



Cannabis Stocks: Time to Load Up or Sit and Wait?

Description

Cannabis stocks are among the group of [growth stocks](#) that has fizzled out of late. Indeed, previous legalization-related catalysts have taken this sector sky high in recent years. However, investor demand for speculative plays appears to have shifted to other corners of the market. Indeed, meme stocks are in, and cannabis stocks appear to be out.

That said, some investors may be looking at cannabis stocks like **Canopy Growth** ([TSX:WEED](#)) (NYSE:CGC) favourably right now. After all, buying low and selling high is still a thing in the market. Should these stocks go on another run, now may prove to be the best time to load up.

After all, Canopy is now down more than 60% from its 52-week highs. Should new catalysts materialize, retail investors and speculators may be well positioned at these levels.

Let's take a look at what some of the potential drivers and [risks](#) for Canopy might be.

Legalization discussion heating up again

There was news today that Senate Majority Leader Chuck Schumer is looking to introduce draft legislation on a bill that would provide for comprehensive reform. This bill puts forward legislation that would allow for federal marijuana legalization. Additionally, the bill is meant to spur discussion on the formal introduction of this bill and potential future bills.

This should be exciting for cannabis investors. Indeed, one would expect to see cannabis stocks soar on such an announcement.

However, shares of Canopy stock are down nearly 4% at the time of writing on a rather red day in the sector. It appears investors aren't providing a lot of credence to the potential for this bill passing. Additionally, it appears investors may be less inclined to consider Canadian stocks relative to U.S. cannabis players right now.

Bottom line

For most cannabis stocks, legalization is both the catalyst and the risk this sector is facing right now. Indeed, legalization could spur the creating of an entirely new (and massive) legal market for Canadian cannabis producers to pursue. Assuming cannabis will be allowed for import/export, Canopy and its Canadian peers could stand to benefit.

However, should this bill face opposition, investors could be in for a rather difficult near term. This bill provides both the catalyst as well as the risk that investors are watching right now. With risk-off sentiment taking hold among cannabis stocks, perhaps today's move isn't out of the ordinary.

Canopy Growth is one of those cannabis stocks with impressive upside potential over the long term. That said, it's also a stock that's hard to value. Accordingly, this is a stock that will likely remain volatile for some time.

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