



Forget Cannabis: Psychedelic Stocks Could Be the Next Big Thing for the Decade

Description

Cannabis stocks made enormous wealth for its shareholders in 2018 and 2019 after being legalized in Canada. If you missed the rally, then the psychedelic stocks could be next up for a breakout.

Psychedelic stocks in 2020

Regulatory support and encouraging research outcomes sent these stocks through the roof late last year. To name a few, **Numinus Wellness** (TSXV:NUMI) is a Canada-based healthcare company that's working around psychedelic therapies. NUMI soared a notable 510% last year. Another stock, **Mind Medicine**, surged a massive 860% in 2020.

In late 2019, the U.S. FDA (Food and Drug Administration) showed a ray of hope for the industry. It [affirmed](#) that psychedelic Psilocybin could be a breakthrough therapy for depression and mental disorders.

Psilocybin is a hallucinogenic compound generally found in a type of fungi that's as popular as magic mushrooms. Studies have shown that this compound is effective in treating mental disorders, anxiety, depression, and addictions.

Strong growth prospects

According to research, the psychedelic industry is expected to grow to \$6.85 billion by 2027. That's more than 16% compounded annually from its current size. The growth potential is significantly large considering the globally rising depression and mental disorder cases.

Interestingly, regulators showed their support for the use of Psilocybin recently, which further boosted the industry sentiment. In November last year, Health Canada approved the therapeutic consumption of Psilocybin for patients with severe depression.

Oregon also became the first U.S. state to allow medical use of psychedelics last year. Industry

experts are hopeful for more regulatory support going forward. If that happens, the industry growth will remarkably accelerate, and psychedelic [stocks could soon skyrocket](#).

Looking to bet on psychedelic stocks?

Like biotech stocks, psychedelics are also extremely volatile. Numinus Wellness has been no different. It is the first company to receive a licence from Health Canada to produce and harvest magic mushrooms and extract and research Psilocybin. Numinus reported \$229,188 in revenues for the quarter ended November 30, 2020, indicating 70% growth year over year. It is a loss-making company at the moment.

Though growth potential might look attractive, psychedelic stocks could be highly risky. Their smaller size and underlying uncertainties could make their volatility hard for investors' appetite.

\$1.2 billion Mind Medicine is a Canadian neuro-pharma company that's working in this domain. It has several drugs in various stages of clinical trials. It is also working on developing a therapy using Psilocybin. The efficacy results of the subsequent trials will be interesting to see.

The first psychedelic-drug companies ETF began trading in Canada last week. The **Horizons Psychedelic Fund** is currently trading at \$9.4 and tracks the North American Psychedelic Index. Some of the top holdings include **Compass Pathways**, Numinus Wellness, and Mind Medicine that forms 10%, 9%, and 9% in the fund, respectively. **Johnson & Johnson** is also a part with a 5% weighting.

Bottom line

Psychedelic drugs are an industry that is taking birth. The regulations and research around it will pave the way for it. The COVID-19 pandemic has substantially added to mental health problems, which should act as a catalyst for the industry.

Notably, psychedelics are prominently used for therapeutic purposes, and the recreational use seems very low, as of now. So, one can expect relatively faster approvals from regulators, unlike cannabis.

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