



Why Cannabis Stocks Could Be the Bargain of the Century 6 Months From Now

Description

There have been some [notable exceptions](#), but in general, the prices of cannabis stocks in general have largely remained unchanged over the past nine months or so, dating all the way back to Canada's official legalization day, October 17, 2018.

But longer term, the market for cannabis stocks and the industry as a whole together continues to look very promising and one could even make a strong argument that things are looking even more promising that they did two years ago, when rumours first started circulating that the Canadian federal government was seriously considering a path toward legalizing the former Schedule 1 drug.

Why are things looking better than ever?

Uruguay was the first country to legalize marijuana for recreational purposes, followed by select U.S. states including Colorado, Washington and Alaska.

Since then, however, many more states have liberalized their official stances toward possession of the drug, with even more than that taking additional steps toward gaining gradual social acceptance by making it available first for strictly medicinal purposes.

But for now at least, the cannabis plant remains prohibited at the federal level in the United States, which unintentionally or not, creates a whole host of problems in terms of issues related to transporting the drug across jurisdictional borders, taxation, as well as providing a means for legitimate cannabis cultivators to access traditional banking services.

Until that changes, it's unlikely that we'll see any real meaningful investments in cannabis south of the border.

But what's really important for investors to recognize in the current environment is that if the current situation ever changes, it could spark (pun intended) a massive sea change when it comes to assessing the total potential of a one-day *global market for cannabis related products and services*.

Because not only does the American market promise to be some multitude the size of Canada's own, but an official change in America's current policy toward the drug at the federal level could in fact also have significant implications on the international markets for cannabis.

Although much has been made of the rise of China as a dominant world power, the U.S. is still regarded by many – including notably, foreign political leaders – as the epicentre of global trade and commerce.

It wouldn't be at all surprising then, if several other potentially very lucrative international cannabis markets were waiting for the U.S. to tip its hand before making their own plans on how to accommodate the growing acceptance – and demand – of the beneficial properties of the cannabis plant.

Case in point: the **Canopy Growth Corp** ([TSX:WEED](#))(NYSE:CGC) recent deal to acquire a [multi-billion dollar stake](#) in U.S.-based **Acreage Holdings Inc.**

The deal is contingent on certain provisions, including — most notably — “the occurrence or waiver of changes in U.S federal law to permit the general cultivation, distribution, and possession of marijuana or to remove the regulation of such activities.”

But if (or when) the deal does close, Canopy feels that it's a deal that will provide Acreage (and vis-à-vis, Canopy) with a significant and immediate advantage in an increasingly competitive U.S. market.

Foolish bottom line

This past December, the U.S. passed the 2018 Farm Bill, which among various agricultural initiatives, officially made it legal for farmers to cultivate industrial hemp for commercial purposes.

That historic – and long awaited – event, coupled with the fact that there are literally dozens of states already where cannabis is legal at least for medicinal purposes continue to support the thesis that the U.S. appears well on its way to following in the footsteps of Canada, Uruguay and others who have already legalized the drug at the federal level.

If that were to happen, it could prove to be a massive event for cannabis investors and make the industry's current valuation – even in light of currently stretched price-multiples – look like an absolute bargain by comparison.

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