

Is Now the Time to Sell Canopy Growth Corp (TSX:WEED) Stock?

Description

Canopy Growth Corp ([TSX:WEED](#))(NYSE:CGC) is doing very well in 2018 after it initially looked like pot stocks as a whole might see some big corrections along the way. And while some pot stocks are down year to date, Canopy Growth has continued to be a top performer in the industry, so much so that it's hard to avoid the question of value and whether a bubble has formed and is now ready to pop.

It wasn't until Canopy's deal with **Constellation Brands, Inc.** was [announced last month](#) that euphoria in the industry took off yet again. But with Canopy Growth flirting with \$70 a share, it's an astronomical price for a company that is nowhere near profitable and where growth in the industry is still a big question mark.

While everyone will likely agree that the cannabis industry has a lot of potential, trying to quantify that is a challenge, and just how much market share Canopy Growth will get is an even bigger uncertainty, especially with so many competitors and new cannabis companies popping up out of the woodwork.

Canopy Growth already has a higher market cap than some of the most well-known and successful companies on the TSX. It's an exclamation mark on just how high the stock has risen. As of Tuesday's close, Canopy Growth was up more than 120% since the start of the year, and 1,620% from where it was just two years ago.

The returns are not unlike what we saw with [Bitcoin](#), although that was at a much quicker pace. The danger, however, is the same: that a steep correction could happen, just as it did with the cryptocurrency.

Although this is comparing two different things, it still comes down to valuation. With speculative buys, price movement can happen fast and without warning. We've seen pot stocks run through cycles of both bearish and bullish activity, and right now we're in the middle of another bull run. But how long it will take for the bears to come back is the big question.

Could we see a slowdown once recreational sales commence?

Next month is when recreational pot is going to be sold in Canada, and that's where expectation starts to meet reality. Investors and analysts will be paying close attention to the first full quarter after legalization, and pot stocks will likely start to face more scrutiny as they start reporting post-legalization.

I look at a stock like **Snap Inc.** as an example of what could happen with pot stocks, as the tech company was expecting significant growth and fell short; afterward, the share price went over a cliff.

Bottom line

Pot stocks have gotten a free pass on their financials thus far because recreational marijuana is not yet able to be sold, so the focus has been on everything else. That's going to change after October 17, and we could see big corrections if reality does not meet expectations.

If you've made a good profit on pot stocks, it might be a good time to start considering when to push the sell button.

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Author

djagielski

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