



Should You Really Buy Cannabis Stocks in Today's Economy?

Description

World markets tumbled Wednesday as weak American manufacturing data sent stockholders rushing into a mass sell-off.

Weaker-than-expected payroll data seemed to confirm market fears that a U.S. recession was on the way, driven in part by the ongoing U.S.-China trade war, and added to disappointing manufacturing figures earlier in the week.

And the uncertainty isn't limited to America. Over in Europe, factory activity slid to a seven-year low just behind America's 10-year low in the same category. Combined with disappointing job growth data in the U.S., this grim economic outlook is contributing to the protracted unease [creeping into the markets](#).

A bad time to add uncertainty to a portfolio?

So should Canadian investors really be buying legal cannabis stocks at this moment in time? While some investment pundits still see the sector as potentially lucrative, the capital gains on offer may not outweigh the [inherent risk of betting on a new industry](#) that's already up against an established black market.

Add to that the ratcheting uncertainty in the global economy and you have an area of investment that should perhaps be off-limits to the general, low-risk portfolio holder. That is, if medication and so-called sin stocks weren't held to be recession-proof.

Canopy Growth ([TSX:WEED](#))(NYSE:CGC) is an interesting company, however. It's big, diversified across practically every area of the cannabis market, and is still making strategic acquisitions.

The latest news is that Canopy Growth has just shaken hands on a new deal to snap up a majority stake in drink company BioSteel. Canopy Growth's 72% stake in the company also leaves the door open to total ownership.

The deal makes the cannabis producer a strong buy for investors seeking out companies in the legal marijuana sector that are still growing through mergers and acquisitions – a key route to low-impact, low-investment growth that brings with it instant diversification across industry segments as well as lowered overheads through strategic synergies.

Brave cannabis investors could be rewarded in the long run

If you do a quick internet search for how much the entire Canadian legal cannabis sector might be worth, you'll find vastly differing estimates. Pre-legalization, analysts were throwing numbers around in the region of \$30 billion.

At the start of 2019, the estimated net worth of the sector had shrunk, according to some industry observers, to \$5 billion.

So which is it? Perhaps, given the crossover between U.S. and Canada in the burgeoning legal weed industry, a two-country estimate should be used.

As soon as legislative cohesion stabilizes the American market, the net value of the North American market could end up closer to \$50 billion over the next few years, heavily weighted by U.S. growth. In other words: Yes, perhaps Canadians *should* invest in weed.

The bottom line

Canopy Growth's arguably scattershot approach to market penetration could pay off: The company can afford to get as many fingers in as many pies as possible at this stage.

Whichever proves the most profitable area of cannabis consumerism can then be funded more heavily, and the proceeds will consequently enrich an investor's portfolio through capital appreciation – and, perhaps one day, even dividends.

CATEGORY

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

TICKERS GLOBAL

1. NASDAQ:CGC (Canopy Growth)
2. TSX:WEED (Canopy Growth)

PARTNER-FEEDS

1. Business Insider
2. Msn
3. Newscred
4. Sharewise

5. Yahoo CA

Category

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

Date

2025/07/06

Date Created

2019/10/04

Author

vhetherington

default watermark

default watermark