



TMX Group Ltd. (TSX:X) Hits All-Time High in June: Is it Time to Take Profits?

Description

TMX Group Ltd. ([TSX:X](#)) operates cash and derivatives markets, including the Toronto Stock Exchange, TSX Venture Exchange, and others. Shares of TMX are up 21.8% in 2018 as of close on June 22. The stock is up 22.9% year over year.

The stock has experienced a significant rally since the release of its first-quarter results. In the report, TMX Group pointed out that Canadian equities trading volumes had increased 23% year over year in the first quarter of 2018. Volatility was also up from the prior year. The TSX Venture posted a 24% increase in volumes year over year, while the TSX reported a 5% drop.

Volatile market conditions also hurt capital raising in the first quarter of 2018. Total financing dollars on the TSX plunged 34% year over year, and the total number of financings fell 12%. There was a 26% increase in the number of initial public offerings (IPO), but a 46% decline in IPO financing dollars raised compared to the previous year.

Higher volumes in Canadian equities markets were a positive for TMX Group in the first quarter. Revenues rose 21% from Q1 2017 to \$111.5 million, and net income rose 33% to \$63.1 million. Adjusted earnings per share climbed 20% to \$1.34. The largest segment increase in revenues was in Global Solutions, Insights, and Analytics, this was due to the bump from the Trayport acquisition in December 2017 as well as a jump in subscription revenue and growth from usage-based quotas and feeds.

Is TMX Group still a buy this summer?

TMX Group generated some excitement when it announced its [foray into the cryptocurrency market](#). This is unlikely to be welcomed from other providers like Coinsquare, however, especially with [Bitcoin and other cryptocurrencies](#) being hit with big losses over the past month. TMX Group launched the service through its Shorcan Digital Currency Network subsidiary.

This made big news, but the cryptocurrency market is still minute compared to the other exchanges the company hosts. TMX Group released data on financing and its equity exchanges for May 2018 earlier this month.

Volumes in all TMX Equities Marketplaces were down from May 2017, while the dollar value of transactions was up by a little under \$6 billion. Daily volumes were down by over 40 million as well as daily dollar values. TMX Group reported year-to-date volume increases of 1%, and transactions were up 7.1% from the same time in 2017. Volumes were down 4.8% year to date on the TSX, while dollar values and overall transactions were up 3.3% and 5%, respectively.

As far as financing was concerned in May, new issuers listed experienced a 3% decline on the TSX year to date, while IPOs were up 5%. Market Cap Listed Issues were up 4.1%. The TSX Venture saw a 112% jump in new issuers listed, and IPOs soared by 150%. However, IPO financings raised were down 62.3% year to date compared to the same period last year.

TMX Group continues to report promising activity in spite of a choppy first half of the year for Canadian equities. The Canadian stock market has historically performed well in the latter half of years, but investors may want to wait for a pullback with TMX Group hovering around all-time highs in late June.

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