



## 1 Way to Reduce Risk if You Want to Buy Cannabis Stocks

### Description

Uncertainty is back with a bang, as ratcheting Middle East tensions send risk through the roof only a few days into the new year. Oil is up, gold is up, and risky assets such as cannabis are down. The development in Iraq could see mounting unrest directly impacting the energy sector, with a knock-on effect for the broader international economy.

Oil infrastructure targets could be a low-cost retaliatory target, since they would not directly involve foreign military personnel while causing disruption. While energy investors should expect to see oil and gas producers enjoy rising share prices, higher oil is likely to take its toll on the broader economy, heightening and exacerbating recessionary risk.

### Weed weakness is a value opportunity

Cannabis stocks are a value investor's playground right now. However, there are some worrying reasons behind this negative trend. The vaping health crisis is just part of an ongoing wave of headwinds buffeting a legal weed sector already beset by black market challenges and a scarcity of retail outlets. Tellingly, **Horizons Marijuana Life Sciences Index ETF** just hit an all-time low, indicating that the cannabis sector could be close to bottoming out.

The Centers for Disease Control and Prevention (CDC) has recommended people cease use of vaping products containing THC, the main psychoactive constituent in marijuana. For newcomers to the legal cannabis investment scene, vape products make up an [intrinsic part of Cannabis 2.0](#), the second and final wave of cannabis product legalization. Along with topicals, edibles, and drinks, cannabis vape products became legal in October.

### Buying green? Hold gold

Investors who remain stubbornly bullish on cannabis may want to counter invest in a classic safe-haven asset type, such as gold. Given that the performance of the yellow metal is a reliable indication of the markets' appetite for risk, this week's suddenly ratcheted uncertainty due to escalating tensions

in the Middle East strongly suggests that gold is going to keep on rising, even after hitting a six-year high.

While this means that gold miners are likely to be somewhat less good value for money heading into next week, the upside potential — as well as the proven safety of gold — means that precious metals investors have reason enough to hide their wealth in quality commodities stocks. The bigger gold producers also pay dividends, such as **Barrick Gold's** 1.1% yield and **Newmont Goldcorp's** 1.3%.

**Lundin Mining's** 1.5% offers income investors a reason to consider stacking shares in a metals and mining stock and would partially de-risk a cannabis portfolio. Lundin is a diversified play on a mix of base metals, mixing key exposure to gold with access to the copper, zinc, and nickel spaces.

## The bottom line

With some big names in gold mining [hitting all-time highs](#) this week, and the cannabis sector continuing to crater, weed bulls have some tough decisions to make. However, with gold looking strong for the rest of the year, a risky investment could be countered by stacking shares in some top precious metals miners.

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