



Curaleaf Stock's Parabolic Move Has Only Just Started

Description

The cannabis sector has moved from red hot to white hot of late. Large players such as **Curaleaf Holdings** (TSXV:CURA) have seen absolutely incredible share price appreciation in a relatively short amount of time.

Indeed, over the past year alone, shares of Curaleaf have nearly tripled. Here's why I think this move is not temporary and could hold water for some time to come.

U.S. legalization the key catalyst for Curaleaf

The Biden win, coupled with a Democratic win in the U.S. senate, has once again stoked interest in the cannabis sector. Investors hopeful of federal legalization for cannabis are hanging their hats on this development.

Politically, it appears this should be a "no-brainer" to come to fruition at some point during Biden's presidency.

If cannabis legalization materializes, this would be a huge catalyst for Curaleaf stock. That's because Curaleaf is the [largest U.S. cannabis player](#) right now. The head-start Curaleaf has on its Canadian-listed peers is massive. Accordingly, investors looking to play the legalization trend really have one stellar option to look at.

Curaleaf's peers are making small moves to try to get into the U.S. market without violating U.S. listing requirements and get around U.S. banking laws that don't federally allow for lending and financial services for Canadian companies. However, these moves may be too little, too late. Curaleaf and its competitors are growing, and growing fast. Each day, market share is getting gobbled up in states like Virginia that have just legalized marijuana.

Curaleaf is in the fast lane, and its peers are the grandparents driving in the exit lane right now.

Risks prevalent, so stay diversified

On Thursday, shares of cannabis companies, as well as high-growth tech stocks, sold off dramatically. Curaleaf was no exception.

Why the selloff?

Well, rising bond yields coupled with little in the way of U.S. Federal Reserve support for bringing down longer-term yields have hurt these high-growth stocks. Indeed, it appears investors enamoured with growth right now are flipping the script toward looking at consumer discretionary, commodities, and other highly cyclical sectors. The bond market is pricing in higher inflation, and unchecked, this isn't a good thing for growth stocks.

Additionally, there is the risk that the Senate could flip once again in 2022 if the midterm elections don't go the Democrat's way. Accordingly, investors shouldn't think cannabis legalization is a done deal. It's not. Biden will need to get a bill on the floor in the next couple years. The coronavirus pandemic is priority number one, and lower-priority items like cannabis legalization could be pushed aside.

That said, companies like Curaleaf are among the best in class right now. For those optimistic about cannabis being legalized in a relatively short amount of time, this is the best stock to pick, in my view.

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