



Why Did These 3 Cannabis Stocks Soar up to 32% This Week?

Description

“We will decriminalize marijuana,” stated Senator Kamala Harris Wednesday night as she debated VP Mike Pence. The effect on pot stocks was explosive. Furthermore, a Democrat win next month could see cannabis stocks rocketing.

Canadian cannabis stocks are soaring

Indeed, investors bullish on a “blue tsunami” come November pushed certain names higher Thursday. **Canopy Growth** ([TSX:WEED](#))(NYSE:CGC) was up 3.5%. That made for a 13% increase over five days. Importantly, the recent bullishness also puts Canopy positive for the past month. Of course, its announcement that it would be launching THC-laced drinks in the U.S. next summer no doubt added to the party atmosphere.

Interim CEO of partner Acreage Holdings, Bill Van Faasen, said in [last week's press release](#): “We see THC-infused beverages as a game-changer in U.S. cannabis, and we are excited to launch Canopy Growth’s unique beverage offerings to our core markets offering the greatest growth potential next year.”

Other names were rising, too, though. **HEXO** ([TSX:HEXO](#))(NYSE:HEXO) was up 4.3%. Having lost 80% in the last year, HEXO looks priced about right at the moment. A P/B of 0.8 offers not only the kind of information that was lacking pre-legalization, but also the kind of value entry-level investors were looking for. In short, the stage is set for a rematch, with the potential not only for a rejigged Canadian retail environment, but also American legalization.

The end of the week saw the bull run continue. Canopy was up a further 4.2%, with a five-day average of 23.4% in the green. But even Canopy, the ostensible market leader in legal weed, is displaying decent value for money after the post-legalization slump. Negative by 23%, Canopy has corrected to the point that this key pot producer now trades with a P/B of 1.7 times book.

Tilray was another name that rallied this week after Senator Harris’s assertion Wednesday night. Up 32% in five days, Tilray is still down by 73% year over year. However, even with that slump, its intrinsic

value is still not as attractive as Canopy's. A P/B ratio of around five times the book price marks Tilray out as a high-momentum pick that's still overvalued, despite a dire 12-month average performance.

A volatile November for cannabis stocks

HEXO, a stock that for the longest time looked devoid of significant upside, was positive by 4% Friday. That makes for a 16% five-day boost. That's quite the rally. It also suggests that legalization south of the border could be the breakthrough that [Canadian pot stocks](#) have been waiting for.

This rally in cannabis stocks tells us two things, though. First, it tells us that investors are confident that the Democrats, should they win the White House next month, will be true to their word and legalize marijuana. And second, it says that the Democrats will actually win the White House next month. The pot stock rally also suggests that cannabis has become increasingly politicized.

All of the above means that a big rally *could* be on the way for Canadian cannabis stocks. But it comes with a caveat. A legalized marijuana market in the U.S. would bring fresh challenges for Canadian growers — most importantly, American competition.

CATEGORY

1. Cannabis Stocks
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2. NASDAQ:HEXO (HEXO Corp.)
3. TSX:HEXO (HEXO Corp.)
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