Want Upside? Forget Cannabis Stocks And Buy This 1 Company

Description

The holiday is going to be critical for cannabis stocks. With **Canopy Growth** expanding its CBD operations south of the border and **HEXO** introducing a cut-price brand, pot producers are going to be hoping that the market is hungry for the full range of the Cannabis 2.0 asset types, including drinks, topicals, vape products, and edibles.

Smoking and vaping could eventually be overtaken by users preferring to imbibe cannabis-infused drinks to get their hit. Indeed, the drinks section of the cannabis market could be worth somewhere in the billions over the next four years. However, this market will be tested critically over the holiday period, so investors can either get in now or wait and see how the sector shakes out in 2020.

Not every investor seeking rich capital appreciation over a relatively short time frame has the stomach for the wild swings in cannabis share prices, though. While still carrying risk of its own, there's another asset class that could reward bold investors over the holiday season: luxury clothing. Falling in the consumer discretionary bracket, one stock in particular would suit those bullish on a U.S.-China deal.

Looking for upside? This stock could soar

Canada Goose (TSX:GOOS)(NYSE:GOOS) is a top stock to buy for a China relief rally. Investors who want to play the tailwinds of a possible breakthrough in the trade war between Canada's two largest trading partners have a relatively small window of opportunity to do so, however, with a deadline of December 15. This is when the axe will fall, after which the prospect of another year of the trade war could come into focus.

The luxury clothing space is looking interesting at the moment, though, meaning that if Canada Goose tanks on a no-deal, investors might want to double down on the parka producer rather than sell. Speculation has been rife that **Kering** may be looking to snap up **Moncler**, for instance. The possibility saw Moncler's shares leap 8.5%.

The deal making and its popularity with investors show that brands in the luxury apparel space — including Canada Goose — can see steep gains driven by events. By teaming up, companies in this space can also better withstand the risks involved in expansion in high-growth markets such as China. Canada Goose is in a good position to capitalize from the renewed interest in the sector.

This bullishness diminishes some of that trade war risk. If Canada Goose were to be seen as a possible takeover target, its shares would also likely increase in price. For example, this week saw **Burberry**, **Tod's**, and **Salvatore Ferragamo** rise — three businesses sometimes seen as potential targets for the same kind of deal-making that's currently trending in the fashion world.

The bottom line

Upside can come from anywhere, but steep momentum can be hard to come by. Given the steep gains and deep losses that have become part of the cannabis investment landscape, capital gains investors should consider other sectors and asset classes, such as luxury clothing. As with cannabis, though, this holiday season is critical for retail stocks, so investors should exercise caution.

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