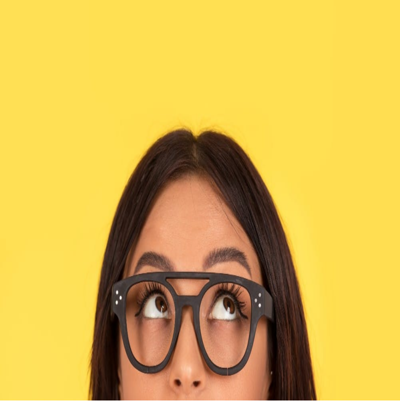

Marijuana Stocks or Shopify (TSX:SHOP): Which Should You Buy?

Description

The Canadian market has been going up consistently for a very long time. People were speculating that the new virus strains and tightening travel restrictions (among many other factors) might cause the market to dip, because it's becoming overpriced while the underlying economy is suffering. But investor optimism, especially in certain sectors, has been pushing the market up, and even sectors like the energy that got decimated in 2020 are now recovering.

The star performer of the recovery rally was the tech sector, led by the Canadian e-commerce giant **Shopify** (TSX:SHOP)(NYSE:SHOP), which surpassed TSX king **Royal Bank of Canada** as the largest security on the TSX. But the investor optimism is now concentrating on the marijuana sector.

So, which would be the better pick for you if you want to add some growth to your portfolio?

The case for Shopify

Shopify has always been good at one thing: defying investor expectations. Every time investors think that the stock has finally reached new heights and become aggressively overvalued, and there is no way it can keep going up for long, Shopify rises again. Right now, the stock is trading at over $1,847 per share; that's over 160% growth in 12 months. And if you had bought into this company five years ago, you'd have grown your investment by a whopping 6,400%.

And despite the fact that the company is now severely overpriced, with a trailing price-to-earnings ratio of 1,140, price-to-sales ratio of 91.66, and price-to-book ratio of 36.46, there is a high probability that the share price might break through the $2,000 mark.

But the problem is that even if the company grows its share price to $3,000, you would barely grow your capital by around 60% if you buy now. And the fear of this overpriced stock correcting sometime in the near future will always linger.

The case for marijuana stocks

The rally around marijuana stocks is dying out. Canadian pot producers are taking aggressive cost-cutting measures and controlling growth output, so they don't have a surplus on their hands, clogging their inventory when the demand dries up. But the chance that these stocks might surge within the year or sometime in the near future is quite high.

And if you can buy a few marijuana stocks when they hit the lowest point in the current dip, your chances of doubling your money are significantly higher than growing your capital with Shopify. But you will have to choose the right security, ideally, a company that has a decent U.S. exposure, so it's in the right place at the right time (when and if the federal government in the U.S. legalizes marijuana).

Foolish takeaway

Out of the two options, marijuana stocks might be the better short-term as well as the long-term bet right now. But it's important to remember that not all weed stocks have equal potential, so you need to analyze your options as per the fundamental merits of a good company. You will also need to differentiate stocks based on local and international exposure.

CATEGORY

1. Investing
2. Tech Stocks

TICKERS GLOBAL

1. NYSE:SHOP (Shopify Inc.)
2. TSX:SHOP (Shopify Inc.)

PARTNER-FEEDS

1. Business Insider
2. Koyfin
3. Msn
4. Newscred
5. Quote Media
6. Sharewise
7. Yahoo CA

Category

1. Investing
2. Tech Stocks

Date
2025/09/14
Date Created
2021/02/20

Author
adamothman