



ALERT! Here's Why Cannabis Stocks Are Surging This Week

Description

Cannabis stocks gained some momentum in the middle of this week on the back of some promising news south of the border. The Energy Commerce Subcommittee on Health held its first legislative hearing on cannabis this year. Dozens of states have legalized cannabis, but federal prohibition has erected obstacles for researchers who are hoping to understand the effects of cannabis use.

Six total bills were under consideration, two of which would legalize cannabis on the federal level. Some lawmakers are pushing for an ease on restrictions, but the process will continue to be slow without a concerted legislative push this decade. Lawmakers also pointed out that the FDA expects that it will take three to five years to finalize CBD regulations. The blooming CBD industry will operate in a muddled space until there is more clarity in that subsector.

Two stocks that have surged

Aurora Cannabis ([TSX:ACB](#))(NYSE:ACB) has put together a [brutal stretch](#) since the spring of 2019. The stock has dropped 70% year over year as of early afternoon trading on January 16. Shares have fallen 3.5% in 2020 so far.

The company is on a knife's edge in 2020, and this is making analysts and investors worried. Facing troubling cash issues, Aurora has sought to sell some of its facilities to give itself some breathing room. When it comes to the U.S. opportunity, Aurora is behind some of its fiercest competitors. **Canopy Growth**, for example, has already established a conditional partnership with Acreage Holdings. This company has the potential to give Canopy privileged access to the U.S. market right off the bat, and it also has its partnership with **Constellation Brands** to lean on.

Investors were hoping to see Aurora land a big fish after the hiring of Nelson Peltz as a strategic advisor. This big moment has yet to arrive. Aurora has made significant inroads with its international push, so the news is not all bad. Investors will be looking for significant earnings improvement in 2020, and the regulatory improvements on the domestic front should provide a potential boost to Aurora and its peers.

Horizons Marijuana Life Sciences ETF (TSX:HMMJ), which aims to [track the cannabis sector at large](#), plunged 33% in 2019. The ETF has surged 19% over the past week at the time of this writing. This may be an indicator that investors are starting to build faith back into the sector.

Big election year

As far as the U.S. is concerned, any big movement on cannabis is unlikely to come until after the 2020 presidential election. Cannabis investors do have some hope to glean from what is likely to be another contentious affair. The incumbent, Republican president Donald Trump, has been largely ambivalent on cannabis policy.

Bernie Sanders, who is one of the frontrunners in the Democratic primary, was the first major presidential candidate to call for national cannabis legalization in 2015. Sanders has jumped out to a lead according to polls in the first primary states of Iowa and New Hampshire. General election polls, though it is still very early, show that Sanders has an advantage on Trump for the time being. It is still extremely early, so cannabis advocates should not pop the champagne, or cannabis-infused beverages, just yet.

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