



## Cannabis Investors: Is This the Start of the “Pot-pocalypse?”

### Description

Canada's favourite pot stock **Canopy Growth** ([TSX:WEED](#))(NYSE:CGC) fell 11.16% on Monday and is now off over 16% from its all-time high reached just a few days before weed became legal. As cannabis continue to break down technically, should pot investors be throwing in the towel on the entire industry for good? Or is this dip an opportunity to pick up quality pot producers like Canopy at a discount before the industry's next big leg-up?

In any case, it looks like the [“sell-on-legalization” scenario](#) I'd predicted this spring is starting to pan out for cannabis stocks as all major Canadian producers had their chins tested in the painful trading sessions following that followed legalization day.

### Is this the pot-pocalypse (or marijuana bubble burst) that pundits have been calling for?

A countless number of pundits have claimed that pot stocks are in some sort of bubble. They've been saying this for years though, and now that most pot stocks have more than quintupled, these so-called pundits' opinions are now being labelled as sour grapes, and rightfully so after such a tremendous rally for all things pot over the last few years.

With an underwhelming legalization day in the books for pot investors, I think investors should hold back on buying the dip, as speculators begin to lose patience with the lack of positive material news that's been disseminated thus far in the post-legalization era. As I've stated in the past, pot stocks are going to retreat by default if no positive material news is disseminated, so investors need to brace themselves for elevated levels of volatility, as the next rally-inducing event in the industry may come when investors least expect, possibly when everybody's fearful, not greedy.

At this juncture, I think pot stocks are in another run-of-the-mill cannabis correction (or hangover) that's no different from any of the countless number flops that have happened over the last several years after pot stocks became too high. This isn't the "pot-pocalypse" or bubble burst that'll result in all pot stocks losing well over +95% of their value, although investors should be prepared for such an implosion if Andrew Scheer starts talking the reversal of the nationwide legalization of marijuana as a part of his campaign.

### **Foolish takeaway**

With such a nasty start to the post-legalization era, I think investors ought to brace themselves for a pot stock hangover that could see all high-flying names re-test the summer support levels, implying a substantial amount of pain that could be had as we head into the scariest part of October.

This isn't "the end" of the pot trade, though; it's just another near-term "weeding out" of weak-handed speculators. If you've been waiting for an industry-wide pullback to speculate using your disposable cash, you may finally get an opportunity in the coming weeks.

Keep [Canopy on your watch list](#), as you may have a chance to pick up shares at a lower cost basis than what **Constellation Brands** paid for its second investment. Canopy has deep pockets, and with Constellation in its corner, I think Canopy is the only name with a relatively stable support level come the next industry-wide meltdown.

Stay hungry. Stay Foolish.

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**Date**

2025/08/27

**Date Created**

2018/10/24

**Author**

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