



Why Cannabis Stocks Jumped on Wednesday

Description

Quite a few cannabis stocks jumped by over 10% on Wednesday after news **Canopy Growth** ([TSX:WEED](#))([NASDAQ:CGC](#)) delivered better-than-expected [earnings](#). Canopy Growth stock managed to bring down its losses substantially, leading to 16% in returns for the day.

What happened?

Canopy Growth management continues to focus on profit. After selling its stake in a German pharmaceutical company and cutting costs, the loss totalled \$115.5 million, down from \$829.3 million the year before.

This amounted to a loss of \$0.28 per diluted share for the quarter, beating estimates. The company also brought in \$141 million for the quarter, down from \$152.5 million the year before, as sales became hampered during the quarter.

Still, with more cannabis stocks reporting earnings this month, including **Aurora Cannabis** after market close on Thursday, many saw an improvement in share price.

So what?

It looks like cannabis stocks are reporting earnings at just the right time, if they're positive. After a huge market dip in January, cannabis stocks were dropped even further, as market volatility continued. But now, investors are looking at a bit of risk once more with so many stocks on sale.

Cannabis stocks could be one of the areas where investors move their focus, with the potential for huge returns at such low prices. Aurora Cannabis stock, for example, trades at about \$5.75 as of writing compared to its 52-week high of about \$24 per share. **Hexo** also [jumped](#) over 10% on Wednesday, with earnings due next month. Shares remain below a dollar at \$0.68 as of writing, down from 52-week highs of \$10.34.

Now what?

All this is to say that while it seems like there might be a bit of excitement surrounding these cannabis stocks, investors should be very careful. There is still a lot of volatility in the market, and investors could just as easily drop these stocks once more. After all, the main problem still remains for Canadian cannabis stocks: the United States market.

Until there is substantial movement towards legalization, these companies continue to have a huge barrier — especially Canopy Growth stock. The company acquired non-cannabis companies such as BioSteel to move towards profitability while it waits for U.S. legalization. Granted, when that happens, the stock will soar — as will other cannabis stocks, but it could be some time.

So, if you're a patient investor, then Aurora Cannabis stock, Canopy Growth stock, or even Hexo stock could be good buys. You'll notice I have all three, and that's because I plan on holding them for at least the next decade. But I certainly expect a lot of stomach-churning moments in the meantime.

Shares of Canopy Growth stock were up 14% after its earnings report. Aurora Cannabis stock is up 12% and Hexo stock 6% in the last day.

CATEGORY

1. Cannabis Stocks
2. Investing

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Author

alegatewolfe

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