



## Weed Stocks Surge: Aurora (TSX:ACB) and Canopy (TSX:WEED) Rally

### Description

Will the top two weed stocks be in the good graces of investors in 2021? **Aurora Cannabis** ([TSX:ACB](#))(NYSE:ACB) and **Canopy Growth** ([TSX:WEED](#))(NASDAQ:CGC) had a nice spike on the first trading day of the year. Fresh funds of more than US\$150 million entered the cannabis space in the past three months, according to Stifel GMP Analyst Andrew Parthenio.

The same analyst also said the companies are significantly undervalued compared to more mature sectors. Thus, notable earnings upside could be on the horizon. Some analysts are more upbeat following the Democrats' twin victories in Georgia runoffs. U.S. president-elect Joe Biden could fulfill his campaign promise to decriminalize marijuana.

### Right-sizing for future growth

On December 1, 2020, Aurora Cannabis shares plunged 17.2% and continued to slide. Reports that the company was pausing operations at one of its marijuana production facilities and at laying off more workers dragged the stock down. However, the price has risen to \$12.67 on January 8, 2021, or 19.5% higher than its 2020 year-end price.

Despite the production cuts and mass layoffs last year, Aurora CEO Miguel Martin said there's still plenty of money to make in the [pot business](#). The company just needs to get through the right-sizing. He adds the cannabis industry is going through a reckoning. Opportunities might also open up in the U.S, with the decriminalization of marijuana.

People in the states of Arizona, Mississippi, Montana, New Jersey, and South Dakota, Mississippi voted in November 2020 to legalize recreational or medical cannabis. A democratic bill, the *Safe Banking Act*, could well pass. Once approved, financial institutions can work with cannabis companies like Aurora without retribution.

### Reclaiming lost glory

Industry leader Canopy Growth didn't have a disastrous year as you would imagine. Investors lost by 14.7%, although the stock sank to as low as \$14.14 on March 18, 2020. As of January 8, 2021, WEED is trading at \$38.40, or 22.6% higher than its 2020 year-end price of \$31.32.

With the democrats taking control of the U.S. Senate, a rally is imminent. According to top cannabis analyst and Cohen Managing Director Vivian Azer, weed stocks could pop by more than 50% due to the impending marijuana reform. On January 4, 2021, New York Governor Andrew Cuomo called on state legislators to approve a legal marijuana framework.

Canopy Growth will significantly benefit from cannabis liberalization. In December, the *Marijuana Opportunity Reinvestment and Expungement Act* (MORE) passed in the U.S. House of Representatives. Cannabis is now off the list of controlled substances. The United Nations also removed cannabis from its schedule of dangerous drugs.

## Back in the limelight

Weed stocks are back in the limelight after investors lost appetite in the cannabis space in the last two years. The industry outlook looks brighter as pressure to lift laws against the use of cannabis is mounting. Aurora Cannabis and Canopy Growth were the sector's top draws until the companies reported [massive losses](#).

However, the competition will surely grow whether there's full legalization of marijuana or piecemeal reform in the U.S. Rivals **Aphria** and **Tilray** announced a merger. U.S.-based cannabis could also pose a serious challenge to their Canadian counterparts. Expect Canopy Growth to gain better momentum than Aurora Cannabis. American alcohol giant **Constellation Brands** and a Fortune 500 company has a significant stake in the industry leader.

### CATEGORY

1. Cannabis Stocks
2. Investing

### TICKERS GLOBAL

1. NASDAQ:ACB (Aurora Cannabis)
2. NASDAQ:CGC (Canopy Growth)
3. TSX:ACB (Aurora Cannabis)
4. TSX:WEED (Canopy Growth)

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