



Should Cannabis Investors Switch Over to CBD Stocks?

Description

It must surely be occurring to marijuana investors en masse that the projected demand estimated by Statistics Canada pre-legalization may now seem a little optimistic. The next big thing will likely be ancillary products, such as vaping products, cannabis-infused drinks, and edibles. However, there's a chance that this market will take even longer to settle into profitability, let alone predictability.

Has Canadian cannabis become a stock-picker's market?

A stock-picker's market occurs when a sector as a whole is either depressed or just not as lucrative as investors expected it to be. When this occurs, investments such as ETFs are a no-no, since the sector as a whole won't bring the returns a shareholder needs. However, single stocks in a depressed sector can sometimes continue to do well and outperform their peers thanks to characteristics not shared by other operators in their space.

An apt illustration of this at the moment might be the newly formed cannabis sector. After legalization last year, many investors were left with a difficult decision: whether to hold out for the industry to settle and hope that they'd backed the right horses or to cash in what were largely overpriced stocks. Indeed, it's not that rare to come across an editorial to the effect that 2018 was the time to ride the highs and cash in.

So, where does that leave marijuana investors at the moment? Picking stocks that are more favourable than the cannabis sector as a whole isn't straightforward, with some investors arguing to go long on the strongest stocks with the largest and most geographically diverse operations, while others suggest trading on volatility. Either strategy, however, counts out ETFs and calls for selective investment in carefully chosen stocks.

Should you switch your cannabis investment to CBD?

Cannabidiol (CBD) is popular right now as a treatment for anxiety and depression and doesn't have the same side effects as weed. Available as oils and topicals, among other products, CBD sells widely in

the U.S. That's where **Charlotte's Web Holdings** ([TSX:CWEB](#)) comes in. The U.S.-based company has the CBD market cornered, with both a large market share and fast-growing productivity. It's also profitable, and if that doesn't get a cannabis investor's interest, nothing will.

There's one basic reason why [CBD could be the breakout cannabis segment for investors](#), with a greater potential growth outlook than THC-dominant products: CBD has a greater propensity for therapeutic effects without the heavy high that comes from smoking or eating weed-based products. Since self-care is gaining momentum as a way of life (look at the rise of healthy living, veganism, and yoga), CBD may end up having a greater market than weed.

The bottom line

By focusing on individual stocks, a cannabis investor is left open to risk from a lack of diversification. However, it's looking like the best way to make a profit in this space. With a [market for marijuana now possibly smaller than expected](#), an investor having missed the boat on last year's stratospheric capital gains may now want to take a long position on a stock focused on American CBD sales.

CATEGORY

1. Cannabis Stocks
2. Stocks for Beginners

POST TAG

1. Editor's Choice

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1. TSX:CWEB (Charlotte's Web Holdings, Inc.)

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Date

2025/07/01

Date Created

2019/07/03

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