



Could Canopy Growth (TSX:WEED) Rocket Back to All-Time Highs by Year-End?

Description

Bitcoin is hot again; pot stocks like [Canopy Growth \(TSX:WEED\)](#)(NYSE:CGC) are not.

Although the rotation between cryptocurrencies and the marijuana market may continue to churn over the coming months based on where the momentum is, I'd urge investors not to get involved with either "sexy" play now that the easy money has already been made.

Shares of Canopy have declined around 25% over since late April highs, and although it may seem like a safe contrarian move to buy the dip, investors need to realize that unlike most other securities that have valuations that are in line with reality, Canopy, as one of the pricier stocks in an already insanely expensive marijuana market, could theoretically be a bottomless pit should a worst-case scenario end up playing out.

So, before you think you're bagging a bargain with Canopy after its [sub-par quarter](#), realize that it's going to take a much larger decline before the double-dose of premium is knocked off the price of admission. At the time of writing, Canopy trades at a staggering 63.4 times sales and a price-to-earnings multiple that's in the hundreds. The stock could shed another half of its value and still not be considered "cheap," even by growth stock standards.

At this juncture, it appears that capital invested in Canopy is evaporating at an accelerating rate, likely due to speculators who are growing impatient with CEO Bruce Linton and his "long-term" investment strategy which has negatively impacted near-term results. Linton was quick to shrug off the erosion of Canopy's margins, citing the long game and the choice to move away from its previously higher margins to have a better shot at retaining the cannabis throne down the road.

Given a massive chunk of speculators that were wooed by the opportunity to make a quick buck, I certainly wouldn't rule out another 50% peak-to-trough drop as we continue to observe the negative correlation between cryptocurrencies and cannabis stocks.

Moreover, the double top technical pattern in Canopy's stock is starting to look very ominous. Seeing as traders heavily rely on the technicals for fundamentally unsound investments like pot stocks, the double-top drop may turn into a self-fulfilling prophecy as weak-handed investors throw their towels in

at a rampant rate. Should a double-top pattern be fully formed, we could see Canopy fall into the single digits, and if you're not ready for that kind of volatility, I'd just enjoy the show from the sidelines.

Could Canopy rocket back to all-time highs by the year's end?

I wouldn't bet on it. The edibles tailwind looks already baked into the stock, and from a technical standpoint, long-term thinkers may have an opportunity to get in at a much better price over the coming months. For now, keep your powder dry, and maybe, just maybe, you'll be able to snag Canopy shares at 52-week lows before a broader rotation from Bitcoin back to cannabis

Stay hungry. Stay Foolish.

CATEGORY

1. Cannabis Stocks
2. Investing

POST TAG

1. Cannabis
2. Editor's Choice

TICKERS GLOBAL

1. NASDAQ:CGC (Canopy Growth)
2. TSX:WEED (Canopy Growth)

PARTNER-FEEDS

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

Category

1. Cannabis Stocks
2. Investing

Tags

1. Cannabis
2. Editor's Choice

Date

2025/08/26

Date Created

2019/07/03

Author

joefrenette

default watermark