

Will Marijuana Stocks Get High(er)?

eResearch Corporation is pleased to provide an article by Keith Richards of **VALUETREND**.

In this article, Mr. Richards examines a marijuana ETF and the three major Canadian pot stocks.

The article is reproduced below, beginning on the next page, or you can go directly to it at the following link: <https://www.valuetrend.ca/will-marijuana-stocks-get-higher/>

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Will Marijuana Stocks Get High(er)?

By: Keith Richards (bio at end)

In November of last year, I noted that I had a non-investment savvy friend ask me about Bitcoin. I told him that it was massively overbought by about 300% – and ready to crash. In fact, I was so convinced of this argument that I posted a blog predicting that very event- and here it is: [Bitcoin is more than a “Bit” overbought.](#)

Guess I was right... as I predicted on this blog, the bitcoin index has fallen from just under 20,000 (when I made that call), to just under 6000 at the time of writing. I was wrong in my prediction – in that bitcoin did not just fall 300%. It fell about 350%.

Chastise me for being too optimistic (grin). I like to remind my pal that I saved him significant skin on my cautious stance when answering his bitcoin buying question. Truthfully, he had earned that free advice through some bike-racing teamwork that helped me win an important Florida State Fondo championship race in 2017. So we are square.

My buddy (let us call him “Wrong-way Feldman – aka Gilligan’s Island – [per this clip](#)) has been asking me about marijuana stocks lately. Given my buddy’s track record - we might want to avoid this sector, recalling his mistimed enthusiasm for bitcoin in the past. But this time, the answer to his question is not as cut and dry as it was with bitcoin. So, grab some chips to stave off the munchies while I explain why well-selected marijuana stocks are not in the same boat as bitcoin was.

Canadian pot stocks (saving me the time to spell out “marijuana” every time) are a mixed bag. While bitcoin was unbelievably overbought and obviously in an Elliott wave 5-cyclical peak – I cannot really paint the entirety of pot stocks with the same brush.

Three of the larger pot stocks listed in Canada are Aurora Cannabis, Canopy Growth, and Aphria. These stocks make up about a third of the new Horizons Marijuana Index ETF (HMMJ-T). The Index chart is shown on the following page.

Of the three names, only Canopy Growth is in an uptrend. It is pausing within the trend right now, which may represent a decent entry point. Its chart is the second one on the next page.



The other two are basing/slowly-rising with a significant overhead resistance point ahead - no bullish signs at this time. Further, the ETF, which contains 37 direct or related stocks in the sector is following that same pattern of Aurora and Aphria. That is, the ETF is also basing/rising-slightly and about to hit a major resistance point. This should tell us that the majority of these stocks are unattractive, but there are some gems within the bunch if you look closely enough.

<continued>

Conclusion

My advice to my pal was: If you want to buy a pot stock, consider Canopy Growth. Be mindful of the risk, so do not throw too much into the trade. It is nowhere near being a sure thing just yet. I would avoid most of the other stocks in the sector for now. The future might be good for the sector, but it is early in the game.

My pal bought the stock, with a cautious amount of capital. I will keep my fingers crossed for him.

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See **About The Author** below.

ABOUT THE AUTHOR



ValueTrend Founder and Owner, Keith Richards, has been in the securities industry since 1990. ValueTrend manages over \$100 million through a discretionary investment service for high-net-worth clients.

Keith Richards has been in the securities industry since 1990 and is a highly regarded member of the small, exclusive community of Chartered Market Technicians in Canada. Mr. Richard's articles appear regularly in INVESTORS DIGEST, MONEYLETTER, GLOBE AND MAIL, and the TORONTO STAR newspapers.

His appearances on BNN Television have inspired producers to acknowledge him as **“one of [our] most accurate technical analysts.”** Mr. Richard's first book, SMARTBOUNCE: 3 ACTION STEPS TO PORTFOLIO RECOVERY, is available in bookstores and directly through his blog page www.valuetrend.ca/blog/. His second book, SIDEWAYS: USING THE POWER OF TECHNICAL ANALYSIS TO PROFIT IN UNCERTAIN TIMES was released in late 2011. He has been critical of the commission-based, follow-the-pack approach to investing – where brokers succeed regardless of performance.

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