



## US Election’s Impact on Marijuana Stocks

This Tuesday November 8, 2016 Americans are not just voting for a new president but many of them will be voting on the fate of legal cannabis in their state. The actual presidential election between Hilary Clinton and Donald Trump may have little impact on the cannabis industry in the United States, neither of the candidates have a pro stance on marijuana legalization like the current Prime Minister of Canada Justin Trudeau did going into the elections. So for now, the American citizens of each state will still have to lobby and vote for recreational or medical marijuana in their individual state, there is very little to no motivation at the federal level to change the status of marijuana as a schedule I drug.

However, during the elections this Tuesday, Voters in five states — Arizona, California, Maine, Massachusetts and Nevada — will decide whether to legalize recreational marijuana for adults. There are four States that will also vote for Medical marijuana on their ballot, they are Arkansas, Florida, Montana, and North Dakota.

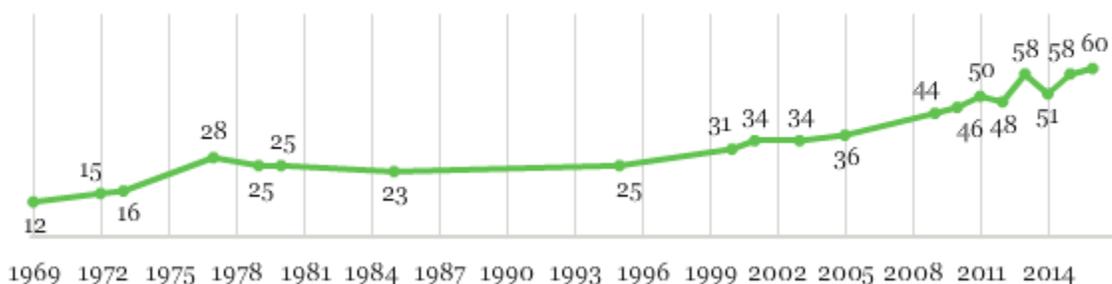
The deputy director of the [National Cannabis Industry Association](#) Taylor West believes this election will be "a tipping point" that makes it impossible for Congress to keep ignoring the issue. "If all nine initiatives were to pass, we'd have approximately 62 percent of the US population living in a state where medical or adult-use cannabis access is legal. That's huge," she said.

Support for legalizing marijuana is now at 60 percent, the latest [Gallup Poll](#) which shows American’s View on Legalizing Marijuana is at the highest ever recorded in this survey since 1969. After Colorado and Washington became the first states to allow the recreational use of pot in 2013, followed by Oregon and Alaska... now support for legalization has now reached a [majority for the first time](#).

### Americans' Views on Legalizing Marijuana

Do you think the use of marijuana should be made legal, or not?

■ % Yes, legal



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In the states that will vote for legalizing marijuana, the [latest polling numbers from Ballotpedia](#) shows various states initiatives and their individual polling numbers from various sources. Of the nine states that have marijuana on the ballot, there are **82 million residents** in those states which is a significant number if all these states vote in favour of marijuana reform. Add this to the states that already allow recreation or medical marijuana, and for the first time in recent history the majority of American citizens will live in a state with some form of positive marijuana laws, that would be hard for Congress to ignore.

Here is a breakdown of the polling numbers from various sources at Ballotpedia:

- Arizona (Proposition 205): 48% in favor; 47% opposed; 4% undecided
- California (Proposition 64): 58% in favor; 37% opposed; 5% undecided
- Maine (Question 1): 50% in favor; 41% opposed; 9% undecided
- Massachusetts (Question 4): 62% in favor; 33% opposed; 4% undecided
- Nevada (Question 2): 47% in favor; 43% opposed; 11% undecided
- Arkansas (Issue 6): 50% in favor; 43% opposed; 5% undecided
- Florida (Amendment 2): 71.3% in favor; 21.6% opposed; 7.1% undecided
- Montana (I-182): 44% in favor; 51% oppose; 5% undecided
- North Dakota (Measure 5): no polling

From the nine states with marijuana on the ballot, not all states may vote for marijuana reforms during the elections. The ones that have a majority should pass and this is a significant step towards a majority acceptance by American citizens and the country as a whole, especially if California passes Proposition 64.

