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Weed Bubble? Markets Say “Not So Fast” to Canada’s Public Entry

By Reid Wells, J.D. Candidate 2020 | October 28, 2018

Last week, Canada became the first major economy to legalize recreational marijuana use to the excitement of Canadian youth and cannabis companies that intend to expand beyond medical marijuana products.

Despite the excitement, shares in publicly traded cannabis companies fell following the announcement. The downturn followed months of high stock prices and growth for many of Canada’s largest marijuana companies, including Canopy and Tilray.

Still, these businesses are expected to become behemoths as the public warms to the idea of legalized recreational marijuana. Market experts have told investors to keep an eye out for rising stock prices following the initial announcement.

Many are likening the so-called “green rush” to both the re-legalized fervor of the end of prohibition as well as the dot-com boom of the 1990s — and the boom’s inevitable crash. Currently, the country’s top 12 marijuana companies are worth a combined $55 billion. But, experts caution that not every cannabis company to enter the stock market will emerge successful.

This chilling point partly stems from the volatility of marijuana stocks. Tilray's stock price rose an astounding 78 percent following an announcement that the company had permission to export cannabis to California for medical research in September.

For now, Canadians looking to get high will have to settle for dried cannabis, oils, and seeds — with the potential future of cannabis candies and marijuana drinks. No matter which way the market turns, one thing is for certain: Canada appears to have its finger on the pulse of the next generation.