



The U.S. Midterm Results Are Great News for Canopy Growth Corp. (TSX:WEED) and the Cannabis Sector

Description

The United States midterm elections wrapped up on November 6 and saw the balance of power shift from the Republicans to the Democrats in the House of Representatives. The GOP managed to slightly improve its margin in the Senate. However, of more interest to us today were those ballot choices that resulted in significant policy changes in several states.

Michigan voters legalized recreational cannabis in their state. This makes it the first Midwestern state and the tenth overall to legalize recreational cannabis. Proposal 1, the *Michigan Regulation and Taxation of Marijuana Act*, will permit citizens 21 and older to possess and grow cannabis for personal use. It will also license commercial production and retail sales.

Medical cannabis was legalized by voters in the states of Utah and Missouri with endorsements of 53% and 65.5%, respectively. North Dakota voters rejected a ballot proposing legalized recreational cannabis.

The flood of state legalization will apply more pressure on the federal level, especially as focus now turns to what will be a contentious 2020 election. A 2017 Gallup poll found that 64% of Americans support the legalization of cannabis in some form. Federal regulation has also stopped Canadian companies from establishing a solid footprint south of the border. **Aurora Cannabis** spun off its U.S. holdings to its Australis subsidiary in June while **Aphria** completed its divestment of all U.S. cannabis assets in September.

U.S. Attorney General Jeff Sessions announced his resignation on November 7, reportedly at President Trump's request. Sessions has been rabidly anti-cannabis throughout his career as a politician and lawyer. Cannabis stocks gained significant momentum after his resignation was reported.

Canopy Growth ([TSX:WEED](#))(NYSE:CGC) stock shot up 7.96% on November 7. Shares have now shot up 25% week-over-week as the cannabis sector has regained some of its footing after a volatile October. [Early supply issues](#) across Canada, which were expected since legalization was scheduled, have worsened the slide.

In October Canopy Growth announced that it had become the first company to export medical cannabis products from Canada into the United States with an import permit issued by the US Drug Enforcement Administration (DEA). The transfer was exclusively to a research partner in the United States. Still, there is some irony in Canopy Growth being the first cannabis exporter to reach this milestone as it had made a point of delaying any U.S. investment in prior years due to federal law.

By the middle of next year, supply from [Canopy Growth](#) and its peers will have caught up to Canadian demand. There is expected to be a domestic surplus by the end of 2019, which is why international expansion is crucial for the larger LPs. New states in the U.S. adopting legal cannabis is great news for producers. Legalization on the federal level in the U.S. appears to be a question of when, not if.

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