



## New Investors: How Should You Play Pot Stocks?

### Description

The cannabis trade has really heated up once again, with **Canopy Growth** ([TSX:WEED](#))(NYSE:CGC) adding to its incredible run sparked by U.S. legalization hopes. The Canadian cannabis kingpin is pointing to probability in the near future, and with the Reddit crowd at WallStreetBets talking pot stocks, there's no question as to why battered marijuana plays have become great again.

In [numerous prior pieces](#), I've urged value investors to back up the truck on the broader basket of Canadian cannabis stocks while they were discounted. Some less-loved pot stocks, including the likes of **Aurora Cannabis** ([TSX:ACB](#))(NYSE:ACB), traded at a wide discount to book value before last year's post-election pop.

"To take advantage of the near-30% discount [in ACB stock] to book value, you're going to need the patience and time horizon to hang in through the massive ups and downs until some industry catalyst or better-than-expected quarterly enticed Mr. Market to correct shares to the upside." I wrote.

Today, we now have numerous catalysts, and all pot stocks have skyrocketed into the mesosphere. All the best "steals" in the cannabis scene have evaporated, and any [new investors](#) looking to punch their ticket at these levels could face stomach-churning volatility, a roller-coaster ride of emotions, and perhaps even disrupted sleep!

## New investors, beware: Pot stocks will continue to boom and bust!

We've seen this whole story before in the lead up to Canadian marijuana legalization.

There was an unprecedented boom in pot stocks followed by an unequally unprecedented bust. If you showed up early, before the herd, you made massive gains. But if you showed up to the party a few minutes too late, you were left holding the bag at the expense of some very weak-handed speculators.

Like it or not, you'll be investing alongside speculators, day traders, and other folks who are only in pot

stocks to make a quick buck. While I'm sure some long-term investors intend to hold their shares of Canopy Growth or Aurora Cannabis through the coming volatility storm, it's important to be mindful of your cost basis when initiating a position with the intention of holding for years or decades at a time.

I think any long-term shareholders are taking a backseat to an army of fearless and hungry traders. And you do not want to be on the receiving end once the herd decides to take profits.

## Is it too late to punch your ticket to Canopy Growth stocks or any other cannabis producer?

If you missed the latest upward run in pot stocks, I'm sad to say it, but I think you missed the boat.

The easy money has already been made, and unless you're willing to risk your shirt or have ample disposable income to speculate with, the red-hot cannabis trade, I believe, has turned into a game of greater fools (that's based on the greater fool theory, and no, it has absolutely nothing to do with us here at the Motley Fool!). If you're keen on jumping on the cannabis bandwagon at these frothy levels, please do consider nibbling into a tiny position with the intention of adding on weakness, which I think is in the cards.

I'm not touching pot stocks at these heights and would much prefer a pullback before considering initiating a position.

Stay cautious, my friends.

### CATEGORY

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2. Investing
3. Stocks for Beginners

### 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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