



## The U.S. Cannabis Market Will Send Canopy Growth (TSX:WEED) Stock Into the Stratosphere

### Description

Cannabis stocks have encountered choppy conditions in the spring, which should come as no surprise after a hot start to the year. The largest cannabis company in Canada by market cap is **Canopy Growth** ([TSX:WEED](#))(NYSE:CGC). Shares of Canopy Growth had dropped 10.4% month over month as of close on June 12. The stock was still up 55.8% in 2019 so far.

Canopy Growth is set to release its next [quarterly report](#) after markets close on June 20. It is perhaps the most eagerly anticipated quarterly report of the top producers, especially after what has been a mixed bag for earnings in the broader industry. Analysts have downgraded expectations for Canopy Growth as sales got off to a slow start in 2019. This came off as a disappointment so soon after [recreational legalization](#).

Investors will need to wait a few more days before getting a look at Canopy Growth's earnings. There are some key points that investors will want to keep an eye on. Production capacity is a big one. Like its peers, Canopy has committed to ramping up production to meet domestic and global demand. At full capacity, Canopy is expected to produce upwards of 500,000 kilograms of cannabis per year.

There is good reason to be excited going forward as the spring season winds down. The company's most promising move in 2019 was its push to acquire Acreage Holdings. The deal gives Canopy turnkey access to the U.S. cannabis market upon closing, which will be crucial in the months and years to come. U.S. lawmakers are still battling over cannabis, but for the first time in decades, there appears to be a light at the end of the tunnel. Canopy has positioned itself to win big from such a policy.

In a May 2019 report, Grand View Research estimated that the global legal cannabis market size stood at \$13.8 billion in 2018. Grand View forecasts that it will expand at a compound annual growth rate of 23.9% through 2025. Unsurprisingly, the push toward legalization will fuel this global expansion. Analysis from market researcher Cannabis Business Plan projects that the cannabis market for legal adult-use and medical sales in North America will reach \$24.5 billion by 2021. It forecasts that this number will grow to \$47.3 billion by 2027.

Most U.S. states have already pushed through hemp legalization, but there are still several hurdles for cannabis legalization to accelerate across the country. Investors should expect cannabis to be a sticking point in the 2020 election. Interestingly, recreational cannabis legalization may emerge as one of the few bipartisan issues with both parties now making a strong push to get over the finish line.

Canopy has positioned itself to hit the ground running ahead of major legislation, which should make investors excited, even in the middle of a lukewarm earnings season. The stock boasted an RSI of 45 as of close on June 12, which puts Canopy firmly in neutral territory ahead of its earnings release.

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