



Pass That Joint With a 2-Metre-Long Pole

Description

Some headlines are now saying that a significant recession could cause a demand surge for recreational cannabis in Canada. These headlines have caused some optimism in the sector for the first time in a while. I, however, don't see how spending a higher percentage of one's EI cheque on pot rather than rent makes sense. But perhaps folks prioritize needs differently.

If anything, the social aspect of smoking a joint with friends or indulging in some brownies at a party is all but shuttered. Right now, Canadians should be self-isolating or quarantining where necessary. I find it hard to believe that smoking boatloads of cannabis by oneself in one's apartment while receiving EI makes a heck of a lot of sense right now. But I may be missing something.

Canopy

Canopy Growth Corp. and other cannabis producers have invested heavily in retail storefronts and verticals throughout the supply chain. These companies have announced, like everyone else it seems, store closures and production plant closures.

The supply glut and a lack of demand have hit this sector hard. Anyone who was blindsided by this wasn't reading my dozens of articles, from 2017 to [2019](#), that called for significant caution. An obvious oversupply and overly optimistic demand forecasts made no sense and would eventually be caught out when this sector began to be tracked by real data. If you're interested in reading more about the data, check out my December 2018 article "[Cannabis Investors: Let's Dive Into The Numbers.](#)"

The thought that some cannabis producers are "cheap" right now is laughable. If anything, I would expect to see a higher percentage of cannabis producers going broke than Canadian oil companies, which says a lot. Many Canadian cannabis producers have been irresponsibly run. The hens are now coming home to roost.

My heartfelt appeal to Canadian investors right now is to please continue to avoid the Canadian cannabis sector overall. There is a lot more pain to come. I don't think many retail investors fully understand the risks of investing in these companies, which are in many cases riskier than junior

mining names. That says a lot, as junior mining used to be among the most crooked, least regulated, and dangerous sectors. (This was way before the cannabis industry existed). Anyone who remembers the Vancouver Stock Exchange, Bre-X, and the insane stock promotion of yesteryear can attest to this.

What if you still want to invest in cannabis?

Despite all the risk, some investors remain interested in investing in the cannabis sector. My recommendation for these investors is to spread their risk by investing in the exchange-traded fund (ETF) that tracks the cannabis sector. This ETF is the **Horizons Marijuana Life Sciences ETF**. I see buying and selling any individual cannabis companies at this point as far too risky, with no upside.

Stay Foolish, my friends.

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Author

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chrismacdonald

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