



## Here's Why These TSX 30 Pot Stocks Are Tanking

### Description

There was notable turbulence on the TSX this week, with gold continuing last week's rally with headwinds from renewed anxiety in the markets. Surprisingly, though, there was another sector that bounced alongside gold last week: legal cannabis. Behind the recovery of some stocks in both sectors last week, there may have been a common cause: the [announcement of the TSX 30](#).

The inaugural initiative set up to showcase the 30 fastest-growing companies in terms of share price appreciation since 2016 was notable for the inclusion not only of high-momentum miners but also of four well-known cannabis stocks. The list showed just how much the green stuff has come to dominate Canadian investing over the last three years.

However, the shine has quickly worn off, with all four stocks down this week. Let's look at three that have been hit the hardest.

### Where are they now?

The number one stock on the TSX 30, **Canopy Growth** was already slumping when its big win was announced. Whether by direct correlation or through pre-existing downward momentum, the stock dipped even further. While Canopy Growth bounced towards the end of last week, this week it's negative by an average of 11.85% at the time of writing after a big change to its board of directors.

**Village Farms International**, though it seemed to enjoy an initial boost from the extra exposure, also suffered from the vulnerability of the market to increased uncertainty and plunged this week on news of the sale of \$25 million worth of common shares. On the plus side, the sale will give Village Farms greater corporate maneuverability in the long run — though on the negative side, its stock has now shed more than 22% this week.

**Aphria** made the sixth place on the list. However, at the time of writing, its stock was down by 15.6% and still falling after another Canadian cannabis company, Aleafia, decided to scrap a supply deal with Aphria. Big numbers were involved with 175,000 kg of cannabis set to have changed hands. The deal would have accounted for 10% of Aphria's target output.

However, with Cannabis 2.0 just around the corner, Aphria has an opportunity to switch tracks and divert its efforts into an expanded array of cannabis asset types. Indeed, the news could be a blessing in disguise, allowing Aphria to maneuver in a [quickly changing economic environment](#).

The announcement of the TSX 30 has had a somewhat mixed effect on the cannabis sector. With all the cannabis stocks that made the cut now tanking, it seems the initiative has had little overall effect, except perhaps signalling overvaluation in a market twanging with risk. Throw in some big names tanking on management changes and outlook withdrawals, and you have one depressed sector.

## The bottom line

Will supply issues and a lack of joined-up thinking in the mergers and acquisitions department leave the Canadian cannabis space with a harshed vibe by this time next year? It's certainly looking as though pot stocks are a high-risk investment at the moment, though whether Cannabis 2.0 can change their fortunes remains to be seen.

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