



All Marijuana Stocks Could Soon See Tilray Inc. (NASDAQ:TLRY) Levels of Volatility! Here's How to Profit

Description

There's volatility, extreme volatility, and then there's [Tilray](#) ([NASDAQ:TLRY](#)) levels of volatility.

Tilray, the Nanaimo-based marijuana company that just dethroned [Canopy Growth](#) for the title of largest Canadian pot firm by market cap, saw its stock get halted several times on Wednesday, as its shares skyrocketed like a bat out of hell, nearly doubling in value intraday before plunging back to Earth in the last hour of trading.

Just when you thought you'd seen the worst of what volatile instruments have to offer, you get a name like Tilray nearly doubling and halving all in a day's work. This magnitude of volatility can only be described as profoundly unfathomable, even for most risk-seeking traders.

Expect more "profoundly unfathomable" volatility from *all* pot stocks

In a previous piece, I'd noted that investors should expect high double-digit percentage moves in a single trading session, with +40% moves becoming the norm once cryptocurrency traders have had the opportunity to jump off the Bitcoin bandwagon and move most (if not all) their capital into blazing hot pot stocks as they gear up for another leg-up as we inch closer towards the big day: October 17 (legalization day).

To my surprise, my seemingly far-fetched volatility expectations were "beaten and raised" by Tilray when its shares nearly experienced triple-digit percentage gains on an intraday basis following news of the DEA's approval for Tilray's marijuana imports.

As you'd expect, traders grew beyond euphoric, and the shorts felt a big squeeze, causing levels of intraday volatility that would make penny-stock price movements look like those of a bond on a comparative basis.

Tilray, along with the entire marijuana market, has turned into a day trader's paradise.

The opportunity to double your money overnight is here, and as our expectations for material events

continues to grow, we're going to industry-wide volatility that'll test the boundaries of what you thought was even possible. Unless you've dabbled in the crypto world or invested in tech before 2000, you've probably never seen anything like this.

Simply put, pot stocks are going to skyrocket (or plunge) based on the abundance (or lack) of publicly disseminated material events (and rumours) surrounding individual pot stocks and the industry as a whole. If there's a shortage of material events being released, you can be sure you'll hear a flood of rumours — anything to keep the euphoria alive. Such rumours may be hearsay, but you can count on them being treated as actual events, as stocks rally like the material event actually happened.

Like in the case of **Aurora Cannabis**, deal discussions will be treated as done deals, and rumours will be treated as discussions going on behind the scenes. Who knows? The separation between fact and rumour may not even matter anymore through traders who are "high" off their marijuana holdings. Moreover, given the massive trading volumes, the entire industry has become even more vulnerable to pump and dump, and you can be sure a select few unscrupulous individuals will be looking to take advantage of the "opportunity" at hand.

How to profit prudently from the next phase of the pot cycle

If you've decided you're going to jump into the marijuana market, then make sure you have protective measures in place. The last thing you want is to suffer indigestion after so many others before you have enjoyed the feast.

So, with that in mind, don't back up the truck on pot stocks all in one go. Keep dry powder on the sidelines and sprinkle some stop-loss orders, so you're not on the one left holding the bag when the tides finally turn.

Moreover, you may wish to hedge your long position with put options, especially if Mr. Market decides to pull the rug from underneath you at a whim.

Foolish takeaway

The wave of profoundly unfathomable volatility is bound to hit every publicly traded pot security. It's a trader's playground, and while you could certainly double-up overnight, you should consider hedging yourself and go in with a game plan that also considers downside risk.

Stay hungry. Stay Foolish.

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