



Marijuana Stocks Are Up 50% in 2019, Time to Sell?

Description

Volatility is the name of the game when it comes to [investing in the cannabis sector](#). The sector is prone to large price swings and have been a trader's dream.

Year to date, the **Global Cannabis Stock Index** is up almost 50% in less than three months. Is it time to lock-in your profits? Let's take a look.

Are pot stocks hitting new highs?

As mentioned, the industry has rebounded quite nicely. However, it is important to note that the sector has not yet hit 52-week highs. In fact, the **Global Index** is still trading 24% below where it was in the fall. It is also trading 73% below where it was at the peak of its euphoria back in January of 2018.

Even the [largest players in the industry](#) are still trading well below their all-time highs. **Canopy Growth Corp** ([TSX:WEED](#))(NYSE:CGC) and **Aurora Cannabis** ([TSX:ACB](#))(NYSE:ACB) are trading 23% and 35% below their highs reached this past fall.

Are cannabis stocks overbought?

The quick answer is not yet. **The Horizons Marijuana Life Sciences** ([TSX:HMMJ](#)) has a 14-day **Relative Strength Index** (RSI) of 66. An RSI above 70 is the trigger that let's traders know that the stock is overbought and may be due for a short-term correction. As it stands, the sector still has some room to run before it enters overbought territory.

Looking at Canopy and Aurora, we see a similar trend. Canopy Growth Corp has a 14-day RSI of 55, which means that it is in neutral territory. Aurora's 14-day RSI is a little higher at 62, but once again is not yet considered to be overbought.

This is a metric that investors should use to monitor each position individually. The Horizon's Marijuana ETF lets investors know that the industry may be entering overbought territory soon. However, as we

see with Canopy, not all stocks are nearing this red flag.

The indicator has been a reliable gage of short term performance. This past year, the industry hit oversold territory in June and October and both times there was an industry-wide pullback.

Foolish takeaway

It has been a great start to the year for the marijuana industry. It is easy to get excited, but keep in mind that there has been a broader rebound in the market (the TSX is up 12% so far in 2019). What happens if the TSX tanks or trade war rhetoric increases?

Since the sector itself is nearing overbought territory, it's time for investors to protect themselves in the event of a market or industry downturn. Set your stop losses, or use covered calls to protect your gains. Although there's no urgency to get out of the sector, it is certainly time to insulate your portfolio.

CATEGORY

1. Cannabis Stocks
2. Investing

POST TAG

1. Cannabis

TICKERS GLOBAL

1. NASDAQ:ACB (Aurora Cannabis)
2. NASDAQ:CGC (Canopy Growth)
3. TSX:ACB (Aurora Cannabis)
4. TSX:HMMJ (Horizons Marijuana Life Sciences Index ETF)
5. TSX:WEED (Canopy Growth)

PARTNER-FEEDS

1. Msn
2. Newscred
3. Sharewise
4. Yahoo CA

Category

1. Cannabis Stocks
2. Investing

Tags

1. Cannabis

Date

2025/08/26

Date Created

2019/03/09

Author

mlitalien

default watermark

default watermark