



Here's Why Christmas Just Came Early for Cannabis Stocks

Description

Canopy Growth ([TSX:WEED](#))(NYSE:CGC) seems to be getting all the luck at the moment. Some investors may have been concerned about the leadership void [during peak holiday season](#); however, right when Cannabis 2.0 finally comes fully online, the news that pot retailing could be about to get a big boost in one of the country's most populous provinces should keep the spring in Canopy investors' step over the holidays.

Goodbye lottery system, hello new stores

Scrapping the Ontario lottery system couldn't come at a better time. With pot stocks on the cusp of a rally and the full Cannabis 2.0 gamut of goods hitting the shelves, a rejuvenated retail environment is exactly what the new marijuana sector needs. The open system for licensing will take effect next month and usher in a new era of Ontario retail with no upper limit of private outlets.

With 14.45 million residents, Ontario holds 38.3% of Canada's entire population. Factor that in with the news that the province will be completely overhauling its cannabis retail regime, and you have the potential for the sector to explode overnight. While some smaller outfits have been struggling to break the market, the strongest pot businesses are well positioned to penetrate and command the marijuana space.

By a conservative estimate, around 250 new stores could be in operation across Ontario by the end of the new year. The move will be a much-needed shot in the arm for cannabis producers that have faced increasing headwinds this year. From falling per-gram marijuana prices to a surplus of product, 2019 was a tough comedown after the heady days of 2018's high pot stock momentum.

Canopy is getting its ducks in a row

A new CEO, the full spread of Cannabis 2.0 product types, and an overhaul for Ontario cannabis retailing makes Canopy an especially solid buy for new marijuana investors or for bullish pot stock veterans who have been casting about for some stability in the space.

Sure, speculative investors can always scrub some uncertainty by crunching fundamentals, and there is always risk in every purchase and every sale, but having two of the biggest market unknowns taken off the table at once — leadership uncertainty and the retail outlet bottleneck — is an early Christmas gift this year for would-be and existing Canopy investors.

What's significant about [the current Canopy rally](#) is that it has legs. Go look at Canopy's share price over the past year and you'll see a staggered sell-off, which, truth be told, included a few rallies. This time round, the rally is holding: Since November 18, Canopy has been generally improving.

The bottom line

The cannabis space looks like a much stronger buy this week, largely thanks to the game-changing move in Ontario cannabis retailing. The logic is straightforward: cannabis companies have the product, but they need sales, and to boost that, the retail scene needs to be cracked open. Now that this is finally happening, cannabis investors could start to see the steep return on investment they'd first bought into.

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