



Let's Toke Business

The Commerce of Cannabis

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Week Ended September 29, 2023

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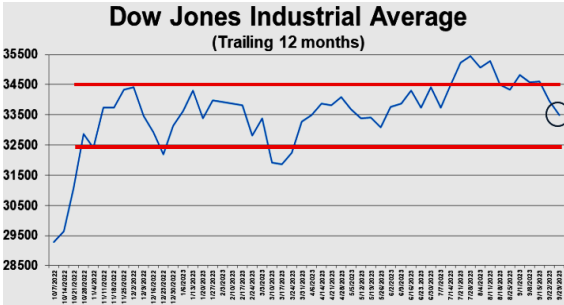
If you would benefit from additional input on timing your buys and sells, subscribe to the paid version of this called "The Cannabis Report" written by Let's Toke Business author Ted Ohashi and hosted by InvestorsHub in Europe. For a monthly subscription, or a discounted annual subscription click [Subscribe Here](#).

Next weekend is Canadian Thanksgiving so our publication date will be bumped forward to October 10, 2023.

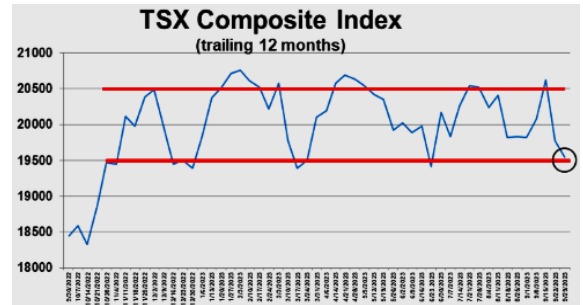
Stock Market Review & Outlook

LTB MARIJUANA INDEX: 1wk -0.8% 1 mo -5.2% 3 mo -11.2% 6 mo -26.7% 1 yr -44.5%

At the start of the month, I warned that September has been the worst month of the year for stocks on average. September 2023 was the worst month of 2023 with the Dow Jones



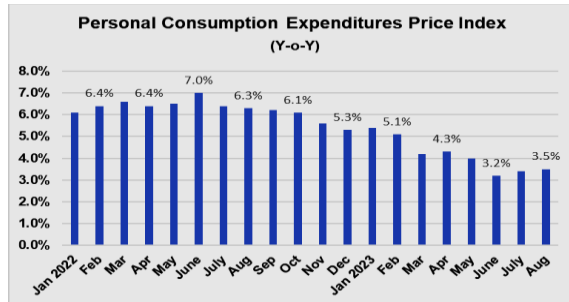
Industrials down -3.5%, the S&P 500 -4.9% lower and the NASDAQ Composite off -5.8%. The Toronto Stock Exchange Composite Index



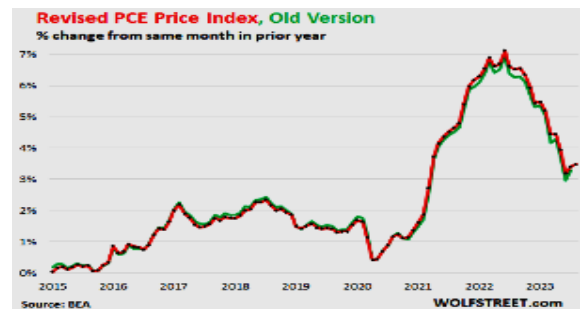
lost -1.0%. The news in the U.S. last week was the funding shortage and a possible Government shutdown due to a restriction in the amount of debt the country can add. I had commented on this a week earlier and pointed out that this event had taken on a predictable pattern. First, there is the politicking and grandstanding. Then there is the very real apparent threat of an actual shutdown. Then we have the politicians telling us how hard they are working to ensure the government doesn't shut down. Finally we have the eleventh hour settlement that enables the government to carry on. This time, Congress passed a vote on Saturday evening just hours before the deadline. However, this is a stopgap measure that funds the government for 45 days until November 17, 2023. If the market bounces back on Monday, it will suggest investors were reacting to the threat of a government closure.

As the red lines in the charts above show, the markets continue to trade in a relatively narrow channel. The Dow is close to the middle of the channel which gives it more room on the downside before we can conclude that trend has broken down. The TSX is much closer to the bottom of its trend that means it bears closer watching.

One issue that makes the typical economists life miserable is the dreaded revision of data. The Personal Consumption Expenditures Price Index has taken on a new importance since the Federal



Reserve admitted it is their preferred inflation measure. The latest report shows the PCE has been moving upward for the past three months



on a year-over-year basis as shown in the chart above left. But at the same time the Bureau of Economic Analysis revised the index as shown in the chart above right. This was not a revision of data. It is a change in the index itself. What this shows is inflation has been underreported over the years on average. Although the changes are not statistically that significant, we know the stock

markets moved sharply up or down depending on whether the PCE Index was higher or lower than expected by one-tenth of one percent.

