

A Safe Way to Play the Resurgence of Canadian Cannabis Stocks

Description

It truly is an exciting time for Canada with nationwide cannabis legalization on the horizon. Sure, there have been some minor setbacks, but Justin Trudeau has made it clear that he really wants legalization to come to fruition by Canada Day 2018. There are many reasons to believe more delays could be in the cards, but I think investors should drown out the noise and focus on the real long-term opportunity of publicly traded cannabis stocks.

There's really no point in speculating when the exact legalization date will be or what the policies of legality will be. Whether cannabis is legalized next year or the year after, there's huge money to be made in such an explosive new industry.

You could take bets on cannabis stocks such as **Canopy Growth Corp.** ([TSX:WEED](#)), **Aphria Inc.** ([TSX:APH](#)), **Aurora Cannabis Inc.** ([TSX:ACB](#)), and **MedReleaf** ([TSX:LEAF](#)) with the hopes of realizing triple-digit percentage gains over the next few years, but that's a risky proposition. There's a tonne of headline risk associated with any cannabis stock and, as we've seen in the past, there's a high degree of systematic risk as well. Although cannabis stocks have taken several steps back in recent months, significant downside still exists depending on the sequence of news that'll be released going forward.

If you're a prudent investor like me, then you've probably resisted the hype and steered away from cannabis stocks up to now. Sure, you may have missed out on huge upside, but at least you sleep comfortably at night, right? But still ... the cannabis industry is really intriguing, and there has got to be a safer way to profit without taking huge amounts of risk. Fortunately, I believe there is a way to cash in on the hype without risking your shirt.

Consider **TMX Group Inc.** ([TSX:X](#)), the company engaged in listing and trading equities, fixed income, and derivative products. If you pick your own stocks, then you've already done business with TMX Group, even though you don't realize it. TMX Group operates the TSX and the TSXV exchanges, which is where Canadian DIY investors buy and sell their stocks.

What does the TMX Group have to do with cannabis stocks?

The hype surrounding cannabis stocks generates a tonne of trading volume, which is money in the bank for TMX Group. When the hype surrounding cannabis stocks was at its peak, the Canadian Venture Exchange (CVE) saw over 50% of its trading volumes arise from cannabis-related concerns. Volatility and high volumes may make investing in cannabis stocks unbearable for some, but for the TMX Group, it's a great way to profit without taking a huge amount of risk.

Sure, the hype has faded of late thanks to political risks that have made many cannabis investors fearful of late. But let's think longer term! As we head closer to nationwide legalization, it's likely that volumes will start picking up again, potentially causing another green rush.

Once cannabis is legalized, Health Canada is also likely to start granting more licences to prospective producers, and that means we can expect a surge of new cannabis plays popping up on the TSX and TSXV from all over the place.

Bottom line

TMX Group has slowed down of late. I believe this is a fantastic opportunity to snag shares at a discount while you wait for Canadian market fears to fade. Over the long term, it's possible that the hype surrounding cannabis stocks will reignite, and volumes could be off the charts again like we saw last year.

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2. TSX:WEED (Canopy Growth)
3. TSX:X (TMX Group)

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