

Canada Cannabis Approval: Top Stocks to Watch

This could open the floodgates of opportunity in marijuana stocks.

Just last week, the Canadian Senate overwhelmingly passed Bill C-45, also known as the Cannabis Act, which legalized the use of recreational marijuana. The law goes into effect on October 17. While it'll take Canadian provinces a few weeks to ramp up for likely demand, the law opens a sizable market.

By 2021 analysts say Canada could have nearly four million recreational marijuana users, creating a monstrous \$4.5 billion industry. The industry could balloon to \$8.7 billion shortly thereafter, as marijuana retail sales just in Canada are likely to surpass beer, wine and spirit sales combined. That's big money.

In short, this approval could set off another boom.

"This is a multibillion-dollar industry going from black to white," says Vahan Ajamian, an analyst with Beacon Securities in Toronto. "It's like the end of alcohol prohibition in the US. It's a once in a generation kind of investment opportunity."

Initially, Canada is expected to face a pot shortage. Business Insider recently noted, "There's a potentially crippling shortage of marijuana in Canada."

Despite capacity expansion by the country's growers, most have staggered completion dates for their key projects that range between the summer of 2018 and the end of 2020.

Fears of a supply-demand imbalance are likely to fuel higher valuations for related marijuana stocks. Some of the biggest stocks to keep an eye on include:

Canopy Growth (NYSE:CGC)

At the moment, CGC operates facilities with more than 2.4 million sq. ft. of growing space. However, it is expanding operations to include more than five million sq. ft. of additional space by 2019. The company also has supply agreements in place for recreational marijuana with retail sites established in Saskatchewan, Newfoundland, and Labrador.



There are two ways to trade CGC at the moment. One is to buy the CGC stock at current market prices. The other is to buy to open the CGC August 17, 2018 30 calls and the CGC October 19, 2018 25 calls.

Aphria Inc. (APHQF)

With recent partnerships, supply agreements, and acquisitions, APHQF could become Canada's third biggest supplier with annual production of 230,000 kilograms. Given the expected demand in Canada, the stock could be one of the most explosive. One of its acquisitions was Nuvera for \$670 million, which will help to expand APHQF's international presence to 11 countries.

With APHQF, buy the stock at current market prices.

MedReleaf Corporation (MEDFF)

MedReleaf Corp. produces and sells cannabis-based pharmaceutical products in Canada. It offers dried cannabis, cannabis oils, and cannabis oil capsules; and various accessories, including grinders, vaporizers, and lockable containers. It just entered into an agreement to acquire one million square feet of existing greenhouse infrastructure on a 69-acre property in Ontario, and 95 acres of adjacent land for \$21.5 million in cash and 224,083 common shares of its stock.

With MEDFF, buy the stock at current market prices, as well.