### **Investing In The Marijuana Sector Based On Elections Results From Various States**

This November and December could be the best of times and the worst of times for investors in the marijuana sector. While I am optimistic on the future of cannabis and the companies operating in the industry, we should pay attention to the recent run up in stock prices of many of the companies in the sector. More states allowing for medical or recreational marijuana is positive for the industry, however investors can't ignore the rise in stock prices for many of the companies, this could be a situation where you need to "Buy The Rumor and Sell The News".

In the US, if we look at the [United States Marijuana Index](#) below, it clearly shows a break out at the beginning of the September from a sideways consolidation pattern. Note: this index tracks 13 companies several of which are Canadian Licensed producers also trading in the US exchanges, the companies in this index have a market cap of \$30M plus.

At the beginning of September this index was trading around 44, it is currently trading at 105, so there has been a 138.6% gain already. There are many companies in the US that are publicly traded on the OTC which are not listed here, many of their share prices have also risen significantly in the past few months, one in particular that we are following is up over 300% since August.

## United States - Marijuana Sector



Why is the recent rise important to pay attention to as investor?

As with most rises in the market, they happen as a result of the fundamentals for the sector changing or the technical picture of the stocks become favorable and more investors start piling in driving up stock prices. The marijuana sector's fundamentals haven't change all that much from a Macro perspective in the last few months, the federal government in the US is not making marijuana reform a top priority. The fundamentals for various states have changed with their ballot initiatives, so companies operating in those states should be re-priced if their state passes new marijuana laws.

Given the recent rise in the sector and 100%+ gains already seen in the stock prices, one should question how much more upside is left on the "Buy The Rumor" trade. The 9 states will be voting this Tuesday on their marijuana laws and come Wednesday, we will know which ones will be reforming their laws. The price action later this week in US cannabis related stocks will determine if the new bull market has room to still run, or if a sell off based on "The News" (election outcome) will start because it is now already baked into the cake that many states will pass new marijuana laws.

I do believe that there could be some upside still left in the US publicly traded MJ companies; the appetite for marijuana stocks in the last few months has been tremendous and the buffet is still open with many others looking to join the party and the feast. However, once the party is over and everyone has had their fill, the buffet will close down and many of the stock prices will correct, most likely into November and December. Also keep in mind, that institutional investors and fund managers are just starting to look at the sector as a viable investment, however these sophisticated groups do not chase stocks higher, they are very strategic in terms of entering the market and taking positions. We could be at a point where retail investor will chase the stocks higher, but they may also get burned on the next major correction.

If you plan on participating in MJ sector and invest in the companies, watch the price action come this Wednesday and the days following it. If they continue to rise based on positive outcomes of various states (California in particular), you may want to take a trading approach on the better companies and buy them if a flurry of activity, volume and rising prices ensues. That trade could reward you over the next few weeks and provide a handsome return, but make sure you book profits as I suspect the stock prices may correct come later this November and into December.

If short term trading is not your strategy and you are a long term investor, look for a correction over the next few months to start buying into the sector and the better companies. In our [Invest In MJ Newsletter](#), we cover the sector in general as well as many of the publicly traded companies in Canada and the United States. Over the coming week, we will be expanding our coverage and providing our subscribers special reports and opportunities as they arise. If you live in Ontario Canada, feel free to [join Invest In MJ at the Raise At The Grey Cup 2016 Conference](#), I will be presenting at 9:00 am discussing the outlook for the marijuana sector. At 3:30pm to 5:00pm I will be hosting a special seminar where we go in-depth into the sector, the fundamentals and technical analysis. We will also look at how to evaluate companies and various metrics used, and look at special opportunities with private and public companies.