



## Do You Have What it Takes to Make Money in the Blazing Marijuana Market?

### Description

Why do you want to invest in marijuana stocks?

Are you bullish on the long-term prospects of the industry and believe that today's top pot players are undervalued in the grander scheme of things? Or are you just wanting to get rich quickly, like some of your friends, who may have gloated about [quintupling their money](#) in **Canopy Growth** ([TSX:WEED](#))(NYSE:CGC) stock?

In any case, as a prudent investor, you've probably done your fair share of research by watching marijuana coverage on *BNN Bloomberg* or by reading articles published here at the Motley Fool. But in spite of all the homework and your endless desire to join the rank of newly minted marijuana millionaires, you hesitate to pull the trigger, because you know of the horrific risks that could ensue after you've decided to take the leap of faith into the world of marijuana.

You see, despite a wealth of analyst coverage that's available, many "professional" analysts are still perplexed by the haze of marijuana smoke that's clouding the future. It's not just the next decade, year, or month that's clouded; it's the next trading hour, as we've seen in the case of **Tilray** stock and the profoundly unfathomable amounts of volatility it exhibited in the sessions following the news of the DEA's green light for U.S. marijuana imports.

Questionable accounting practices, a still-uncertain post-legalization environment, regulatory uncertainties, and many other matters make it nearly impossible to pull the trigger on a pot stock with conviction. So, like with any other non-risk-free investment instrument, there's a leap of faith that's required, and in the world of marijuana, you're leaping into a clouded haze, not knowing what lies behind it.

It's important to understand that in spite of the homework you've already put in, the astronomical amount of risk involved may still not be suitable depending on your personal risk tolerance. With most pot stocks, you're speculating, and while you could certainly gain substantial wealth over a short period of time, you could also lose your entire investment.

Don't risk what you can't afford to lose, right?

You've probably heard this phrase ad nauseum. But due to overconfidence, many retail investors acknowledge the fact with a grain of salt and take the plunge into a speculative name regardless, claiming that they're "smarter" than the rest of the herd and will be able to jump out right before any sort of implosion happens.

In theory, you could jump out before the ship sinks if you're a professional trader in a highly liquid security. With marijuana stocks, however, you probably won't get a chance to dispose of your shares as +50% declines could realistically happen in a matter of seconds, causing brokerage outages, trading halts, and other scenarios that could lock down your marijuana investment when you want to sell it most.

If you're honestly able to handle such a stressful scenario and react rationally by doing nothing at all, only then are you suited to invest in marijuana stocks. But make sure you don't put yourself in a situation where you could lose the shirt off your back.

Like with gambling, you should know your limit and stay within it! And when possible, play with the house's money!

### **Foolish takeaway**

The marijuana market exhibits many traits of a [bubble](#). A crash is a realistic possibility, and given the high appetite for speculation that exists in today's market, I'd be cautious and only invest what you're willing to lose. If your loss tolerance is low, you probably would have never been able to "get rich" anyway with a principal that's south of \$1,000. So, don't feel like you're missing out because sooner or later, a group of folks are going to be left holding the bag.

Stay hungry. Stay Foolish.

### **CATEGORY**

1. Investing

### **TICKERS GLOBAL**

1. NASDAQ:CGC (Canopy Growth)
2. TSX:WEED (Canopy Growth)

### **PARTNER-FEEDS**

1. Msn
2. Newscred
3. Sharewise
4. Yahoo CA

### **Category**

1. Investing

**Date**

2025/08/18

**Date Created**

2018/09/30

**Author**

joefrenette

default watermark

default watermark