



This Could Be the Hottest Pot Stock in 2019

Description

The ever-evolving cannabis industry could look a lot different in 2019. Although we saw a big sell-off of pot stocks toward the end of 2018, there are still some good opportunities to be had, especially with the U.S. market now permitting [hemp](#). It's not a surprise that shortly afterward, we saw an offer for a [big player](#) on the TSX. That offer could be just the beginning as more U.S. companies consider entering the industry.

While there have been some deals made thus far, many have been waiting to see how things play out in terms of legalities. With Canadian companies entering the U.S., it could change everything. The Canadian market is already fairly saturated with pot stocks and given its size, there won't be a lot of potential, even for those with a presence outside the country.

Take for instance, **Canopy Growth Corp** ([TSX:WEED](#))(NYSE:CGC), which has fallen mightily in the past three months and is now a shell of its former self. Its horrible miss last quarter was a big red flag to investors everywhere that perhaps sales won't come close to reaching expectations. Normally stocks drop heavily in value even by barely missing earnings, and so a colossal failure like this could have stopped investors from putting their money into Canopy Growth, which saw its share price rise almost solely on expectations.

The company was hoping for significant growth in Ontario, but restrictions in licensing and the operation of private retail stores has hurt its potential. Smaller players in the industry will have the same opportunities to compete against Canopy Growth in retail in that province, which isn't good for the pot stock. The more widespread the market, the less chance that Canopy Growth will have in meeting ambitious sales targets.

Why U.S. pot stocks might have more upside

South of the border, however, the laws are ironically a bit looser when it comes to the world of retail and advertising as well (in states where it is legal). Consumers often see a lot of branding around cannabis products in stark contrast to the labeling restrictions on cannabis products in Canada.

That's where a stock like **MedMen Enterprises Inc** ([CNSX:MMEN](#)) could be a more appealing option

for investors. With a presence in several U.S. states, it's in a good position to take advantage of a more open and legal cannabis industry. The more states that opt to legalize cannabis, the more opportunities it creates for MedMen and the greater share of the market that it will gain.

Its **Apple**-like store layout has proven to be a big hit with consumers. Given that's it's already in operation in many states, the stock is well positioned to take advantage of legalization as it continues to progress in the U.S.

Even if Canadian cannabis companies starting making their way down south, they could be very late to the party.

Although MedMen has struggled recently, losing a quarter of its value over the past three months, 2019 could be a much stronger year for U.S. pot stocks.

CATEGORY

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2. TSX:WEED (Canopy Growth)

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