



Canopy Growth Corp. (TSX:WEED) Stock Is Too Hot to Handle After its Recent 113% Spike

Description

Canopy Growth ([TSX:WEED](#))(NYSE:CGC) stock has been labelled as one of the “must-own” cannabis plays of the year, but after more than doubling up in the weeks following the announcement of **Constellation Brands**’ second investment, I think investors would be best served by taking a rain check on Canada’s favourite pot stock, as a majority of Canopy’s recent gains could realistically be surrendered in just a single trading session.

Just how ugly could things get?

Take a moment and think about how you’d react to a double-digit percentage decline of +30% in just one trading session. Even if you’re confident in your ability to jump in and out of stocks to make quick profits, the potential for a sudden and violent downturn must be on your mind as a shareholder of an overrun name like Canopy Growth.

It’s this loss of control that all marijuana investors are signing up for, especially as trading volumes continue to go through the roof.

Discount brokerages may once again fall to their knees due to the overwhelming number of sell volumes. So don’t think for a moment that you’ll have the ability to cash out at any time you’d like, as the seemingly high liquidity that pot stocks like Canopy have exhibited could undoubtedly go up in smoke precisely when you want to liquidate your holdings – likely come the next significant decline.

Would you feel comfortable trading alongside the crypto crowd?

Now, Canopy could certainly blaze past \$100 by year-end, but you’ve got to realize that by buying here, you’re getting a far inferior cost basis relative to not only other marijuana investors and greater fools (that’s a lower case “f”), but also to cryptocurrency traders, many of whom may have already recouped losses from buying Bitcoin at its peak.

In a [previous piece](#), I warned marijuana investors that they’d be trading alongside weak-handed cryptocurrency gamblers, and that the aftermath of the seemingly unstoppable momentum will not go

well for the average investor who doesn't have an exit plan.

Naturally, Canopy looks to be the go-to play in the cannabis market. The bitcoin of marijuana, if you will. So, unless gambling is your forté or you're open to the idea of participating in a horrific story scenario that'll be remembered for years, it may be a wise idea to enjoy the show from the rafters as you wait for a more opportunistic entry point.

Foolish takeaway

Constellation's most recent Canopy investment may serve as a critical support level, and although it didn't happen too long ago, the fact of the matter remains that shares of Canopy have enjoyed many years' worth of capital gains have occurred in just a few weeks.

With that in mind, Constellation's euphoria-inducing second investment actually happened a long, long time ago as far as price movements are concerned. So don't feel obligated to act on fear of missing out at these levels because most of the positive developments are already baked in here.

The most prudent move would be to wait for Canopy to fall back to its trend line at around \$40. Or if you're keen on buying today, a [cheaper "value" pot stock](#) may offer a better bang for your buck.

Stay hungry. Stay Foolish.

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