



## 3 Warning Signs Canopy Growth (TSX:WEED) Investors May Have Missed

### Description

As the saying goes, “Keep Calm and Carry On Holding.” However, as last week’s disastrous sell-off in cannabis shows, risk is going out of fashion pretty fast at the moment.

Driven by daily injections of fresh uncertainty, largely from the U.S. but also from global economies such as Europe and amid worsening localized tensions elsewhere, investors have been rushing to sell off their riskier assets.

Indeed, the cannabis sector just keeps getting [pummeled by bad news](#), with leading brands continuously rattling investors with troublesome headlines. Cannabis investors have been shedding shares in droves, with **HEXO** ([TSX:HEXO](#))(NYSE:HEXO) stock losing almost 40% of its value last week and dragging a risk-riddled sector down with it.

And it wasn’t just HEXO – other big names in the cannabis space were also adding plenty of fuel to the fire. **Aphria** lost a deal, while **Village Farms** announced a significantly discounted sale of shares — not to mention several developments regarding **Canopy Growth** ([TSX:WEED](#))(NYSE:CGC)...

### Legal wranglings with a Nevada hemp company

Investors may have missed a beat last Tuesday when Canada’s arguably most famous cannabis company went toe-to-toe with Nevada hemp grower Go Farm Hemp.

The U.S. outfit is suing Canopy, while Canopy swiftly filed its own lawsuit against Go Farm Hemp. While the full story has yet to emerge, the legal action centres around a bad crop, missing payments and advances that were misspent.

While investors may not need to pay much mind to the case, it’s just more headline fodder at a time when cannabis stocks need a boost rather than a deepening comedown.

The numbers are not insignificant, either: Go Farm Hemp’s \$1.9 million federal suit may be a drop in the eventual ocean of cash that the legal cannabis sector will command, but at this moment in time, it’s

enough to make an investor sit up.

## Sale of an Australian asset

Again, it's not something that should necessarily spook an investor in and of itself, but the fact that Canopy is selling off assets may be a note of concern in the orchestra of risk currently playing across the **TSX**.

**AusCann Group Holdings** announced that Canopy had ditched its whole 13.2% stake in the Australian medical pot company in one fell swoop. What may be notable is that the stake was still being increased in June.

## Naming Constellation Brands CFO as chairman

By now, most cannabis investors either invested in or keeping an eye on Canopy are probably aware that **Constellation Brands** CFO David Klein is now chairman of the board. This further cement Constellation's control of the cannabis grower, in which Constellation owns a 38% stake with the option of boosting ownership to a full 50%.

## The bottom line

I signaled a [HEXO sell-off alert a week ago](#), and since then the cannabis sector has gone from bad to worse. While HEXO investors would need to have nerves of steel to carry on holding the stock, should Canopy shareholders keep their iron in the fire?

Canopy is still on track as an industry leader, so investors may want to stick to their long positions – and even consider doubling down on value.

### CATEGORY

1. Cannabis Stocks
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1. NASDAQ:CGC (Canopy Growth)
2. NASDAQ:HEXO (HEXO Corp.)
3. TSX:HEXO (HEXO Corp.)
4. TSX:WEED (Canopy Growth)

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