



Why Cannabis Stocks Surged on Monday

Description

Cannabis stocks have been a disappointment in Canada since recreational legalization was made official in October 2018. This came after one of the most electric runs for such a young sector after the 2015 Canadian federal election. Fortunately, cannabis stocks gained some promising momentum to open the week on Monday, November 8. The **Horizons Marijuana Life Sciences ETF** ([TSX:HMMJ](#)), which aims to provide broad exposure to the cannabis sector, saw its shares rise 8.55% on Monday. What was behind this spike in North America's top cannabis stocks?

Here's why cannabis stocks spiked on Monday

Investors should be very familiar with the names of the top performers yesterday. **Canopy Growth** ([TSX:WEED](#))(NYSE:CGC), which still boasts the largest market share in the tracked Canadian recreational cannabis market, saw its shares move up 10% on the day. **Tilray** ([TSX:TLRY](#))([NASDAQ:TLRY](#)), which has emerged as a powerhouse after its merger with Aphria, jumped 15%. **Cronos Group** and **Charlotte's Web** moved up 25% and 16%, respectively, on the same day. Even the struggling **Aurora Cannabis** increased 10%.

There was considerable excitement in the sector on whispers of a potential flurry of mergers and acquisitions (M&A). **Altria** is reported to be interested in buying up the remainder of Cronos, aiming to pick up its option to buy a controlling stake.

The greater impact for cannabis stocks is being felt on the political side. Yesterday, I'd discussed why Canopy Growth could still benefit in a big way from a renewed focus on federal legalization in the United States. I'd [suggested](#) that the infrastructure win for the Biden administration could finally open the door for a policy that most Americans support.

Republican Congresswoman Nancy Mace is reportedly circulating the States Reform Act as a measure to legalize and tax cannabis federally. Indeed, the infrastructure bill already includes a proposal that allows scientists to buy research cannabis from dispensaries instead of government facilities.

What cannabis stocks are the best bets going forward?

It is still very early days on the cannabis legalization front in the United States. Earlier this year, I'd suggested that cannabis stocks like Canopy Growth were in the [best position to benefit](#). The battle over infrastructure proved to be dogged, especially within the Democratic Party. There is no guarantee that the path to recreational cannabis legalization on the federal level will be any smoother.

Regardless, there is real reason for optimism, as U.S. policymakers turn their attention to this issue. Both parties should be hungry for a win on this popular issue ahead of the 2022 midterms.

Canopy Growth remains a very strong option for investors who are hopeful about U.S. legalization. Tilray is another cannabis giant that is well prepared for southern expansion. The company has already made a deal with MedMen Enterprises. This would grant it a 21% ownership interest in the cannabis retailer in the event of legalization. Back in January, Tilray CEO Brendan Kennedy said that he expected the U.S. to reach this milestone in the next two years.

Cannabis stocks like Canopy Growth and Tilray are still down sharply in 2021. Investors have time to snatch up these equities at a [solid price](#) point right now.

CATEGORY

1. Cannabis Stocks
2. Investing

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2. NASDAQ:TLRY (Tilray)
3. TSX:HMMJ (Horizons Marijuana Life Sciences Index ETF)
4. TSX:TLRY (Aphria)
5. TSX:WEED (Canopy Growth)

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