



Why Next Week Is Going to Be a Big 1 for Pot Stocks

Description

Pot stocks have been enjoying a [strong](#) 2019 so far, but next week is when we'll start to see which direction the stocks will be headed here on out.

Whether we see a correction or further rise in price is going to depend largely on how earnings look for what's going to be a quarter that involves recreational sales for much of the period. Aside from the first weeks of October before the recreational market was legalized, the rest of the quarter will include sales from that new segment.

It'll be an important measuring stick, especially given that both **Aurora Cannabis** and **Canopy Growth** ([TSX:WEED](#))(NYSE:CGC) are two of the biggest names in the industry, and how well they do will give us a very good idea of how strongly the industry has been performing.

While we've heard from Statistics Canada that sales were strong the first couple of weeks out of the gate (totaling \$43 million), but we also learned that for a full month of November, sales weren't much higher (\$54 million) than the abbreviated month of October.

How much of that slowdown is related to supply issues versus initial hype at the beginning of the legalization period is hard to gauge, but the more data we get, the better idea we'll have of the strength of the overall industry today.

Another reason the week will be very important, especially for Canopy Growth

Canopy Growth had an [awful quarter](#) back in November, when its results were nowhere near what was being expected by analysts. It hasn't been just Canopy Growth either, as many companies have fallen short of expectations in the industry.

And so, if Canopy Growth falls short yet again, that could impact the confidence that investors and analysts have of cannabis companies meeting the ambitious sales that have long been expected from

the industry.

The significance of that cannot be understated, because stocks like Canopy Growth have been trading at big premiums largely due to the expectation that sales will be significant once the recreational market goes live.

And now that it has, companies will no longer be able to rely solely on promises of what will be tomorrow.

That being said, supply issues and provinces not running at full capacity yet will help buy some time. But these were also things that we knew were going to be issues heading into legalization, and we knew the rollout was going to take some time.

Bottom line

Investors are going to be eager to learn whether last quarter was a blip on the radar for the industry, or whether falling short of expectations could be the start of a troubling trend for pot stocks.

With more analysts covering these stocks now that they are on the U.S. exchanges, you can bet there will be more scrutiny and analysis, which could be a blessing or a curse depending on which side of expectations Canopy Growth and Aurora fall on.

We should get some answers to some important questions next week.

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1. Investing

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