



The TSX 30 Effect: Pot Stocks Bounce Ahead of Cannabis 2.0

Description

The TSX 30 made its inaugural announcement September 26, recognizing the 30 best-performing stocks on the TSX in terms of share price appreciation over the last three years. The dominant performance of key pot stocks on the list led to a [midweek bounce in the Canadian cannabis market](#) combined with underlying bullishness in anticipation of the legalization of additional product classes.

The immediate effect of the TSX 30 was mixed

While pundits had been quick to seize on the fact that cannabis producers fared extremely well in the inaugural announcement, it took the market itself a few days to catch up. The TSX 30 seemed to have a mixed effect initially, likely combining with increasing market uncertainty to signal some investors to sell rapidly maturing assets. However, the general effect proved positive by the end of this week, with notable producers bouncing.

A case in point is **Canopy Growth**, the most likely frontrunner in the race to leadership in a stabilized cannabis market. The announcement that it had topped the list of fastest-maturing stocks, racing ahead with a massive 1,823% rise over the past three-year period, may not have helped initially.

However, the blame for the deepening Canopy Growth sell-off at the start of the week doesn't lie solely with its TSX 30 win. Investors had already been reacting negatively to the news of September 18 that GTEC, a B.C.-based cannabis company focusing on exotic cultivars, had cancelled the purchase of one of Canopy Growth's cultivation facilities for \$13 million. The news had led to a two-week slump.

Pot stocks eventually bounced on the good news

Eventually, the combined effect of a slow-burning boost from its TSX 30 win with a perceived value opportunity led to Canopy Growth's share price ricocheting Friday: its stock was up 6% at the time of writing.

Aphria also began Friday on a positive note, bouncing by +4% after spending the week overall

negative by more than 6% following the TSX 30 announcement which placed it sixth among the market's best performers.

While pinpointing which stocks had matured fastest may have been a rash move in a market twanging with risk, the dampening effect was short-lived: **Village Farms**, slumping at the end of September, joined in the pot stock bounce this week, gaining +6% as it headed into the weekend, while **Shopify** was also up by more than 5%.

Shopify technically counts as a reduced-exposure play in the weed space due to its position as the state-chosen online point-of-sale system, while pot stock fans are probably well aware of Village Farms's [meteoric rise on the TSX](#).

Cannabis investors may have noted that all three of the top spots in the TSX 30 were held by actors in their favourite sector, with Shopify and Village Farms taking second and third place, respectively, behind Canopy Growth.

The bottom line

At the start of the week, it seemed the TSX 30 announcement was doing little to alleviate Canopy Growth's woes. However, the positive news and a perception of deepening value saw Canopy Growth lead the delayed bounce in the cannabis sector that now looks set to continue into next week.

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