



2 Massive Growth Catalysts for the Canadian Cannabis Sector

Description

Investors in the Canadian cannabis space have undoubtedly been hit hard of late. The Exchange-Traded Fund (ETF) tracking the sector, **Horizons Marijuana Life Sciences Index ETF** ([TSX:HMMJ](#)) has dipped to near-record lows of late on headwinds related to profitability across the sector, a number of recalls, and issues surrounding the black market and the willingness of Canadians to pay full pop for legal cannabis.

On the bright side, there are catalysts that may change investor sentiment in this sector. Here are two big ones investors should keep on their radar:

U.S. weed

The first significant catalyst which could potentially drive a rebound in pot stocks has been the passing of a bill to decriminalize cannabis at the federal level in the United States.

With the U.S. being such a massive market for this green commodity, questions remain as to the ability of Canadian producers to penetrate this market. A number of large Canadian cannabis producers have made acquisitions in the U.S., which should theoretically benefit the HMMJ index.

Of course, one potential headwind here is the fact that U.S. domestic cannabis production in States that have already legalized pot may have enough existing capacity to cover U.S. demand, pushing foreign options to the side; with USMCA trade issues in the balance, questions around the rate at which foreign cannabis would be taxed in a decriminalized/legalized scenario remains to be seen.

More Ontario cannabis stores

The second major catalyst for pot aficionados right now is the possibility of Ontario opening up potretail licenses to the private sector, for real this time. With physical cannabis retail locations sparse across Canada, cannabis producers are feeling the pain of a relatively muted rollout; after all, stock prices across the board are down approximately 65%.

One issue with this catalyst is that investors will likely have to wait until the end of 2020 to see any real movement on rapid physical location rollouts across the countries, as Ontario in particular has committed to a slow and steady regime, cracking the door open for potential policy overhauls later next year.

Bottom line

These growth catalysts remain possibilities at this point, and the speed and scale with which such catalysts actually play out will ultimately inform the value which can be created in terms of short term stock price appreciation for investors.

I've said it many times before, but the cannabis sector is [highly speculative](#) and swings wildly from one day to the next. For traders, buying and selling shares of cannabis producers can result in big wins (or losses) in short periods.

For conservative investors, steering clear of the crowd and the hoopla surrounding this sector still seems like the smart way to go.

Stay Foolish, my friends.

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