

# Are Investors Smoking Something? Top 9 Canadian Pot Stocks Now Worth Half of Canada's Entire Tech Sector!

## Description

Pot stocks are extremely expensive, and most investors know this. The question is: just how expensive and/or valuable are these securities?

In an attempt to conquer my thirst for curiosity with respect to marijuana stocks, I decided to dive into just how valuable these companies are relative to the entire Toronto Stock Exchange. The numbers are staggering.

Below is a chart of Canada's top nine marijuana producers by market capitalization (as of time of writing):

Company	Market Cap (USD)
Tilray	\$13.4 billion
Canopy Growth	\$11.2 billion
Aurora Cannabis	\$9.3 billion
Aphria	\$3.3 billion
MedMen Enterprises	\$3.1 billion
Cronos Group	\$2.0 billion
The Green Organic Dutchman	\$1.4 billion
HEXO Corporation	\$1.3 billion
CannTrust Holdings	\$1.0 billion
Total:	<b>\$46.0 billion</b>

Recent estimates peg the value of Canada's core stock market at around US\$2.3 trillion — we'll use this as a proxy for our analysis. It should also be noted that some of these pot stocks trade not on the TSX, but on other exchanges. I'm taking a look at Canada-based pot stocks relative to Canada's stock market, so I view including stocks that trade on the venture exchange or U.S. exchanges as fair game.

Based on these numbers, Canada's pot stocks now make up approximately 2% of the country's overall stock market — a size which, on the surface, may seem insignificant to most. This might help to put things into perspective:

- This current sector valuation puts Canadian pot stocks on par with all publicly traded healthcare companies. That's right; the combined value of all marijuana producers is now equivalent to the Canadian healthcare sector.
- Pot stocks now make are worth approximately two-thirds of all publicly traded real estate stocks.
- Pot stocks are now also worth approximately half of the entire value of Canada's tech sector.

With legalization around the corner, expectations that growth will be parabolic has led to the surge in valuations within this sector. I've already written about the [projected size in terms of revenue](#) of Canada's pot market being \$5.2 billion (US\$4 billion) in 2018. The fact is that the valuations of just nine Canadian pot stocks now exceed this revenue estimate more than five-fold, meaning investors are paying incredible premiums for growth which may or may not materialize over time.

Since legalization has been pushed back to later this month, these estimates are likely to turn out to be overly bullish, meaning the premium investors are paying today will be substantially higher in hindsight.

### Bottom line

The Canadian cannabis sector has now entered bubble territory of biblical proportions. Any investors who have placed their hard-earned money in these stocks ought to buy downside insurance or liquidate positions at current levels, and any investors considering investing in this sector should stay as far away as possible from this massive bubble.

Almost a year ago, I asked investors to think about whether [cryptocurrency or cannabis was a bigger bubble](#). While cryptocurrencies have deflated substantially, marijuana producers have climbed ever higher, leading me to raise a huge red flag for investors at this point in time. Just stay away; it's not worth it.

Stay Foolish, my friends.

### CATEGORY

1. Investing

### TICKERS GLOBAL

1. NASDAQ:CGC (Canopy Growth)
2. NASDAQ:CRON (Cronos Group)
3. NASDAQ:TLRY (Tilray)
4. TSX:ACB (Aurora Cannabis)
5. TSX:CRON (Cronos Group)
6. TSX:HEXO (HEXO Corp.)
7. TSX:WEED (Canopy Growth)

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