various cannabis stocks are ridiculously broad, and it certainly appears that everybody is attempting to throw darts at a board while completely blindfolded.

Canopy CEO Bruce Linton hasn't really given analysts much to work with, because even he admits there are too many uncertainties in the industry to give an accurate outlook. Instead of making promises that likely won't be kept, he and his team have focused on beefing up production capacity, forming relationships with international partners, and not chasing takeover targets at what appeared to be a market peak.

In many [previous pieces](#), I've emphasized my distaste for both Aurora and Aphria after their respective acquisitions, which I thought didn't seem to consider the price paid for the value received. Aurora in particular had been chasing CanniMed Therapeutics for quite a while, only to settle on an absurd price which ended up severely diluting its shareholders. Add Aphria's recent deals and to me, it's not a mystery why both Aphria and Aurora have fallen a lot harder than Canopy this time around. I suspect the bloodbath will continue with Aphria and Aurora leading the pack into the red until a majority of the late 2017 parabolic gains are surrendered.

Nothing but perfection is baked in to the shares of all cannabis stocks right now, and if post-legalization numbers don't live up to the hype, I think we could witness one of the most catastrophic implosions to date. If you're not comfortable with losing most of your investment overnight, you may want to avoid the industry like the plague.

If, however, you do have cash you're willing to part with, it may be a more prudent decision to wait until year-end, because the general public appears to have unrealistic expectations for cannabis producers in the post-legalization era. In addition, a "sell-the-news" scenario may end up playing out, resulting in a very sharp decline in shares of all cannabis stocks.

The way I see it, post-legalization results could end up being the pin that ends up popping the cannabis bubble, putting an end to the green rush and potentially opening a window of opportunity for long-term investors.

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