



## Here's Why Cannabis Stocks SURGED Last Week

### Description

The price explosion for cannabis stocks was one of the biggest stories of the mid-2010s. Justin Trudeau and the Liberals rose to power in 2015, promising to pursue recreational legalization. They would deliver on that promise, spurring a cannabis gold rush in Canada. Interestingly, the momentum ground to a halt once recreational legalization became official in October 2018. Today, I want to discuss why cannabis stocks have broadly gained steam in late March. Is this the beginning of a new bull market? Let's jump in.

### Why two top Canadian cannabis stocks surged yesterday

**Horizons Marijuana Life Sciences ETF** aims to provide exposure to the North American cannabis market. Shares of this ETF have plunged 48% year over year as of close on March 25. However, the ETF has jumped 10% week over week.

**Canopy Growth** ([TSX:WEED](#))([NASDAQ:CGC](#)), an Ontario-based cannabis producer, still boasts a [multi-billion-dollar market cap](#). Its shares surged 19% over the past week. **Tilray** ([TSX:TLRY](#))([NASDAQ:TLRY](#)) is another multi-billion-dollar cannabis producer. This cannabis stock climbed 54% over the same short period. However, its shares are still down 44% in the year-over-year period.

Both companies stand to benefit enormously from a broader cannabis legalization in the United States. Last year, I'd [discussed](#) the prospects for legalization in the wake of the Joe Biden election win. At the time, some executives were optimistic that [legalization was within reach](#) over the next two years.

That potential has been the catalyst for their big bump over the past week. What are the chances that this push is successful?

### What are the odds that U.S. legalization gains serious ground?

The U.S. House of Representatives are nearing a vote on a comprehensive cannabis legalization bill. Indeed, that vote could happen as soon as this week. In December 2020, the House passed the

Marijuana Opportunity Reinvestment and Expungement Act, also known as the MORE Act. However, the bill was later killed in the Senate.

Promoters of this revamped bill are hoping for a better result this time around. The Biden Administration scratched a clawed to come out with its first big legislative win in the form of the \$1.2 trillion infrastructure bill passed in late 2021. This executive has continued to face economic and geopolitical pressures. A win on this front could provide some much-needed optimism.

Senate Majority Leader Chuck Schumer will introduce his comprehensive Cannabis Opportunity and Administration Act in the very near future. With luck, this bill will have better luck. Cannabis legalization is supported by most of the U.S. population. This next vote could bring federal law in line with the public.

## Should you buy cannabis stocks today?

Cannabis stocks like Canopy Growth and Tilray will almost certainly gain more momentum if this bill gains serious traction. Indeed, Canopy Growth set itself up for promising penetration into the U.S. market after its \$3.4 billion deal with Acreage Holdings back in 2019. In the event of federal legalization, this would give Canopy Growth a big leg up compared to its competitors.

That said, Tilray is no slouch in this department. It laid out its plans for U.S. expansion in late 2021. Tilray already owns businesses like the Atlanta-based SweetWater that could play a big role in a U.S. push. The craft brewery already includes a cannabis-flavoured beverage among its products.

Cannabis stocks are still broadly undervalued after being throttled in recent years. It is not too late to snatch up Canopy Growth and Tilray, as investors hope for a better result from U.S. legislators this time around.

### CATEGORY

1. Cannabis Stocks
2. Investing

### TICKERS GLOBAL

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2. NASDAQ:TLRY (Tilray)
3. TSX:TLRY (Aphria)
4. TSX:WEED (Canopy Growth)

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