

Why Cronos Group Inc (TSX:CRON) Has Been Soaring

Description

Cronos Group Inc ([TSX:CRON](#))([NASDAQ:CRON](#)) got a big boost in share price this week after rumours began swirling that **Altria** was looking at buying the cannabis company.

While details are limited and no one wants to say anything just yet, it wouldn't be the first time that the company behind Marlboro was involved in these types of rumours. A few months ago, Altria was [linked](#) to **Aphria Inc** and expectations were that it would make an investment in the company.

However, with Altria appearing to move on from that and with no news regarding the two companies since, it may be safe to assume that nothing will come of those rumoured discussions.

Similarly, investors should exercise caution in assuming a deal with Cronos will take place, as these rumours are nothing new for Altria. Spun-off company Phillip Morris even downplayed any interest in the cannabis industry.

We've seen in the past how rumoured deals can create a lot of excitement around a stock. But many deals have not materialized into anything, and only a few [big](#) ones have been made thus far.

We've witnessed many companies try to distance themselves from the emerging cannabis industry, as many don't see the industry as a fit for their brand, as it's not a good move just yet with the U.S. still a long way away from legalization.

What does this mean for Cronos investors?

As tempting as it may be to believe that a deal with Cronos and Altria might be imminent, investors should ignore these rumours and wait for something more tangible to come out. Discussions are just that, and there have been many involving the industry already, this is just an example of one that appears to have leaked out.

It's understandable why investors would be excited, as a partnership or even investment from a big company not only acts as a vote of confidence, but also provides a lot of cash flow to fund further expansions.

The danger is buying Cronos at these elevated prices, which now have expectations of a deal priced into them. If the deal ends up falling through or nothing ends up happening (as with Aphria), Cronos stock could end up giving back all of those gains.

Marijuana stocks have been struggling as of late, but this news has allowed Cronos to buck that trend, rising more than 20% during the past week.

Bottom line

Marijuana stocks can be very fickle and even rumours can send share prices up or down very quickly.

Investors should rely on press releases or official statements from the companies involved, as anything else could artificially and temporarily inflate a price that could be due for a correction later.

While there might be legitimate interest from Altria to purchase Cronos, the company may not be willing to pull the trigger until cannabis becomes legalized across the U.S. and it could still have discussions with other cannabis companies as well.

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