



Judgement Day Is Coming for Marijuana Stocks: Here's Your Survival Guide

Description

Judgement day is coming for marijuana stocks.

With legalization day just weeks away, many investors have been taking their profits off the table to avoid risking what could be an implosion in marijuana stocks should the first round of quarterly results in the legalization era not live up to the immense hype that's been building up over the course of many years.

When it comes to marijuana stocks, triple-digit sales growth numbers are a given. We're expecting earnings growth to take-off abruptly. And while these are ridiculously high expectations, many of us have realized that the bar may be raised too high.

Some pot investors have grown increasingly wary in spite of positive developments like Ontario's intention to scrap the LCBO model and steer toward the private sector pot shops. When sentiment was hot as it was last winter, the event would have sent pot stocks skyrocketing into the stratosphere, but we're in what appears to be a seasonal cold period for marijuana stocks in the midst of summer.

Pot stocks are hot in winter, cold in summer. That's a weird seasonal pattern that doesn't appear to make any sense, but the charts speak for themselves. [Last summer](#), I shed light on this seasonal pattern and recommended investors be greedy while others were fearful after marijuana stocks shed around half of their value.

At this point, it appears some marijuana investors are beginning to feel like new skydivers who've signed up months in advance, boarded the plane that's taken off to the stratosphere. Now that it's their turn to take the plunge, they're scared to death and are reluctant to make the jump even though they already knew what they were getting themselves into.

The inevitable butterflies are starting to make an appearance, and as we head closer to legalization, we could see rattled pot investors get overpowered by adrenaline junkies looking to make the plunge into the legalization era.

Like or not, as we head into the latter part of the year, all marijuana stocks, including **Aurora Cannabis Inc.**

([TSX:ACB](#)), **Aphria Inc.** (TSX:APH) and **Canopy Growth Corp.** ([TSX:WEED](#))(NYSE:CGC) are likely going to trade more in sync as systematic risks take command. The quarterly results of any given marijuana company will probably cause off-the-charts trading volumes as the first round of info emerges from the nascent industry that's entering the "green rush" stage.

Remember the days when discount brokerages had their lights put out by the overwhelming trading volumes?

Get ready for more of that because I think we're going to witness volatility and trading volumes unlike anything we've ever seen before. And if you're looking to make a quick buck from trading pot stocks, you shouldn't expect your brokerage to be operational when any given quarterly result is hot off the presses.

As Warren Buffett once said: "...buy on the assumption that they could close the market the next day and not reopen it for five years."

If you're comfortable with the thought of double-digit percentage declines on any given day and are ready to surrender your ability to sell when everybody else is, only then should you buy marijuana stocks at these [depressed levels](#).

Foolish takeaway

Before backing up the truck on pot stocks, make sure you realize that, like skydiving, it's exponentially harder to follow through with your original plans once the butterflies in your stomach finally begin to take hold.

Marijuana stocks may be relatively calm for now, but that's not going to be the case come the latter part of the year. The stakes (and trading volumes) are about to be raised, and if you're one to make rash decisions in the heat of the moment, you should probably sit on the sidelines or only gamble what you're willing to lose.

Stay hungry. Stay Foolish.

CATEGORY

1. Investing

TICKERS GLOBAL

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

PARTNER-FEEDS

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