



## Why Canopy Growth's (WEED) Stock Price Rose 10% in January

### Description

January was a big month for **Canopy Growth** ([TSX:WEED](#))(NYSE:CGC) stock, as it attempts to make its way back from the marijuana bubble burst that sent it tumbling more than 60% from its 2018 highs. Could 2020 be the year that Canopy Growth stock makes its comeback?

Let's try to answer this question as we look into the reasons why Canopy Growth stock rallied in January.

### BMO raises Canopy Growth's stock price target

A big reason for the January rally is the fact that at least one analyst team has become more optimistic on the stock, as reels from its spectacular 2019 fall. On January 28, Canopy Growth stock got a big vote of confidence from BMO, as the stock's target price was increased by 37% to \$40. This was driven largely by the analyst's assertion that Canopy's focus on recreational products and the opening of new retail stores across Ontario will enable it to beat 2020 expectations. While this is by no means a guarantee, it is nevertheless some much-needed hope for the bleeding cannabis sector.

### Is sentiment on cannabis stocks beginning to shift?

The situation remains precarious, with Canopy Growth continuing to struggle with an oversupplied industry that is seeing price pressure and continued competition from the illegal (black) market. Added to this, we have the company's recent announcement that it has delayed the launch of its cannabis drinks. After a year of disappointments and failing to meet its own revenue guidance more than once, we have to take pause at this announcement.

Today, we can say that the bubble has burst, with [cannabis stocks having fallen hard](#), leaving investors to wonder if there is finally value in the sector. But who will be left standing? The coming year is likely to see many bankruptcies in the cannabis sector, as access to external capital has all but dried up. This will be good for those companies that are left standing, and it seems clear that Canopy Growth will be one of them, as the company has significant cash and cash equivalents on the balance sheet and

as it remains the biggest cannabis company — one that has good exposure to international markets and one that has this cash infusion and support from **Constellation Brands**.

## Foolish bottom line

It is an important exercise to periodically review our stock holdings as well as those stocks that are on our watch lists. This review should happen at least once a year but also when big stock price movements are noticed.

Canopy Growth's stock price has lost a significant amount of value in the last year. [That was value that maybe should not have been there is the first place](#), but at least we know for sure that expectations and valuations have cooled off dramatically.

The stock is looking more attractive today than it has in a long time, but I do not see that it is out of the woods yet. The risk is still big, and January's performance notwithstanding, I think there will continue to be a lot of volatility and potential downside. Tread with caution and remain diversified.

### CATEGORY

1. Cannabis Stocks
2. Investing

### POST TAG

1. Cannabis

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1. NASDAQ:CGC (Canopy Growth)
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