



Cannabis Stocks Continue to Sell Off: Do Investors Need to Be Worried?

Description

Cannabis stocks are suffering their worst losses since late 2018, including shares of leading companies like **Canopy Growth** and **Aurora Cannabis** posting double-digit percentage declines so far through the month of July.

Meanwhile, **HORIZNS MARIJUANA ETF** isn't faring a whole lot better. It's also down just shy of 10% for the month.

Given the meteoric rise in pot stocks over the past couple of years, is last week's sell-off perhaps a warning sign that the rally in licensed cannabis producers is finally over?

It's difficult to say, because there is still so much that we don't know about how cannabis markets will eventually play themselves out.

For starters, Canada at present is still only one of two countries where cannabis can legally be bought and sold, along with Uruguay, which first legalized recreational cannabis for sale and consumption back in 2013.

In Georgia and South Africa, possession of cannabis for recreational purposes is legal, but the sale of the drug is still prohibited.

Other G-20 nations like Australia, Germany, and Israel, meanwhile, have begun to gradually roll out legalized medicinal markets for pot but appear to remain years behind where Canada is today.

The red herring in all of this, of course, is the United States market.

Recreational pot is now legal across 11 states in the U.S., including Illinois, which has so far decriminalized the drug, but with official legalization not expected to come into effect until January 1, 2020.

The United States in December passed the [Farm Bill Act](#), which, among other initiatives, formally lifted the ban on the cultivation of industrial hemp — a move that could eventually pave the way towards

greater demand for CBD-related products, purported to offer many of the same medicinal properties as the cannabis plant, but without any of the unnecessary psychoactive by-products.

Cannabis bulls will certainly be hoping that the U.S. feds adopt a more liberal policy towards legalization, as not only does the U.S. market represent a significantly larger opportunity, but it could also pave the way for other major developed nations to loosen their own policies as well.

Ultimately, that could lead to a massive expansion in the size of the available market for pot and potentially even [pot market derivatives](#).

While experts had originally forecast that the size of the legal Canadian market for cannabis would end up being somewhere between \$5 billion and \$10 billion in sales annually, industry pundits are now forecasting that the market for cannabis globally could reach as high as \$250 billion in annual revenues.

Foolish bottom line

While those types of forecasts will certainly be the type to get the bulls' mouths salivating, one can also be sure that American (and other nations) business interests will be eager to secure their own share of the proverbial "pot pie."

With valuations already stretched, Canadian cannabis investors may want to tread carefully in light of the current sell-off that we're seeing right now, despite that there appear to be several interesting opportunities still available within the space.

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jphillips

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