



3 Big Takeaways From the Week in Cannabis Stocks

Description

Cannabis looked all set to bounce into the weekend with some of the biggest names in the business rebounding after a terrible start to the week.

However, Friday saw four potential market leaders dive back into the red all over again. For new investors, the sector must look like a highly volatile no-go zone. However, these four stocks could all be potentially strong long plays on weakness right now.

The sector is cratering again

Village Farms (TSX:VFF)([NASDAQ:VFF](#)), **Aphria**, **HEXO** and **Canopy Growth** had been taking heavy losses at the start of the week, with the latter stock taking the biggest hit, shedding around a fifth of its value. As usual, the naysayers were out in full force generating a grim headline blur that decried the cratering of the new industry.

However, by midweek, pot stocks were bouncing: Aphria was up 12.8%, Canopy was up 7.7%, HEXO saw gains of 14.5%, and Village Farms had gained 3%.

The rise and fall of prices has been rapid, and nerve-wracking to watch. Aphria and HEXO's steep gains quickly smoothed to single digits overnight while Canopy swelled to more than 15% and Village Farms soared by more than 12%.

Heading into the weekend, Aphria suddenly started to shed value all over again, while HEXO, having racked up gains of over 25% during the week, was beginning to trough all over again with a single-day loss of almost 15% at the time of writing.

Village Farms was also heading back down into the red, while Canopy, which had seen its share price rocket by more than 20% this week, was also tumbling.

While the diversification afforded by the mix of cannabis and vegetable growing businesses does represent a risk-spreading aspect of the Village Farms business model, investors who would prefer a

pure-play option may want to keep browsing the aisles.

However, the company's [outstanding greenhouse expertise](#) and the popularity of its products means that Village Farms could be one the strongest long-term plays of the bunch.

U.S. legalization nears and Ontario retail could boom

This week the Democrat-held House Judiciary Committee gave the green light to a bill that aims to decriminalize cannabis at the federal level. New York Democrat Jerry Nadler said, "The energy and the political pressure from the various states is growing rapidly. The Senate is subject to that, too. We'll accomplish this." If the MORE Act gets through, it could be a major boon for the pot industry.

Meanwhile, on this side of the border, Ontario could shake up the retail scene. As Doug Ford said this week, "That's eventually what the goal is — open it up to the market and let the market dictate.

It's like any business: some people will be successful, some won't. But I guess the previous issues that the whole country saw ... we didn't have enough cannabis to sell but now there's enough supply."

The bottom line

The sector is gearing up to take on the black market once and for all [as the holiday season ramps up](#). With the full gamut of product types now legalized and ready to do battle on the legal market, the next few months could be critical for the fledgling growth sector.

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