



## Cannabis Analyst Warns of Bitcoin-Like Bubble in Pot Stocks like Tilray Inc (NASDAQ: TLRY)

### Description

There's no denying that cannabis stocks have been on fire this year. After **Constellation Brands's** \$5 billion **Canopy Growth** ([TSX:WEED](#))(NYSE:CGC) investment [set off a major rally](#) in Canopy shares, the rest of the cannabis industry followed suit, igniting a late summer boom that saw every cannabis stock rise dramatically.

The cannabis rally has since cooled off. But one investor is saying that we're still in the midst of a Bitcoin-esque "cannabis bubble" that has a good way to go before it's fully deflated. In a statement that reserved particularly harsh words for **Tilray** ([NASDAQ:TLRY](#)), Jason Spatafora of [Marijuanastocks.com](#) said that many stocks in the cannabis sector are trading at stratospheric, unsustainable valuations. A cannabis investor himself, Spatafora doesn't believe that *all* cannabis stocks are in a bubble. But at least a few key players are — and investors should be wary.

### An irrational market

In his statement, Spatafora said valuations in the cannabis space are out of touch with reality: "The market is completely irrational. Tilray's market cap is over \$4.5 billion ... It shouldn't trade at half that valuation."

He also noted a similarity between today's cannabis euphoria and last year's cryptocurrency bubble: "This is like Bitcoin levels, the kind of move Tilray is making." Spatafora added that the valuations of other cannabis stocks like **Cronos Group** and Canopy appear frothy as well.

### Eerily similar to 2017

One of the most interesting things about Spatafora's statement is the comparison to Bitcoin. For those who aren't aware, Bitcoin rallied about 1,300% in 2017, but has [been on a downhill run](#) ever since then. Other cryptocurrencies, many of which rose *more* than Bitcoin in 2017, have been hit even harder this year.

It's hard not to see similarities to this situation in today's cannabis stock landscape. Like Bitcoin, Tilray

saw nearly four-figure gains in a short time span, then quickly started to decline. Although Tilray has recovered from its sell-off better than Bitcoin has, shares remain way down from their 12-month highs. Other cannabis stocks have retreated since the late summer rally that started the current “bubble.”

## The silver lining

One silver lining for pot investors is this:

Unlike Bitcoin, cannabis stocks are real assets with real fundamentals that can be used to value them accurately. And in many cases, these fundamentals are sound: as a sector, cannabis enjoys high revenue growth, increasing sales, and the possibility of a massive sales explosion when legalization hits on October 17.

Like Spatafora, I personally think that Tilray is massively overvalued. But that doesn't mean you shouldn't invest in pot stocks as a whole. Many pot stocks, especially some of the smaller-cap ones, are inching their way closer to profitability. Almost all of Canada's big pot producers have scored lucrative supply deals with provincial cannabis stores. And with more countries and U.S. states moving toward legalization, there's a big export market just waiting to be opened.

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2. NASDAQ:TLRY (Tilray)
3. TSX:WEED (Canopy Growth)

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