Marijuana Investors: Canopy Growth (TSX:WEED) Just Hit a Massive Buy Signal

Description

The marijuana bubble has finally popped.

At least, that's what many investors seem to be thinking of late, with shares of **Canopy Growth** (TSX:WEED)(NYSE:CGC) leading the downward charge; it's now down over 55% from its all-time high.

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While there are no signs of slowing negative momentum in sight, I think now represents a terrific opportunity for value-conscious investors to get in on the marijuana trade before the "edibles tailwind" has a chance to kick in.

While the stock is still insanely expensive at over 33 times sales (that's sales, not earnings!) after its price got slashed in half, I think the post-earnings sell-off and ensuing termination of ex-CEO Bruce Linton has been blown out of proportion.

Yes, Canopy is still a speculative bet at its frothy valuation, but given the magnitude of growth that could be in the cards, I think it's a speculation that's well worth making — more so when you consider **Constellation Brands** is standing by with its deep pockets and the potential for acquisitions amid the recent industry-wide sell-off.

But more importantly, Canopy stock is nearing an encouraging buy signal.

In the crazy world of marijuana, where everybody overreacts to events that you wouldn't deem to be as material, it pays to look to the technicals for entry and exit points. While we're all fundamental investors here at the Motley Fool, I think a bit of technical analysis can serve as a terrific supplement to a fundamentally driven investment thesis.

At the time of writing, Canopy stock is trading at $31 and change and is hovering around a relatively strong level of support. Such a support level ought to be thought of like a memory foam mattress and not a rigid board. Over the coming days and weeks, Canopy will test the critical support level, and, if it holds, investors could be paying a dime to get a dollar, so to speak.

Even if you're not a fan of technical analysis and think it's voodoo that seldom works, Canopy still looks like a bargain (well, at least compared to the likes of a **Beyond Meat**) given the strong growth in the Canadian recreational markets and encouraging progress with its international expansion.

Investors are growing impatient with the company's inability to turn a profit, however, but as someone wise once said, "you need to spend money in order to make money."

There's no question that Linton's ousting is still acting as an overhang on the stock, but even Linton himself remains a believer in the business, despite his unfortunate fate. The man continues to buy the dip, and I think Foolish investors ought to follow his lead.

Even though Canopy would be a better play with Linton at the helm, I think his departure has caused shares to trade at a sizeable discount relative to its peers. The "Linton premium" has turned into a discount.

As the company continues churning out triple-digit year-over-year sales numbers though, I think investors will forgive the company once they recognize the stage that management is setting for itself in the future.

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