



Has Interest in Pot Stocks Started to Fade?

Description

While marijuana stocks have seen big increases in price over the past year, there's been a lot of volatility along the way, particularly in 2018. Although we've seen periods of bullishness in the first seven months of the year, that's been overshadowed by sell-offs for much of the year as investors have looked to cash out their profits.

In just the past month, we've seen **Aurora Cannabis Inc.** ([TSX:ACB](#)) drop 25% in value, **Canopy Growth Corp.** ([TSX:WEED](#))(NYSE:CGC) decline by 12%, and **Aphria Inc.** (TSX:APH) lose around 4% of its share price. What's most surprising is that Aphria's results have actually been modest, and yet year to date, the stock has been one of the worst pot stocks on the TSX.

All three stocks got a boost on June 21 and Canopy Growth reached a high of over \$48 that day, as this was around the time that a date was given as to when recreational pot could be sold. However, soon after many investors cashed in their profits and all three stocks started to decline afterwards.

The problem with pot stocks

It may seem that by carving out a date for when pot can be legally sold should send stocks soaring, the problem is that when it comes to pot stocks, a lot of those expectations have already been priced into their respective share prices. While good news would certainly cause for bullishness in other scenarios, in the cannabis industry, it's needed to fuel and justify pot stock's high trading prices.

If interest levels don't remain high — and there's reason to believe that isn't the case — that could send stocks down.

Are investors losing interest?

One way that we can gauge interest in a topic is by looking at search trends. A look at Google Trends for "marijuana" over the past 12 months in Canada shows interest is starting to fade:

June 17-23, 2018	100
July 22-28, 2018	61
July 15-21, 2018	48
May 13-19, 2018	52
April 15-21, 2018	58
March 18-24, 2018	66
February 18-24, 2018	55
January 14-20, 2018	75

The peak activity for the search term came the week that encompassed June 21, which is where stock prices for Canopy Growth peaked. However, outside of that week, we can see that interest in marijuana has declined since January, when we were fresh off the heels of a [big acquisition](#) involving CanniMed and Aurora Cannabis.

While that may not be a good sign for pot stocks today, we're likely to see activity levels get a bump in October when we get closer to the date that cannabis becomes legalized and we see more interest in the first day of sales and how much of a spectacle it becomes. With that, we could very well see share prices get a boost as well.

What does this mean for investors today?

With valuations continuing to be very high, it's hard to justify an investment in any pot stock today. The bears have overpowered the bulls in 2018 when it comes to cannabis, and it's a trend I don't see going away, at least not until October once we've seen what demand actually brings in.

Investors may be better off waiting for more of a decline in price before buying into what's still a very [risky](#) industry with a great deal of uncertainty.

CATEGORY

1. Investing

TICKERS GLOBAL

1. NASDAQ:CGC (Canopy Growth)
2. TSX:ACB (Aurora Cannabis)
3. TSX:WEED (Canopy Growth)

PARTNER-FEEDS

1. Msn
2. Newscred
3. Sharewise
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Date

2025/08/27

Date Created

2018/08/01

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