



Here's Why Cannabis Stocks Are on Fire Today

Description

Cannabis stocks were on fire yesterday. For example, **Canopy Growth** ([TSX:WEED](#))(NYSE:CGC) was up 15%. Other cannabis stocks soared almost 20%. Today, they're continuing their upward climb. So, why are these stocks roaring back to life?

Democrats gain control of the U.S. senate, driving cannabis stocks higher

[The Democrats have regained control of the U.S. senate.](#) This means that the democratic agenda can make it through. The cannabis industry has greater hope. We may see big opportunities in 2021.

Biden will be the next president. This changes the federal legislative environment for cannabis. It has been given a breath of fresh air. Because Biden doesn't believe that anyone should be in jail for marijuana use, he wants to decriminalize marijuana use. According to Gallup polls, 66% of polled Americans favour national legalization of marijuana.

We can therefore expect more progress. The country will further destigmatize and normalize the use of cannabis. This backdrop is clearly hugely positive for cannabis stocks.

Cannabis stocks to buy today

So, this is definitely good news for the cannabis industry. But how can investors participate in this? Which cannabis stocks should we buy?

These are certainly difficult questions. The cannabis industry is still experiencing growing pains, and the best cannabis stocks have been rising. So, their valuations are rising. Canopy Growth is arguably the biggest and most established cannabis company today. Momentum is building. It's being led by a few things. First is record revenue in the Canadian recreational business. Also, there is improved execution. Canopy is seeing an accelerating path to profitability.

Canopy is launching new products such as new cannabis beverages and gummies. This will open up new areas of growth. Further to this, Canopy has been razor-focused on the bottom line. The company has achieved significant cost savings. In turn, this will translate to positive EBITDA sometime this year. Finally, investors will have a real business to analyze.

Huge growth expected in the cannabis industry

It's true that the cannabis bubble has burst. But this doesn't mean that the potential growth in the cannabis industry has disappeared. The way that things have played out for cannabis stocks is actually quite typical.

First, investors get wind of a great product that will change the landscape. Cannabis is this type of product. It will change the medical field. It will also change the recreational substance industry. Next, investors bid up stock prices in their excitement. [They bid them up to bubble levels, as this excitement turns into euphoria](#). Then the bubble inevitably bursts. This happens with the realization that it will take time and patience for their vision to be accomplished. Finally, we return to reasonably valued stocks that reflect a more realistic outlook. This is where we are today with cannabis stocks. They're factoring in some of the inevitable struggles, but they're also reflecting that they are on the cusp of great things.

Some estimates call for the legal cannabis market size to reach over \$70 billion by 2027. A compound annual growth rate of 18% will take us there. The growth is huge.

Motley Fool: The bottom line

Cannabis stocks have been on a bumpy ride in the last few years. As investors, we always must keep our eyes on the long term. In the long term, the cannabis industry is attractive. It'll take its place as an important part of our medical and social fabric. Canopy Growth stock is the go-to stock for us to gain exposure.

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1. Cannabis Stocks
2. Investing

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2. TSX:WEED (Canopy Growth)

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