



Does Canopy Growth (TSX:WEED) Stock Price Make It a Buy?

Description

At \$31.72 a share at writing, **Canopy Growth** ([TSX:WEED](#))(NYSE:CGC) is trading midway between its best and worst performance in the last 52 weeks. The stock is exhibiting middling value and enjoying something of a return to form in the last couple of weeks in terms of positive momentum,

Canopy is a fairly [strong entry into Canadian cannabis](#), though new investors may want to wait and see what's in its next quarterly report, due out mid-February.

The tailwinds are gathering, however. With regard to its latest retail expansion, Canopy President Rade Kovacevic said, "With ten new stores set to open in the first half of this year, we are pleased with the momentum we've built and excited to bring the Tokyo Smoke experience to more Ontarians." The news underscores the importance of the Ontario retail scene to growth in the legal cannabis sector.

2020 could be a good year for cannabis stocks

It's possible that, given a workable retail and marketing environment, the race to Canadian cannabis upside could potentially begin all over again this year.

Forget Cannabis 2.0: A rebooted retail scene is more important. However, one big difference between being bullish on weed in 2020 and 2019 or even in 2018 in terms of going long is that the number of eventual Canadian market leaders is likely to get revised down from around five to perhaps one or two big names.

There are plenty of reasons for this, but one of the biggest is likely to be competition with the U.S. market. While it once looked as though Canadian cannabis producers would dominate American markets, those markets depend on too many variables to be a sure thing, not least of which are legal hurdles south of the border. Investors bullish on American legalization have a strong play with Canopy thanks to its **Acreage** deal.

Still a case of wait-and-see?

With the postponed rollout of cannabis drinks, a venture that involves both Canopy and **Constellation Brands**, a fresh injection of uncertainty could cast doubt on the immediate performance of the world's largest pot producer.

The announcement hasn't impacted Canopy's rally, though – at least, now yet. Earnings throughout the year will likely have a more pronounced impact on Canopy's share price.

On the subject of share price performance, it's no secret that Canopy has lost 45% in the last 12 months. However, [its momentum returned this month](#) with 22% gains.

While some cannabis investors who joined the ride before legalization may have lost faith with the sector, new legal marijuana speculators could see upside if the rally continues, especially if and when the U.S. green-lights weed.

The bottom line

There are two big themes to keep an eye on with Canopy at the moment: Legalization developments in the U.S., and earnings season. Canopy's next report will drop February 13, so investors can expect to see some buzz around that time.

While Canopy is a fairly good price at the moment, new cannabis investors may want to wait for the dust to settle before thinking about taking a long position in this market leader.

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