



2 Important Questions Cannabis Investors Should Ask Before Buying Pot Stocks

Description

Marijuana legislation is expected to pass later this year and when it does, pot stocks could go on a run. We've already seen **Aurora Cannabis Inc.** ([TSX:ACB](#)) and **Canopy Growth Corp.** ([TSX:WEED](#)) produce significant returns for investors in the past year, but there's still lots of hype left in the industry, even despite the recent sell-offs.

It's hard to imagine reaching a peak in the industry just yet, as cannabis hasn't even been legalized. Thus, there hasn't been an opportunity for actual results to even underperform expectations; until that happens, we could still see a lot of bullishness.

However, there are two important questions to consider if you decide to invest in pot. The first is which market you want to invest in and how important it is for a company to have a presence beyond just Canada. The second is whether to invest in recreational or medicinal cannabis.

Which markets should you invest in?

Canada's cannabis market is at the forefront right now, with legalization on the horizon and pot's popularity in the country. However, there's some concern that the industry is already getting [too crowded](#), and as a result, we've already started seeing companies look to jockey for position elsewhere in the world. But that's not without its challenges, as companies will have to manage partnerships and operations far away while also focusing on rapid growth domestically. Investing domestically is a safer option, but it will also provide you with fewer opportunities for growth.

There is also the question of legality and just how aggressive of an investment you should consider. **Aphria Inc.** (TSX:APH) has divested in some of its [U.S. investments](#) after the TSX warned companies that not being in compliance with U.S. laws could result in being delisted from Canada's largest exchange. The U.S. market is perhaps the most lucrative given its size and potential, and there are already investment opportunities there as we've seen Cannex Capital Holdings Inc., which owns a big pot producer in Washington State, recently list on the riskier Canadian Securities Exchange where rules are looser when it comes to having a position in U.S. pot.

It's a high-risk gamble, as on one hand a company like Cannex could run the risk of seeing its

operations get shut down by federal authorities south of the border. On the other hand, if that doesn't happen and the company continues to expand and the U.S. goes on to legalize pot, we could see explosive growth.

Is recreational pot a better investment than marijuana for medicinal purposes?

Medicinal marijuana is certainly the less risky investment of the two types of pot available to consumers, and countries normally legalize it well before recreational cannabis becomes available. The health benefits of pot could be a big reason for tremendous growth in that sector as it becomes a more popular option for suffering patients looking for safe and effective treatment options. Medicinal marijuana also draws less ire from legislators and has less of a stigma than does recreational pot.

In the long term, however, recreational pot could have a lot more room to grow, as it is able to reach a wider range of consumers.

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