



Bet Against the Cannabis Industry With This ETF

Description

Cannabis stocks have been dreadful over the past several months. Even top pot stock **Canopy Growth Corp** ([TSX:WEED](#))(NYSE:CGC) has fallen hard.

From highs of more than \$70 per share back in April, its share price has been cut by more than half since then.

The turning point for the industry occurred in the summer when the **CannTrust** scandal emerged and Canopy's co-CEO at the time, Bruce Linton, [was let go from his position](#).

Since then, investors have been bearish on pot stocks and there has been more attention on cash burn and the inability for cannabis companies to breakeven.

Canopy Growth's focus on growth and expansion used to be what drew investors to the pot stock, and now, too much cash burn and spending has made investors second-guess buying shares of the company.

The challenge investors are faced with today is that things in the industry may not be getting better anytime soon. As badly as Canopy Growth and its peers have done lately, there's little reason to believe that they'll recover.

Unless cannabis companies start reporting better, profitable quarterly earnings results, it may be an uphill battle for share prices to start rising again. For investors who are [bearish](#) on the industry, there is one solution: bet against it.

A reverse ETF that could be optimal for bearish investors

Shorting shares of a company can be very risky. However, there's an alternative: investing in a reverse ETF that will bet against a group of stocks.

The **BetaPro Marijuana Companies Inverse ETF** ([TSX:HMJI](#)) gives investors the option to either

hedge their positions in the cannabis industry or just simply take advantage of declining pot stocks.

It's a risky strategy and the fund is designed for short-term investors given the risk involved. It's also an expensive ETF, with a management fee of 1.45%, which is fairly high compared to a normal ETF.

However, given that this type of ETF requires lots of management and is very active, the higher fees appear to be justified.

In the past six months that cannabis stocks have been falling, the BetaPro ETF has soared more than 70%. The danger is that if Canopy Growth and other pot stocks start to turn things around, the ETF will also see a reverse in its performance as well.

But for investors who aren't expecting that to happen and believe things will only get worse, it could be an appealing ETF to invest in and a safer alternative to shorting an individual stock, as the ETF will short on a much wider scale.

The index holds Canopy Growth and other big pot stocks, which will help minimize the impact that an individual stock will have on the ETF's overall performance.

Bottom line

An inverse ETF gives investors a unique way to stake out a bearish position, which can be particularly useful at a time when there's a lot of pessimism in the cannabis industry.

While it's by no means as safe as other ETFs, with the cannabis stocks struggling, it could be one of the best ways to earn a positive return from the industry.

CATEGORY

1. Cannabis Stocks
2. Investing

POST TAG

1. Cannabis

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

Tags

1. Cannabis

Date

2025/09/30

Date Created

2019/12/16

Author

djagielski

default watermark

default watermark