



## Did Canopy Growth Corp. Stock Trade Contrary to Popular Opinion Last Week?

### Description

Investors may have anticipated a rally in **Canopy Growth Corp.** ([TSX:WEED](#))(NYSE:CGC) stock on May 24, as the eldest-listed Canadian cannabis company's equity units debuted trading on the New York Stock Exchange, but there wasn't to be as much joy for its investors as there was for **Cronos Group Inc.** ([TSX:CRON](#))([NASDAQ:CRON](#)) investors when it listed on the NASDAQ market in February.

Cronos Group stock rallied as much as 36% in its first week of trading the NASDAQ, as American investors welcomed a marijuana listing on a major U.S. exchange for the first time ever, and it was to be expected that a similar move by the world's biggest pot company by market capitalization could produce similar results.

Unfortunately, this was not to be.

Canopy's common equity units did not rally on their maiden trading day on a U.S exchange. The valuation went south instead, and their trading price closed 6.2% lower on the TSX. Recovery attempts were not fruitful on the following day either, as the CGC ticker closed down 4.1% on the NYSE on May 25.

### Should this be surprising?

While a downward trend on Canopy stock was not something to be anticipated after making a major move to the NASDAQ, the failure to take off as new institutional and individual investors take positions on a previously inaccessible stock may not be that surprising.

As [previously discussed on](#) March 13, Canopy common equity units have been too broadly traded, and the company has enjoyed so much investor awareness since it debuted trading as the first listed marijuana stock, the first cannabis play to list on the main TSX exchange — a major North American exchange — and the first marijuana play to be included in the S&P/TSX Composite index — a major performance benchmark for most Canadian institutional money managers.

Given the above background, there was much to gain for Cronos investors due to the added publicity

and accessibility to U.S. investors, as the company listed its equity on NASDAQ, but the same could not be anticipated for Canopy units.

Canopy shares recorded some valuation gains since the company announced its application to list on the NYSE on May 14, and some investors may have bought the rumour in anticipation of selling the news when the shares finally started trading on the NYSE, hence the potential selling pressure on Canopy's maiden trading day in New York.

That said, we can't isolate the effect on Canopy's valuation due to the NYSE listing plans, as there were some several other announcements affecting valuations during the period to May 24.

### **Investor takeaway**

While marijuana plays are mostly speculative trades, cannabis investors should never bank on rallies fueled by trading environment changes alone; betting on fundamentals growth makes for a sound investment play on the nascent industry.

Cronos Group was venturing into more the limelight when it listed in the U.S., while Canopy has been basking in the same since it debuted trading on the TSX, became included in a major world equity index, all the while being the largest marijuana stock by market capitalization in the world, thus giving the company high investor market exposure.

We cannot therefore anticipate that Canopy's valuation will rise as high as that of Cronos Group upon a U.S. listing. However, the units are trading higher today, as investors price in the announcement made on Sunday, that the company was awarded its 10th cannabis production licence.

### **CATEGORY**

1. Investing

### **TICKERS GLOBAL**

1. NASDAQ:CGC (Canopy Growth)
2. NASDAQ:CRON (Cronos Group)
3. TSX:CRON (Cronos Group)
4. TSX:WEED (Canopy Growth)

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