



## Is This the Breakout Cannabis Stock You've Been Waiting For?

### Description

Getting the nod from pundits eyeing the cannabis market for steep upside today is CBD-heavy pot stock **Charlotte's Web Holdings** (TSXV:CWEB).

A stock that has continuously earned the respect of the market, [Charlotte's Web is the pot stock connoisseur's choice](#), having gained a massive 78% since the start of 2019.

Some exciting news is making the stock a stronger buy today, even during a week that has so far seen the deepening **CannTrust** crisis weighing not only on the cannabis sector, but also on the **TSX Index** itself.

Let's take a look at whether the hemp grower has what it takes to cut through the current fear in the markets to deliver the upside so sought after in this turbulent new industry.

## Legitimacy – and growth – are key in the new cannabis industry

It's one thing to grow a business, but that business has to be legitimate. The [CannTrust debacle is casting the new cannabis industry in a bad light](#) and has polarized investors.

Now more than ever, profitability is key to investing in the burgeoning cannabis industry, and people are voting with their feet. Just look at the stark divide between CannTrust and **Aphria** on the TSX: A newcomer would question whether they are even part of the same sector.

While it may be easy to look at a big-name cannabis company such as **Canopy Growth** and suggest that its performance could be hampered by its profit situation, the fact is that that stock, in particular, is operating in its own sphere at this point, with bulls taking long positions and betting on the company's eventual domination of the sector.

Meanwhile, capital gains traders are eyeing Charlotte's Web and its ilk for speedier returns.

## Partnerships will continue to make cannabis an event-driven investment

Aside from profitability and market share, the other main driver of market performance is partnership deals. Charlotte's Web's recent deal with U.S. grocery giant **Kroger** to carry the hemp company's CBD-infused products in 22 American states is a prime example of this kind of event-based market boost, with the cannabis stock leaping to around 10% on the news.

Add to this the fact that cannabis of all sectors is weighing on the TSX and investors have a situation that calls for a potential mass migration towards classically safe assets.

However, while chief among such asset classes are gold, utilities, and consumer staples, there are few areas of investment that may end up getting overlooked in the rush to quality.

The recent development between Kroger and Charlotte's Web therefore makes the CBD stock one of the few potentially defensive stocks in the sector.

## The bottom line

Cannabis can be seen as a stock-picker's market at the moment, with trusts out of the window as an uneven industry rewards with one hand and punishes with the other.

That's why positive deals with defensive sectors such as consumer staples make certain stocks somewhat defensive even in the teeth of a recession.

Growth in the U.S. markets, and in the CBD space, in particular, could make Charlotte's Web a star stock worthy of a long position.

### CATEGORY

1. Cannabis Stocks
2. Investing
3. Stocks for Beginners

### TICKERS GLOBAL

1. NASDAQ:CGC (Canopy Growth)
2. NYSE:KR (The Kroger Co.)
3. TSX:CWEB (Charlotte's Web Holdings, Inc.)
4. TSX:WEED (Canopy Growth)

### PARTNER-FEEDS

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