



Cannabis: When Will the U.S. Legalize it?

Description

Cannabis stocks have gained momentum in the aftermath of the 2020 United States presidential election. Back in October, I was bearish on cannabis, as neither candidate had staked a positive position on the subject. Indeed, Joe Biden had been [historically anti-cannabis](#) legalization in a political career that has lasted for nearly half a century. However, coming out of the Biden win, the push for recreational legalization in the U.S. was on.

What does the picture look like for [legal cannabis](#) right now?

Why cannabis stocks have regained momentum in recent months

Canopy Growth ([TSX:WEED](#))(NYSE:CGC) is the largest Canadian cannabis stock by market cap. Its shares have climbed 54% in 2021 as of early afternoon trading on January 28. The stock has climbed 96% over the past three months.

There is good reason to be excited about Canopy Growth in the event of U.S. legalization. Its acquisition of Acreage Holdings paved the way for it to establish a strong foothold south of the border. If legalization does go forward, Canopy Growth will have a pole position in the largest cannabis market in the world. That is well worth getting excited about.

Investors can expect to see Canopy's third-quarter fiscal 2021 results in early February. In Q2 FY2021, the company achieved record quarterly net revenue of \$135 million.

Aphria (TSX:APHA)(NASDAQ:APHA) is another cannabis stock that could erupt on the back of U.S. legalization. Its shares have climbed 88% so far this year. The stock is up nearly 170% in the last three months.

Is U.S. legalization on the horizon?

Leadership at Aphria and other top cannabis companies were encouraged by the election of Joe Biden in November. "The recent election will likely provide a stronger near-term potential for change of federal cannabis regulations," Aphria CEO Irwin Simon said in a January conference call. "...At Aphria we are ready and well-positioned for it."

Brendan Kennedy, CEO of **Tilray**, has also struck an optimistic tone. "I expect pressure from the North and South will ultimately lead the U.S. to implement a federal program here at some point in the next 18 to 24 months," Kennedy told *CNBC* in a recent interview. Canada moved forward on recreational legalization in 2018. Meanwhile, Mexico has also loosened its cannabis market policies. That leaves the U.S. as the final domino to fall in North America.

Investors in cannabis stocks need to be patient. Cannabis legislation in the U.S. will remain on the backburner until the next round of COVID-19 pandemic stimulus is passed through. After that, the door may swing open for the highly lucrative market on a federal level.

Should you buy these top cannabis stocks today?

Cannabis stocks were dirt cheap ahead of Justin Trudeau's victory in 2015. This meant taking a flyer on a cannabis stock was easy to justify. That is not necessarily the case today. Canopy Growth stock was worth just under \$50 at the time of this writing. There is no question that U.S. legalization would be bullish for these Canadian cannabis firms. However, the path forward is far from clear.

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Date

2025/07/21

Date Created

2021/01/28

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