



Nervous Investors: Is it Time to Jump Into Marijuana Stocks?

Description

Do you feel like you've missed out on the massive gains reaped by early investors in Canada's marijuana stocks? With marijuana stocks tanking in tandem over the past few months, is it time for wary investors to jump in?

Up until the last few months, cannabis stocks had been on a tear. **Cronos Group**, for example, rewarded its early investors with a gain of 1,200% over the past two years, until the downturn began.

If you'd been smart or lucky enough to have been an early investor in **Canopy Growth**, the results would have been even more impressive. You would have seen your investment grow 3,250% before the pullback.

But in April of this year, the tide seemed to turn for the entire industry. No company was spared. Cronos for example, went from \$29 in March to its current price of \$15.40 as of this writing.

A similar event happened at Canopy Growth, hitting its highest point in April with a price of \$67, only to fall back down to Earth where it's currently trading at \$32.97 as of this writing.

What happened?

Several negative news stories emerged from some of the biggest names in the cannabis industry.

CannTrust Holdings (TSX:TRST)(NYSE:CTST) is deep in a scandal involving Health Canada, the organization which federally licenses cultivators, processors, and sellers of cannabis. Several of CannTrust's production facilities were labeled non-compliant during recent inspections. The company's facility in Vaughan, Ontario, was found to be using unapproved storage areas, have inadequate security controls and quality assurance, and was not retaining critical documentation.

On the heels of these findings, the company was forced into a voluntary cease of its shipping and selling of all cannabis products. The company fired CEO Peter Aceto and forced President Eric Paul to resign. The company's auditor **KPMG** has withdrawn audits for all of 2018 and the March quarter

because the information could be tainted. All options are currently on the table, including a possible sale of the company.

As of this writing, CannTrust stock is trading at \$2.45 down from \$12.91 in March.

Shares of Canopy Growth plummeted as much as 14% in one day, as the company recently announced a \$1.2 billion loss for the quarter, resulting from much lower-than-expected sales. This news seemed to take investors completely by surprise. The company admitted it will take three to five years to become profitable and warned that it will require tremendous amounts of capital to expand and diversify its products.

Is now the time to invest?

With stocks across the board in the cannabis industry firmly in correction territory, is it a good time to invest?

There is no doubt that the cannabis industry is in its infancy, and there is tremendous potential for growth, especially next door in the U.S. market. Approximately 60% of U.S. states allow marijuana to be purchased for medical use, while only 20% allow recreational pot. Clearly, [the U.S. represents one of the biggest potential markets](#) for Canadian marijuana companies.

Sales of cannabis to countries outside North America also look promising, as more countries allow the use of cannabis-related products for medicinal purposes. Germany recently began offering health insurance coverage for medical pot, a likely trend for other European nations.

Several weeks ago, scientists from Harvard University's Dana-Farber Cancer Institute released a study that found a chemical in cannabis demonstrated "significant therapy potential" in the treatment of pancreatic cancer. With numerous scientific studies currently underway, cannabis has shown promise in the treatment and relief of various medical conditions.

Wild ride in cannabis industry

If there is anything that the wild fluctuation in marijuana stock prices has shown us, it's that the industry is not for investors looking for a smooth and steady ride. While cannabis stocks have [potential upside that is rivaled by few industries](#), would-be investors should be warned that investing in marijuana stocks is not for the faint of heart, and investors should proceed with caution, even at these attractive entry prices.

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