2 Cannabis Stocks to Watch in the Coming Months

Description

Marijuana stocks have been absolutely slaughtered since mid-April. Sure, various geopolitical and economic factors have contributed to equity markets slowing down, but most top marijuana companies have underperformed the broader market.

Despite this catastrophic performance, however, there might be hope for pot firms yet. In particular, two companies worth paying attention to over the next few months are **Canopy Growth Corp** (TSX:WEED)(NYSE:CGC) and **CannTrust Holdings Inc** (TSX:TRST)(NYSE:CTST).

Will Canopy dominate the derivative market?

While Canada legalized recreational uses of marijuana in October of last year, derivative cannabis products — such as edibles and cannabis-infused drinks — are still illegal.

That won't last much longer, though, as the relevant authorities will soon give the green light for these products and the market will be open for consumers to purchase them legally.

This obviously creates an immense opportunity for marijuana firms. Despite the growth of the recreational marijuana market, it doesn't offer particularly high margins, and it risks suffering from a supply glut.

No surprise, then, that Canopy and its peers are eagerly anticipating the opening of the derivative market, which offers much higher margins.

The Ontario-based firm is in many ways, better equipped than most of its competitors to profit from this market, which means the company's every moves will be scrutinized in the coming months as it tries to atone for its recent disappointing financial results.

Canopy's partnership with **Constellation Brands** — and the cash it obtained from this deal — will be a powerful weapon to wield in this competitive market.

Of course, even the deadliest weapon is practically useless in the wrong arms. Similarly, Canopy will only succeed if it puts itself in a position to do so, which is why it will be important to keep an eye on what the marijuana company attempts to do to conquer this market.

Will the CannTrust scandal turn into an opportunity?

At this point, there's no doubt that most investors should stay far away from CannTrust. There probably isn't a brand whose image has been damaged more than that of this Ontario-based grower in the entire cannabis sector.

By way of reminder, CannTrust was caught violating legal provisions for firms that engage in the cultivation, harvesting, or sale of cannabis. We recently learned that CannTrust will have its licence to produce and sell both medical and recreational marijuana suspended as a result of these violations. While this news is obviously bad for the company, investors should welcome this verdict.

The market despises uncertainty, and as long as Health Canada kept us in limbo as to what sanctions would be imposed on CannTrust, there was no telling how low the firm's share price would go.

Now CannTrust can slowly try to put this episode in the rear view mirror, and although the road to redemption will be long and arduous, it is worth keeping an eye on the company.

After all, some of the factors that originally made CannTrust an interesting prospect could still play a role in its future, assuming there is a future for the firm.

The bottom line

Let's not forget that the marijuana industry is still in its early stages. Many of the top cannabis firms aren't too far removed from startup status. Naturally, there will be much risk and volatility moving forward.

Both Canopy Growth and CannTrust have had their struggles in recent months, but it might be worth keeping them on your radar and watching how things play out.

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