



## Should Investors Buy Into Canopy Growth Corp's (TSX:WEED) Rally?

### Description

**Canopy Growth** ([TSX:WEED](#))(NYSE:CGC) is off to a strong start to 2019. By Monday's close, the stock was already up by 57% in just the first few weeks of trading into the new year. It's in stark contrast to the decline that it and other pot stocks were on to close out 2018.

### Why the stock could see a lot of upside this year

There's a lot of excitement surrounding the stock again, as we learned earlier this month that the company had secured a licence to produce hemp [south of the border](#). With some major progress being made in the U.S., Canopy Growth's patience may finally be paying off. The company has sat patiently waiting for an opportunity to get into the U.S. and wasted no time when one was finally made available.

How much progress Canopy Growth is able to make in the U.S. this year will likely determine how much higher the stock can go from here. Although it will still be restricted, because it won't be able to offer U.S. customers any products containing tetrahydrocannabinol, there's still ample opportunity for hemp-based products that could serve the medical market. The big benefit is that with hemp being [legal](#) in the U.S., Canopy Growth can ship hemp-based products to other parts of the country where cannabis products are permitted with the help of its partnership with **Constellation Brands**.

Its partnership with the beer marker will also help prepare it for the edibles market once it becomes legalized in Canada sometime this year. Cannabis-infused beverages could be a big segment of the market, especially as consumers look for a safe way to get a buzz without the worry of a big hangover the next day. But it won't just be beverages, as candy and chocolate and other forms of edible marijuana will mean many more opportunities for Canopy Growth to generate significant sales growth this year.

### Why there will likely be some big challenges as well

While the opportunities in North America will be significant this year, Canopy Growth shouldn't get too comfortable. It's only a matter of time before we see some big U.S. companies invest in the industry,

and that could shake up the industry. All it takes is one big player, whether it is **Coca-Cola**, which was rumoured to be in talks with **Aurora Cannabis** last year, or another big brand, to put money behind a pot stock that could make it a big force in the market.

The problem with the industry is that there's a lot of small players in it, and that fragmentation could make it easy for a company with a lot of capital to acquire some big market share in a short amount of time.

## Bottom line

We've seen this hype before, where Canopy Growth soared on its big beverage deal and in the months leading up to legalization. However, once the markets started to show some hesitation, pot stocks came crashing down, and I wouldn't be surprised to see that happen again. As quickly as a stock rises, it can fall even faster.

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