

# Wall Street on a 'Rocky Mountain' High over Green Gold

✘ “Rocky Mountain High” is a song by the late John Denver inspired by his move to Aspen, Colorado. One of the stanzas refers to some of the ecological damage to the mountains brought on by tourism. Today, a similar song might be written about the performance of stocks associated with medical marijuana, a product that was first legalized in Colorado. The product has a myriad of market possibilities; medical insurance companies will authorize its purchase and unlike other medicinal, this one will also be suitable to treat pets. No doubt, China with its notorious experience in using medical herbs will be eager to develop marijuana, or more technically, cannabis even further, sparking a patent contest.

The markets' reaction has been 'euphoric', enough to induce its own high with 300% returns after some related stocks had traded for just a matter of days. Moreover, just days after Colorado announced the legalization of medical marijuana; Minnesota, Ohio and Pennsylvania have also decided to legalize therapeutic use of cannabis, which some Wall Street types may already be calling a “green gold”. A little over a week after Colorado announced its legalization, marijuana was already available for sale in stores, sending shares of cannabis related businesses skyrocketing, which can only be expected to mushroom as twenty States plan to approve it – eleven of them are considering approving the recreational use of marijuana as well as the medical. The injection of confidence in the sector has prompted a small valuation increase in the prices of small-cap shares, which characterize many of the companies involved in the cultivation and sale of cannabis, as well as the tools for its use, in a phenomenon that experts have referred to as a “pot -bubble”. Some investors, and not

necessarily those overly influenced by the intake of their herb – and now investment – of choice, may already be hoping to identify “the next Microsoft” between the cannabis stocks that have experienced record value increases.

Some of the top stocks in the realm of cannabis include Hemp Inc., which uses industrial hemp fiber for clothing and camping gear. Its shares, now valued at about 8 cents, grew 205 % in less than 72 hours. Then there is GreenGro Technologies (kind of has a Microsoft ring to it) grew by as much as 1,714 %; its shares are now hovering in the 80 cents range and the company offers something for the responsible investor as well as it advertises its efforts to practice and develop sustainable farming techniques. Barely, a month old, and the cannabis market has already found its more responsible and socially conscious plays, promoting their sustainability.

And what of Earth Tech (+29%), a manufacturer of farming equipment and Advanced Solutions Inc. Cannabis (+144 %), which manages cannabis storage. Then there is Medical Marijuana Inc. (+300 %), which as the name suggests focuses on the pharmaceutical side while MediSwipe (+70%) makes cannabis based beverages. Companies involved in the medical field have already found ways to take advantage of the cannabis hype. Medbox, a manufacturer of vending machines for hospitals and pharmacies, has announced plans to adapt its dispensers to sell marijuana. The Company has received a flood of orders coming in from Colorado, Illinois, Massachusetts, Nevada, Oregon and Washington, gaining more than 65 % in its share price in a matter of days.

According to analysts, the sector has a very wide margin of growth and by 2018 it could be worth USD\$ 10 billion a year. While the numbers and ongoing projects demonstrate the seriousness of the cannabis business, investors should remain cautious in the face of potentially fraudulent providers who would take advantage of them by spreading potentially misleading and overly optimistic information. Meanwhile, as

Minnesota, Ohio and Pennsylvania are getting ready to open to cannabis for therapeutic purposes, Colorado hopes that its decision to legalize marijuana has had strong impact on tourism. Tour operators in Denver are already preparing to welcome thousands of tourists, offering them an ad hoc package that includes guided visits to production centers and "marijuana tastings" in the gift shops.

The marijuana market is being fueled by a case of "if you can't beat them, join them" attitude. Prohibition foments the consumption and use of banned substances. So the US has started to regulate the marketing of cannabis, which many Americans have already accepted. From a legislative standpoint, however, there is a brewing conflict not indifferent. Federal law still punishes the cannabis trade, and while Colorado and Washington have authorized their use for recreational purposes, another 20 U.S. states exploit their therapeutic properties and derivatives such as painkillers to be administered to those who are terminally ill and in pain.

Like the tobacco, and indeed, the software sectors, the ultimate business risk for cannabis is that it could ultimately develop into a monopoly, or a handful of companies – like the tobacco giants – polarizing production in the hands of a few giants: this has allowed the tobacco companies (which accumulates some 100 billion dollars a year), especially thanks to quality controls. For now, the market is made up by small producers, which could merge in order to grow and then evolve into an industry requiring high levels of professionalism, research and development, safety, quality and aggressive marketing. The other paradox is that the companies in the sector will continue to be able to list on the stock indices of Wall Street, receiving financing from hardline conservatives and liberals alike. And to think that the 'Occupy' movement was using marijuana just outside Wall Street in protest; how ironic indeed that this prized 'anti-

establishment' product has now been gentrified and turned into the investment of the moment.

Of course, the various States that have decided to enter the cannabis market will benefit from marijuana sale related taxes; Colorado alone expects to gain some USD\$ 200 million/year in taxes. Meanwhile, the federal government of the United States is working to make it easier to manage the profits from of cannabis and the Department of Justice is working with the Treasury Department to establish the rules allowing get a new set of rules that provide banks with the ability to manage revenue law.

The legalization of marijuana in Colorado and Washington posed a dilemma for legal firms and banks. Since marijuana remains illegal at the federal level, the banks and credit card companies do not consider marijuana businesses, forcing manufacturers and sellers to deal with most of the cash transactions. The White House said this week that President Obama remains opposed to a national decriminalization of cannabis, despite his statement in an interview that it is not more dangerous than alcohol. However, it won't be long before this President or the next will be persuaded to decriminalize and then the cannabis/marijuana market will reach new highs.