TFSA Investors: Can Weed Stocks Provide That Spark in 2019?

Description

The Canadian government recently raised the annual contribution limit for Tax-Free Savings Accounts (TFSA) to $6,000 in 2019. This is up from $5,500 in 2018, which has held for three years now. The highest annual contribution was $10,000 back in 2015. Of course, as most investors know, that contribution room is cumulative. That means the cumulative total is now $63,500 in 2019.

Strategies for TFSA investment varies among investors. In previous articles, I have argued that millennials who can spare the room should opt for more aggressive strategies to maximize the potential for tax-free growth going forward. Unfortunately, young investors looking for growth in the Canadian stock market may be a little frustrated after a difficult 2018.

Cannabis stocks were an enticing, if volatile, source of growth since the Liberal election win back in late 2015. The sector had a rocky 2018, as big licensed producers splurged on acquisitions and legalization in October seemed to bring about more headaches than celebrations. In that month, I'd written how investors can survive the carnage in the cannabis sector.

So, can cannabis stocks still provide the growth investors are looking for in their TFSAs in 2019? Let's look at the top two producers to see how things are shaping up this year.

Canopy Growth (TSX:WEED)(NYSE:CGC)

Canopy Growth stock has dropped 32.9% over the past three months. However, Canopy Growth did manage to outperform its top peers and turned in a positive performance in 2018. Like other producers, Canopy Growth's production is expected to soar in 2019, which will meet what has so far been surging demand.

On November 14, Canopy Growth released its last earnings report that did not include post-legalization results. Kilograms harvested soared 265% year over year to 15,127, and revenues rose 33% to $23.3 million. Canopy Growth had built up its inventories for some time to prepare for the chaotic roll-out, and the company reported that its shipments had more than doubled into November compared to the initial two-week rollout after October 17.

Canopy Growth will release its third-quarter results in February. The stock currently boasts an RSI of 41, putting the stock in neutral territory for investors mulling over a purchase before its next earnings release.

Aurora Cannabis (TSX:ACB)(NYSE:ACB)

Aurora Cannabis stock has plunged 44.9% over the past three months. Although Aurora's stock put ina disappointing 2018, it reached all-time highs before legalization. In 2019 the company can set itself apart, as it is slated for a huge production and sales uptick.

By the end of 2018, Aurora projected that it will have ramped up production to 100,000 kilograms annually. By the end of June 2019, the company forecasts that this will grow to 150,000 kilograms in annual production. Wall Street has Aurora sales growing over 500% for the full year in 2019. The company has faced hurdles in building a retail network in Ontario, but its footprint in Alberta has allowed Aurora to start quickly through its subsidiaries.

Aurora's RSI is at 42 as of close on January 3, which is comparable to Canopy Growth. However, Aurora stock is a little over $1 removed from 52-week lows. The company is well positioned to have a banner 2019, and the stock comes at a solid price for investors looking to dip back into the sector.

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