



## Cannabis Stocks Soar Through the Roof: The Next GameStop in the Making?

### Description

Abnormal stock price swings have become the markets' theme this year. After **GameStop** and **BlackBerry**, several cannabis stocks seemed to have joined the vogue.

### Cannabis stocks zoom

Top pot stock **Tilray** ([NASDAQ:TLRY](#)) led the rally and has gained 145% so far this week. That brings its total year-to-date gains to almost 700%. **Aphria** (TSX:APHA)(NASDAQ:APHA), soon to be merged with Tilray, also exhibited a similar movement. It is up more than 60% this week and 300% so far in 2021.

Some Reddit users have [targeted](#) these stocks lately, which could be one of the reasons behind the surge. Last month, Redditors intentionally pumped GameStop's stock price after noticing its above-average short interest.

The stock zoomed from US\$5 to US\$482 in just a couple of weeks last month. Reports have emerged that those same users have picked Tilray this time on the back of its higher short interest.

This sudden price increase is known as a short squeeze, where demand for shorted shares increases due to short-covering and fresh buying.

### GameStop stock frenzy: Will the rally continue?

Cannabis stocks also witnessed a significant volume surge this week. Almost 200 million shares of Tilray exchanged hands on February 10 against its average daily volume of around 33 million.

Aphria and **Aurora Cannabis** also exhibited substantially large volumes. ACB stock has surged almost 50% this year and 120% year to date. The **Horizons Medical Marijuana Life Sciences ETF** is up a notably 170% in 2021.

Importantly, the stock price swings in cannabis could be even higher than GME given the inherent volatile nature and improved growth prospects. Looming legalization south of the border has been the biggest driver for pot stocks since late last year.

The industry is highly hopeful for the same due to the Democratic majority in the White House. Interestingly, legalization would open up a bigger market for cannabis companies, which are currently struggling with higher supply and shrinking demand.

Interestingly, Aphria looks remarkably well placed in the current environment. With its ongoing merger with Tilray, it will be better able to expand in the U.S. and take on its biggest peer **Canopy Growth**. Also, Aphria's strong earnings profile and robust balance sheet notably stand out in the industry.

## Aphria-Tilray merger

Tilray recently announced its expansion plans in the United Kingdom. It will sell medical marijuana in the U.K. from March this year. Interestingly, [Aphria](#) already has a strong presence in Europe. The latest expansion into Europe will likely provide greater cost savings and synergy for the combined entity post-merger. Tilray and Aphria expect the merger to close by the second quarter of this year.

Although these pot companies offer handsome growth prospects, investors should do their own due diligence. The latest rally seems a combination of the pumping by Redditors and upbeat news.

However, if there is a technical anomaly like a short squeeze that's prominently driving these stocks, they should soon revert to their mean. If you are betting on social media junkies' advice, that could turn out to be a self-defeating move for your long-term wealth creation.

### CATEGORY

1. Cannabis Stocks
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### TICKERS GLOBAL

1. NASDAQ:TLRY (Tilray)

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