



Biden's Win Is Huge for These 2 Cannabis Stocks

Description

U.S. President-Elect Joe Biden is ready to be sworn in on January 20. Investors might be asking the question: which stocks will benefit from this change in leadership?

I have two cannabis picks for investors asking these important questions.

Legalization could actually happen south of the border

The Democratic Party consists of a large number of individuals spanning the left-wing spectrum. Some Democrat leaders have publicly supported the idea of legalizing marijuana. More moderate leaders do not support the idea. Joe Biden was elected as a democratic candidate with a more moderate view, so many speculate legalizing marijuana is low on his priority list right now (if it's even on there). Given the problems the country has with the coronavirus pandemic, I wouldn't expect any news soon.

That said, should we enter some level of normalcy sometime soon, cannabis legalization could come up for discussion. The Canadian cannabis sector is one which is being driven by growth prospects in the U.S. Accordingly, any positive news on legalization would likely cause hysteria much like we saw in 2018.

For those willing to speculate, my top two picks for investors to consider right now are **Canopy Growth Corp.** ([TSX:WEED](#))(NYSE:CGC) and **Aphria Inc.** (TSX:APHA)(NYSE:APHA).

Canopy

Canopy holds the mantle of being the most investible cannabis stock out there, for a number of reasons. The company has not engaged in a big way in the hype-related M&A activity in 2018 and 2019 when stock prices were sky-high. Rather, this company has focused on lowering costs and increasing market share in its core businesses as well as growth sectors.

A large investment from **Constellation Brands**, one of the largest U.S. alcoholic beverage behemoths,

has positioned Canopy well for growth in the cannabis-infused beverage business. Constellation's U.S. operations are also a leg up in terms of distribution and cross-border issues other Canadian competitors have.

This company's stock price has been less volatile than its peers. I think this is due to the more mature nature of this company relative to the more "junior" smaller-cap plays on the **TSX**.

Aphria

Aphria has recently agreed to merge with **Tilray Inc**, whose U.S. exposure is something that investors have cheered perhaps more than anything in this merger. The company recently announced an acquisition of a brewer out of Atlanta with distribution in 27 states for US\$300 million. Competition in the cannabis-infused beverage and cannabis 2.0 products segment is heating up. Accordingly, Aphria's hopes to compete have increased substantially as a result of this merger.

The combined entity will have the firepower to compete with Canopy and grow market share in the U.S. potentially at a faster rate than Canopy presently. Potential [risks around the deal falling through](#) do exist, so trade carefully.

Bottom line

The likelihood of such a scenario ought to be considered. Cannabis legalization in the U.S. remains a long-shot. That said, investors seem to be pricing some likelihood into cannabis prices. The entire sector has seen a sharp spike post-election, largely pricing in these hopes. Investors looking for the next hot sector to bet on ought to consider these two plays on U.S. legalization.

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TICKERS GLOBAL

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