



Why Canopy Growth (TSX:WEED) and Aurora Cannabis (TSX:ACB) Stock May Be Well Worth the Risk

Description

Marijuana stocks are hard to invest in. By *invest*, I mean owning shares of a business with the intent to hold them for many years — not trading shares at a whim to make a quick buck over the course of a few weeks.

It's not a mystery that a barrage of traders has made the marijuana opportunity unattractive to the average retail investor who's perplexed by swing trading. Traders have exacerbated volatility across all marijuana stocks, and that's a major reason why analysts and gurus on the street wouldn't touch any pot stocks with a barge pole.

Aurora Cannabis ([TSX:ACB](#)) stock is down nearly 60% from its January peak, and **Canopy Growth** ([TSX:WEED](#)) stock has been on its own roller-coaster ride, falling into bear market territory on three separate occasions in 2018.

The volatility is vomit-inducing, and many analysts simply refuse to cover these high-flying companies, not just because the volatility has created an environment where it's nearly impossible to hold a position with a long-term mindset, but because many analysts are baffled by the unknown variables at play in the nascent marijuana market. Thus, many have opted to dismiss the market as some sort of “bubble,” a trader's playground, or an “overvalued” fad that may pass in time.

While there are a tonne of uncertainties in the pot space (or a “haze” of marijuana smoke clouding the future), a long-term investor really doesn't need to know for certain how specific variables will end up panning out, whether we're talking about political, economic, or valuation uncertainties. You must remember that in investing, nothing is 100% certain, and the marijuana market is just an amplification of what betting on growth stocks is all about.

There are growth stocks, and there are growth stocks on steroids.

Marijuana plays are clearly in the latter category, and while many investors may shy away from the astronomical amounts of risk (and volatility) in the nascent market, I believe the select few risk takers

who can ignore short-term noise and are able to focus on the long-term picture will be the ones who will profit further from the [“green rush.”](#)

I’ve been observing the marijuana market since 2016, and every single year the “bubble” has “popped,” only to rocket higher, quadrupling over a short period of time. While the speculative nature of pot stocks may draw comparisons to Bitcoin, I’d argue that — unlike Bitcoin, which is essentially pixie dust that’s 100% reliant on the greater fool theory — the marijuana market is a *real* opportunity with a real market that I believe will grow to become a lot bigger than most analysts realize.

What’s [difficult to fathom](#) is the magnitude of the opportunity that’s at hand.

You’ve probably heard pundits compare the marijuana market to the likes of the alcohol or tobacco industries. But the fact of the matter is that the marijuana market has the potential to dwarf these industries after it’s had the opportunity to fully mature. Unlike other recreational “sin” industries, marijuana has a profound number of applications within both the recreational and medicinal space. And I believe the extension into other product categories will cause the marijuana market to be unlike anything that’s currently out there.

Marijuana isn’t nearly as harmful as alcohol or tobacco, and over the long term, as further studies erode the taboo placed on marijuana, I believe Canada will be the first of many G7 countries to lift prohibition. By then, Canada will already be known as a pioneer in the marijuana space, and marijuana firms like Canopy Growth will already have a massive multi-year head start over other global competitors.

And with differentiated products already in existence by the time other G7 nations lift prohibition, I think today’s marijuana stocks have a lot more to offer than meets the eye.

Foolish takeaway

The spotlight is on Canada and legal weed. And as pioneers in the nascent market, I believe established pot firms like Canopy and Aurora have a lot higher to rise over the next decade and beyond.

That said, pot stocks aren’t for everybody, as a couple more +50% crashes will undoubtedly be thrown into the mix moving forward. If that doesn’t cause you to lose sleep, only then do you have my blessing to inhale.

Stay hungry. Stay Foolish.

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

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