



Bitcoin vs. Marijuana Stocks: Which Is the Better Bet?

Description

In 2017, Bitcoin was the breakout investment of the year. In 2018, Marijuana stocks stole the show. Now, in 2019, they're *both* back with a vengeance. Since January 1, **Canopy Growth** ([TSX:WEED](#)) (NYSE:CGC) has risen 54%, while Bitcoin is up 12% from its December low. With other marijuana stocks delivering returns similar to Canopy's, this comparison serves as a pretty good yardstick for how pot and Bitcoin have compared.

So far, it looks like weed is easily beating Bitcoin in 2019. However, the year is young. Both Bitcoin and weed stocks have had dramatic swings up and down over the past five years, and in the months ahead, anything could happen. Although it's impossible to predict which of the two speculator favourites will ultimately prevail, it's possible to come up with a likely short-term scenario. We can start by looking at historical returns.

Long-term returns

As we've already seen, marijuana stocks have got Bitcoin beaten in the short term. However, Bitcoin absolutely trounces weed in the long term; since January 2013, Bitcoin is up 29,000% — better than any marijuana stock rally ever observed. Even Bitcoin's 2017 rally saw it rise 1,000%, which is better than **Tilray's** [755% post-IPO rally](#).

Going off of historical returns, it's clear that Bitcoin has a higher "theoretical" max return than marijuana stocks. Whereas weed stocks are anchored in fundamentals to an extent, Bitcoin is an almost entirely speculative vehicle that people buy because they think it will go up. As long as this kind of speculative faith in Bitcoin remains, it can reach heights that marijuana stocks can't touch — as history amply shows.

Marijuana stock fundamentals

There's plenty of reason to believe that marijuana stocks can still go up. First and foremost, they're growing like lightning: in its most recent quarter, Canopy grew its earnings by 4,000% year over year,

while **Aurora Cannabis** [grew revenue by 430%](#). With earnings and revenue going up like that, there's nothing theoretically stopping marijuana stocks from continuing with high double-digit returns. However, it's unlikely that future returns will be like past returns, as these stocks are now trading at 80-100 times sales.

What drives the price of Bitcoin?

It's harder to appraise the price of Bitcoin, as one can't speak of its "fundamentals" at all. However, its price is driven by demand, which is driven by basically two things: speculators who buy wanting the price to go up and black market participants who use it as a currency in illegal markets. Wild speculative activity based on extreme optimism isn't anchored by anything, so the speculative demand for Bitcoin could send it to basically any stratospheric price you can imagine. Black market use ensures that Bitcoin will never go to zero, but that alone won't produce the wild volatility seen in 2017. Artificial scarcity is also a factor in Bitcoin's price: because a limited number of coins exist, the price goes up as more people want to buy them.

Factoring all of these considerations into account, it's clear that marijuana stocks are a "safer" bet than Bitcoin, since their price is more grounded in value. However, should speculative interest in Bitcoin resume again, it would have more possible upside than weed stocks, because there's no limit to how high a totally unregulated speculative asset can go.

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