



Millennials: Should You Bet on the Cannabis Market and Blockchain Technology Today?

Description

What a difference three months can make. In the beginning of 2018, the red-hot Canadian cannabis market had just about peaked after erupting in the late summer of 2017. The Bitcoin and cryptocurrency craze had dissipated somewhat, as Bitcoin had fallen from all-time highs, but media attention for cryptocurrencies was greater than ever before. These factors drew in many retail investors.

Cannabis and cryptocurrencies have attracted a significant proportion of young investors, notably millennials. For this generation, many of whom had seemingly “missed the boat” on the post-recession stock market boom, the promise of two potentially game-changing and explosive industries was tantalizing. As we reflect on them now, are these markets still good long-term bets for millennials and long-term investors seeking growth?

In the beginning of April, **Horizons Marijuana Life Sciences Index ETF** ([TSX:HMMJ](#)), which aims to replicate the performance of the North American Marijuana Index, had dropped below \$17 in comparison to its all-time high of \$25.56 reached in mid-January. The ETF has plunged 30% over a three-month span as of close on April 12. Its top two holdings, **Aurora Cannabis Inc.** and **Canopy Growth Corp.**, have seen valuations almost halved in this time span. With recreational cannabis legalization mere months away, cannabis stocks have been [battered by volatility](#).

Analysts had warned about Bitcoin’s valuation over the course of its magnificent run in 2017, and as we look back, its trajectory had all the hallmarks of a classic bubble. In early 2018, many investors had resigned themselves to this fact, and [blockchain technology](#), the decentralized network that enables Bitcoin and other cryptocurrencies, was stealing mainstream attention.

In February, Harvest Portfolios launched **Blockchain Technologies ETF** ([TSX:HBLK](#)), which seeks to invest in companies involved in the development and implementation of blockchain and distributed ledger technologies. The fund rose 3.35% on April 12, but it has plunged over 20% since its debut. In December and January, many companies dove into the blockchain craze with varying success.

Mogo Finance Technology Inc. ([TSX:MOGO](#)), which possesses the 11th-largest weighting in the

Blockchain Technologies ETF, rose 7.48% on April 12. Shares have plunged over 40% in 2018. In 2017, Mogo saw 96% growth in subscription and fee-based revenue and remains one of the most promising FinTech companies listed on the TSX.

However, it also announced that it would launch MogoCrypto towards the end of the first quarter, which would allow members to buy and sell Bitcoin through their Mogo account. This has exposed Mogo stock to the fluctuations of Bitcoin's price, which has fallen sharply in 2018. Its most recent rally has also been on the back of an almost \$1,000 rise in Bitcoin price over the course of the past week.

Should millennials continue to invest in cannabis and blockchain technology?

Canada has become only the second country to fully legalize recreational cannabis. Statistics Canada released a study recently that valued the cannabis market in Canada at \$5.7 billion, but Canopy CEO Bruce Linton believes that it could easily be worth \$8-10 billion with potential to steadily grow going forward. The recent correction should work to depress valuations in cannabis stocks to a more reasonable level that will allow a solid entry, or re-entry point, for investors gearing up for the long term.

Interestingly, Canada could also emerge as a hot spot for cryptocurrency traders because of low energy costs in many provinces. The Canadian government has announced in 2018 that it is experimenting with Ethereum blockchain. In truth, it is difficult to gauge the overall potential of blockchain technology at such an early stage. Stocks linked to cryptocurrency prices will likely continue to experience volatility, as governments have targeted Bitcoin and others in recent months.

CATEGORY

1. Investing

TICKERS GLOBAL

1. TSX:HBLK (Blockchain Technologies ETF)
2. TSX:HMMJ (Horizons Marijuana Life Sciences Index ETF)

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