



What Should Cannabis Investors Expect in 2019?

Description

I completely understand the bear case for marijuana stocks and why most retail investors were spooked over the possibility of a [“pot-apocalypse.”](#) Many well-respected market-watching pundits have been calling for the cannabis bubble to pop for years now, and all the while, they’ve missed out on tremendous gains over a short period of time, making them even sourer and hoping for a collapse in the marijuana market.

While investing in pot does require a “leap of faith” and a higher reliance on hope versus that of less-speculative investments, there’s no excuse for not doing your homework and not forming a long-term thesis that’ll allow you to keep your cool come the next cannabis correction.

Even after nationwide legalization, there are still many unknown supply-and-demand variables that not even the most seasoned of economists will be able to project with any degree of accuracy. Analyst projections have been spread so thin that they appear like darts thrown at a dartboard with the lights turned out.

The “sell-on-legalization” sell-off was particularly scary, especially for those who’d spread their bets across many of the lesser-known marijuana stocks, like **Green Organic Dutchman** (TSX:TGOD), which fell nearly 70% from peak to trough. In the heat of the downfall, it really felt like the cannabis “bubble” would finally burst, but despite the barrage of negative headlines at the time, I reminded investors that such steep cannabis corrections were nothing out of the ordinary, and that those who panicked would be the ones that’d miss out on the next abrupt bounce.

In a prior piece, I’d noted that the [crypto crowd](#) had jumped onto the cannabis bandwagon with the hopes of recouping losses resulting from the crypto crash, which has since failed to regather any sort of meaningful momentum. It was likely these extremely weak-handed speculators that probably triggered and exacerbated the recent marijuana meltdown, but as the trade heats up again (I think it will into year-end), I have a feeling that the weak-handed speculators are going to come running back as the momentum returns, causing the next rally to be amplified substantially.

So, what's in store for 2019?

Expect more big booms and big busts, especially once the first round of post-legalization results is released. As speculators and the like become interested in the pot trade again, you should be ready to take your profits with the intention of returning after the next inevitable reversion to the mean.

Warren Buffett's strategy of being "fearful while others are greedy and greedy while others are fearful" has worked wonders for marijuana investors over the past few years. I think you should continue to adopt the contrarian strategy in the post-legalization era.

Take your invested principal off the table as soon as you're able to, and you can get rich prudently just by keeping your greed levels in check. Play with the house's the money, and you'll keep riding the wave higher and not be left in financial ruin due to some crypto speculator should the broader industry actually end in a permanent Bitcoin-like collapse.

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