



## How Risky Are Cannabis Stocks in Light of the TMX Group Limited Review?

### Description

Top cannabis stocks were down again on Wednesday, October 18, as the market has been struck with deep anxiety following the announcement from **TMX Group Limited** ([TSX:X](#)). The exchange group revealed that it would launch a review of companies listed on its markets to determine if business was being done in the United States where cannabis is still prohibited by federal law.

Cannabis firms that have violated federal law by doing business in the United States are at risk of being de-listed from the Toronto Stock Exchange and the TSX Venture Exchange. This would include markets in U.S. states that have legalized recreational cannabis use. So, a Canadian cannabis company operating in Colorado, which recently passed legalization, would still be in violation of federal law.

Shares of **Aphria Inc.** ([TSX:APH](#)) have dropped 9% since the news as of close on October 18. Aphria released a statement responding to both the Canadian Securities Administrators (CSA) staff notice and the TSX guidance on October 17. "We believe the new CSA staff notice provides a very balanced framework for the Canadian capital markets," said CEO Vic Neufeld. "...We welcome the additional guidance on specific and enhanced disclosure requirements for U.S. marijuana-related activities as they pertain to the medical marijuana industry in Canada."

A statement from Aphria also accused the TSX staff notice as being too broad in determining business that could be in violation in the United States. For reference, the company currently has a stake in an Arizona-based medical cannabis producer and originally had plans to begin early expansion into Florida.

**Canopy Growth Corp.** ([TSX:WEED](#)) has experienced a 6% decline since the news broke. However, leadership at Canopy was far more welcoming of the news than some of its key competitors. The company has focused on a push to Europe and has no U.S. interests to speak of. Canopy CEO Bruce Linton said that the company had only operated in jurisdictions in which it was permitted and has little to worry about.

In spite of the lack of U.S. investments for Canopy, its stock has become a victim of a broader sell off.

This is after a surge since mid-July which has moved the stock up over 60% on a slew of positive news for the industry, as provincial plans have started to be fleshed out, and Canopy itself has moved forward on some key deals with public and private entities.

### **Are cannabis stocks destined for another period of volatility?**

Investors in companies like Aphria, with stakes in the U.S., will obviously see enhanced risk over the course of this review. We must also balance the statements from the CSA, which seem to suggest that companies need simply divulge investments that breach U.S. federal law to satisfy the regulator.

This is not the first time cannabis stocks have been wracked by this threat. If anything, a conclusion of the review should bring some much-needed clarity to a market plagued by uncertainty due to conflict caused by Canadian recreational legalization.

### **CATEGORY**

1. Investing

### **TICKERS GLOBAL**

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

### **PARTNER-FEEDS**

1. Msn
2. Newscred
3. Sharewise
4. Yahoo CA

### **Category**

1. Investing

### **Date**

2025/08/25

### **Date Created**

2017/10/19

### **Author**

aocallaghan

default watermark

default watermark