



Cannabis Stocks: A Parabolic Move Is Underway

Description

Investors in Canada's nascent cannabis industry have had a volatile go of it in recent years. The speculative nature of the investor base supporting this sector has driven a lot of this volatility. Accordingly, it's understandable that an outsized level of volatility could persist for some time in this sector.

That said, I think this volatility could be aimed more to the upside this year. In fact, I think most of the factors likely to drive capital flows are turning very bullish right now for cannabis players. I think companies like **Canopy Growth** ([TSX:WEED](#))(NYSE:CGC) could see their share prices go parabolic once again on such catalysts.

U.S. going to be the key focus for Canadian players in 2021

Canopy is one of a few Canadian companies with an actual rollout plan to tackle the U.S. market this year. Canopy's management team has been pretty vocal about the potential to get into the U.S. market in a big way this year. These comments rely on legalization taking place in the near term. How likely legalization is to be enacted remains to be seen. However, the fact that legalization is being priced in by the stock market right now indicates that smart money believes that's where we're headed.

The U.S. cannabis market is the crown gem of all markets for every cannabis player to go after. The Canadian market is just minuscule in comparison. For Canadian companies to have a shot at this market, a quicker legalization path would be helpful. Canadian companies like Canopy are pretty well established relative to some smaller LPs in the U.S. that are just getting started. Accordingly, I think Canopy's backing by **Constellation Brands** is key in this regard. Indeed, the U.S. cannabis-infused beverage market will be a key battleground in 2021 and beyond.

What needs to happen for Canopy to be successful in growing in the U.S.

Legalization in five additional states has been approved during the most recent Federal election. This

is likely to result in a boom in new cannabis players popping up all over the United States. Ever since the Biden win and the Senate flipping to Democrat, hysteria and hype has picked up in this sector. In my opinion, in order for Canadian players to have a chance at succeeding in the U.S. market, the sooner legalization in the U.S. takes place, the better. The longer U.S. players have to build their market share in their specific regions, the harder (or more costly) it will be for companies like Canopy to penetrate the market.

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1. Cannabis Stocks
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TICKERS GLOBAL

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