



Cannabis Stocks Are Rocketing as a Biden Win Inches Closer

Description

The U.S. election is close. Perhaps, ultimately, too close to call by any normal means. One thing is for sure, though. Millions of Americans are about to be sorely disappointed. Whoever wins, the other half of the country is going to feel disenfranchised. And that's not going to be good for the stock markets.

Of course, part of the machinery of democracy is the acceptance of a democratically elected government. But this has been no normal race. Some uncertainty will be removed from the markets upon announcement of a winner. However, that outcome is 1) being fiercely contested, and 2) likely to be succeeded by selloffs in key asset types.

Cannabis stocks are hot all of a sudden

Consider cannabis stocks, for instance. As soon as it became clear that there was going to be no "blue tsunami," pot stocks fell off a cliff. **Canopy Growth**, a key indicator stock, dropped 9% at one point soon after the electoral votes began to be counted. But it was up 9% again Friday as events took an unexpected turn.

Aphria and **Aurora** also soared on a combination of deal making plus surprise gains in the Joe Biden campaign. The prospect alone of federally legalized cannabis has sent Aurora up 67%. Aphria's proposed acquisition of SweetWater Brewing in particular provides the cannabis producer a key entry into the U.S. market. The move pushed Aphria up 7%. And it comes at a time when [bullishness is running high in this space](#).

Cannabis stocks have been pushed front and centre of this year's U.S. election. The turning point came during the debate between VP Mike Pence and Senator Kamala Harris. The senator declared that a Biden administration would "decriminalize marijuana." That sent pot stocks into a [multi-day rally](#). However, the legal cannabis space is known for its volatility, and many stocks soon fell back down to Earth.

It could be business as usual in 2021

Meanwhile, the North American markets have been providing a few clues pertaining to portfolio management in a second Donald Trump term. Buying stocks for another four years of a Republican administration should therefore be fairly straightforward. Optimizing a TFSA or RRSP for a Democrat victory is less clear, given that party's current stance towards fossil fuels, big banking, and the corporate world.

It's likely, though, that a Biden presidency might find itself forced to dial down the progressive rhetoric that brought it to prominence in this race. Faced with both an ongoing public health crisis as well as a recession, the U.S. is unlikely to make any sudden moves. This should help to appease the markets. So, while bank and oil stocks are likely to see some losses on a Democrat victory, the selloff may prove to be confined to the near term.

In other words, that TFSA packed with the likes of **Scotiabank** and **Enbridge** may prove to be fairly resilient over the next four years. And for investors looking to add these names to a long-term portfolio, this rich-yielding duo could be about to go on sale.

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