Is Canopy Growth (TSX:WEED) Stock Still Ripe for a Long Position?

Description

The holiday season is going to be a critical period for cannabis stocks, now that the entire catalogue of marijuana goods is available for legal consumption for the first time in the country. The market will be tested for the first time and is likely to be highly instructive for cannabis investors.

Sales figures of cannabis products from each company over the holiday season will be picked over and analyzed, with initial figures likely to affect share prices. The sector is already facing stiff headwinds, though, from a bottlenecked retail environment that won't abate until after the holidays to a vaping health crisis. A lot of hope is riding on edibles and cannabis-infused beverages.

Time to bet on a market leader?

Canopy Growth (TSX:WEED)(NYSE:CGC) recovered 10% last week, which would seem significant in any other industry. However, in a space that can see stocks whipsaw by double digits over short periods of time, a 10% bump might not mean much to a long-range investor. Considering how much Canopy Growth has lost this year, there is still a long way to go.

In fact, considering the trio of tailwinds, it wasn't even much of a rally. One might think that a new CEO after months of leadership uncertainties, final legalization of all cannabis product types, and, most recently, the announcement that Ontario will be overhauling its retail system once and for all might lead to a massive relief rally in this beaten up sector. But the rally was small and over too soon.

Cannabis stocks generally ended the week on a generally positive note, with five-day gains across some of the most popular pot producers. Canopy Growth was up 1.7%, while **HEXO** gained 4.6% and **Village Farms** saw a reassuring 6.7% improvement. The space is still very much a stock-picker's market, though, with the **Horizons Marijuana Life Sciences ETF** negative by more than 4% at the end of the week.

Indeed, leaving an asset type as volatile as cannabis down to an fund manager may not be the best way to play the marijuana patch. A better play might be to pick a top-tier pot grower and stick with it for the long term. With an eventual four or five big names likely to dominate the market once it has settled down, getting in early and holding onto those shares might be an investor's **Amazon** moment.

Warren Buffett famously missed out on early investment in Amazon, but cannabis investors don't have to do the same thing. By latching on to a potentially gravity defying market leader, juicy capital gains could be had further down the road.

The bottom line

While funds such as Horizons Marijuana Life Sciences ETF may seem tempting for a low-maintenance play, the sector is bogged down by uneven quality. Investors with some time on their hands and wider financial horizons may want to stack shares in Canopy Growth while they are still relatively beaten up and hold on to them for a bullish take on the eventual stabilization of the cannabis space.

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