



## Now Is the Time to Buy These 2 Cannabis Stocks

### Description

It is no secret; the cannabis boom has been a bust in 2019. After pot stocks took the market by storm in late 2017, momentum hit a feverish pitch around this time last year. Recreational marijuana was legalized, and the industry was eternally optimistic.

Then reality set in. The cannabis industry was overvalued and was bid up to a point where some of the industry's largest players were worth more than companies such as **Canadian Tire**. This was despite of very little revenue and no profitability.

Let's put aside the fact that the roll-out has been nothing short of a disaster. Even if everything had gone according to plan, cannabis stocks were trading at ridiculous valuations. It was only a matter of time before the bottom fell out.

Over the past year, the Canadian Marijuana Index has lost 63% of its value. Are the good times in the rear-view mirror? Not necessarily. There is no doubt that the market for recreational and medical marijuana and edibles is growing at a rapid pace. The demand exists.

The problem, however, is that there are too many players in the industry. It is highly competitive and the black market is proving to be quite resilient. That being said, there will be viable and highly successful companies within the industry.

Which ones? At this point, it is anyone's guess. Many of the big players have suffered from one scandal or another, and some of the most trusted players in the industry have proven to be untrustworthy. The market has shifted dramatically this past year, and it will look quite different five years from now.

That being said, a bottom appears to be forming. The industry is beginning to bounce, yet there are a couple of stocks that are still in oversold territory. As such, investors should consider these if they are looking to dip their toes into the cannabis market.

## The Supreme Cannabis Company

Sometimes outperforming the market doesn't mean much. Such is the case with **Supreme Cannabis** (TSX:FIRE). Year to date, its stock has tanked by 30% and it has lost 53% of its value since this time last year. That's above the industry average but nothing to be particularly excited about.

One of the main reasons for Supreme's outperformance has been its ability to meet or exceed expectations. Last quarter, the company met revenue estimates and posted a lower-than-expected loss. In fact, it is one of the few companies in the sector that is on the verge of consistent profitability.

Revenue is growing at a triple-digit pace, and in the third quarter revenue jumped from \$3.5 million to \$19.5 million. It also represented a 92% jump quarter over quarter, which is a positive sign. Sequential weakness has been a big concern for the industry, as sales appear to be hitting a plateau. So far, so good for Supreme.

The company has a 14-day RSI of 27.10, which indicates its stock is oversold. Now may be a good time to [take a flyer](#) on Supreme Cannabis.

## Village Farms International

The only other marijuana stock in oversold territory is **Village Farms International** (TSX:VFF)([NASDAQ:VFF](#)). Village Farms has a 14-day RSI of 22.27 and may be due for a short-term bounce.

What stands out about Village Farms? It is one of the few pot stocks that has had a [great year](#). In 2019, the company's stock price is up 91%, and it has managed to post a 25% gain from October of last year.

What separates Village Farms from its peers? It didn't start out as a pot stock and isn't a pure-play cannabis company.

It is one of North America's largest producers of premium-quality greenhouse tomatoes, bell peppers, and cucumbers. It has leveraged its hydroponics expertise and its greenhouse assets to become a well-respected marijuana player.

Another benefit? As a publicly listed company since 2006, Village Farms recognizes the importance of good governance. Poor governance has plagued the industry and has been at the heart of many of the recent scandals. Considering Village Farms's roots, it can be considered one of the most trustworthy.

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## TICKERS GLOBAL

1. NASDAQ:VFF (Village Farms International, Inc.)

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