



3 “Undervalued” Marijuana Stocks I’d Buy Before They Correct to the Upside

Description

Value and pot stocks may seem like oxymoron terms. And they very well may be in the grander scheme of things. Over the short to medium term, however, I think we’ve reached a point where pot stocks are going to begin trading less as a group and more like other stocks within the same industry.

Now, that’s not saying that there’s a lesser degree of systematic risk though. Marijuana stocks are likely going to continue to move in the same direction in any given day. The only difference is that the magnitude such moves will begin to differ by a greater degree than they have in the past. Consider what we’ve seen over the past year. We’ve seen a handful of cannabis names like **Canopy Growth** ([TSX:WEED](#))(NYSE:CGC) stock bolting past all-time highs, while a separate group of “beaten-up” names like **Aurora Cannabis** ([TSX:ACB](#)) are off double-digit percentage points from their all-time highs.

Several months ago, all cannabis stock charts appeared identical to that of the **Horizons Marijuana ETF**, but now we’re seeing individual stocks take their own shape. Some charts are more attractive than others, and while most pot investors have neglected “value” when it comes to their stock selection, I think the *relative* valuations between stocks in the marijuana sector are worthy of consideration for investors who are looking to make money as we head into a post-legalization environment.

Simply put, as company-specific developments begin to dominate the headlines, we’re going to see some pot stocks that are more overvalued than others. Consequently, that means some pot stocks will be a better “value” than others at any given time, and that’ll depend on the series of developments that arise within the space.

What are today’s most attractively valued pot stocks?

Aurora Cannabis, **Aphria** (TSX:APH), and **HEXO** ([TSX:HEXO](#)) are three stocks that look like the best value within the dangerously volatile and seemingly overvalued marijuana space. So, if you’re looking to take the plunge into marijuana stocks, you may as well get the best bang for your buck.

Although you could certainly still lose your shirt with the cheapest marijuana stock, you’ll likely set

yourself up for the most year-ahead upside by steering clear of the pot names that may be too hot to handle.

At the time of writing, both Aurora and Aphria are trading considerably lower than their all-time highs, but they have bounced back in recent weeks on speculation that another alcohol company may be looking to place a bet, likely on one of Canopy's larger peers.

Not only do Aurora and Aphria have a potential incoming investment on the horizon, but both stocks are not trading on U.S. exchanges, leading me to believe that they possess a home-country discount relative to a dual-traded like Canopy or **Cronos Group**, both of which have surged past their all-time highs of late.

Technically, marijuana-hungry U.S. traders can get a piece of Aphria through the pink sheets, but for most Americans, that's unattractive when compared to names that are currently on the more trustworthy NYSE or NASDAQ exchanges.

If Aphria, HEXO, or Aurora were to hit the NASDAQ, there's no question that the increased trading volumes would prop up their respective stocks in an upturn.

HEXO, formerly known as Hydropothecary, is just 2% shy of all-time highs, but given it's Quebec's cannabis king and its partnership with **Molson Coors Brewing** is in the books, I think the stock could easily become a top four Canadian player in the Canadian cannabis scene.

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