



Upside Alert: Canadian Cannabis Stocks Are Rallying

Description

One of the big positives that came out of the pot stock bloodbath of 2019 was that cannabis has come to be more fairly valued. With a value reset, the market is basically back to square one.

Except that this time, in contrast to 2018, there could be a functional retail landscape. With greater corporate transparency, the full range of product types legalized, and some encouraging figures already in 2020, Canadian cannabis is rallying. But will it last?

Cannabis investors need 2020 vision

Currently rallying **Canopy Growth** is emerging as the [frontrunner for Canadian market dominance](#). While upside can still be gleaned from sudden positive momentum as various Canadian cannabis producers either merge dramatically, beat sales expectations, or sidestep lawsuits, runaway capital gains are unlikely to be either sustained or predictable. A general rule of thumb for casual investors: Go long or get burned.

Momentum is still there, though, and short-term traders are still profiting. Look at last week, when several Canadian cannabis producers rallied around 20%.

For eagle-eyed investors with time to devote to a speculative cannabis stock portfolio, selling **HEXO** and the **Horizons Marijuana Life Sciences Index** on strength last week was a strong play for upside, especially if either stock had been bought while on sale.

Reasons to be bullish on Canadian weed

Putting a value on the Canadian cannabis industry is no easy task. Low estimates begin at \$5 billion by 2021 and go up to a significant chunk of the global market value of \$86 billion by the middle of the decade.

Other estimates see much higher annual growth still to come. The rollout of recreational weed in

Canada has not been as strong as expected, though, and the black market is still undercutting legal prices.

So is it even worth investing in Canadian cannabis? For investors new to this frothy space, it's important to know that much of the initial hype that surrounded this new industry turned out to be little more than just that, with the sector tanking hard post-legalization with much of the rocketing upside now already harvested. But unlike the dotcom bust, a close equivalent, legal cannabis still has a product and a market.

Pundits and investors alike have long viewed the U.S. as a greater source of growth in the legal cannabis market than Canada, and going forward, this is likely to remain the case given the disparity in population density alone.

However, there's still room for [at least one big Canadian producer](#), even with the rapidly solidifying U.S. legal weed scene on our doorstep poised to steal the thunder from the domestic market.

The bottom line

Earnings season will be make or break for Canadian cannabis bulls, though with tailwinds in the sector coming from a revised Ontario retail environment and some early strong figures this year there's already some positive momentum here.

The year 2020 will be a pivotal year for this space, with a few big names likely to come out on top and some moderately steep capital gains across the board already there for the taking.

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