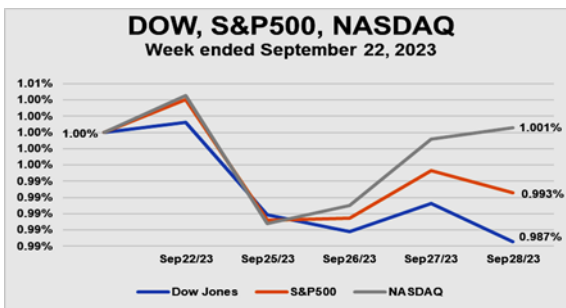
It is also worth noting that adjustments happen all the time. Usually, it is a matter of data collection.

These revisions were the result of changing the reference year from 2012 to 2017 to incorporate the results of the 2017 Economic Census. In each case the revision was for the worse which means at the time the data was originally reported, it

U.S. Gross Domestic Product					
	As Reported		As Revised		Revision
Q1 2020	-4.60%		-5.30%		Worse
Q1 2021	6.30%		5.20%		Worse
Q1 2022	-1.60%		-2.00%		Worse

gave us a picture of the U.S. economy that was actually better than it really was. The typical economist will tell us that their job is hard enough without being able to count on the accuracy of data.

The chart bottom left shows how the indexes performed last week with the Dow and S&P500 lower and the NASDAQ able to eke out small gain. With the PCE reported on Friday morning and

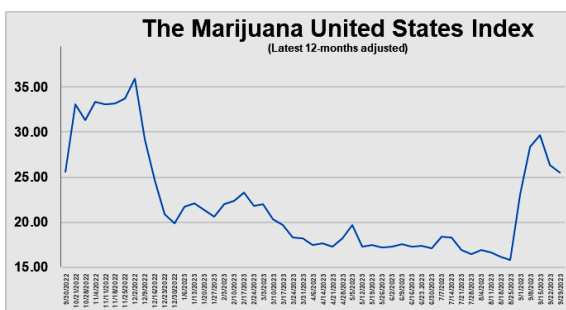


the government funding resolution agreement reached on Saturday evening, the markets did not have much time to register an accurate response.

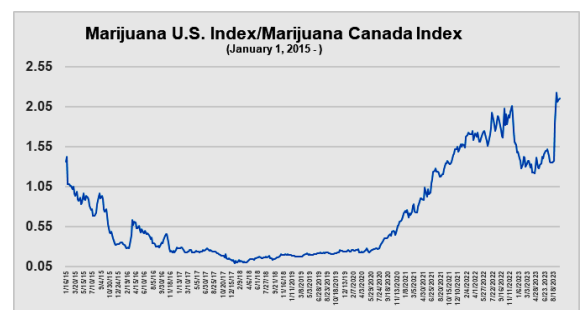


I think early trading next week will be more important than usual, the markets are still moving higher so a move up early net week will indicate a rally getting underway. If the market gets off to a weak start, that will be indicative of one more leg lower.

The cannabis stocks are pausing after a strong rally in the last week of August and first half of September. We used to describe it as “backing and filling” that is taken from a sailing term that



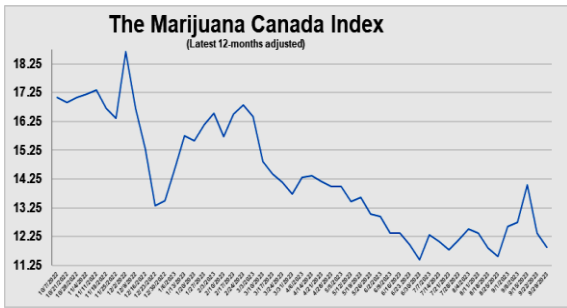
means to alternatively fill and empty the sails of wind. In investing, it means the market runs ahead and pauses while events catch up.



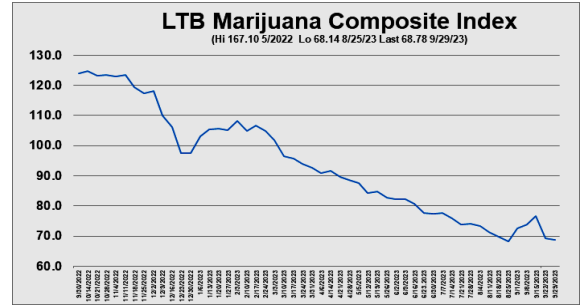
Meanwhile the Secure and Fair Enforcement Regulation (SAFER) Banking Act continues to move forward. On Wednesday, SAFER was passed by the Senate Banking Committee by a rather underwhelming vote of 14-9 which is just a fraction over the 60% it will need to carry the entire Senate. Schumer is yet to schedule a Senate vote but he has said words to the effect that he will bring it to the floor as soon as possible.

Many months ago, as Charles Schumer, Cory Booker and Ron Wyden blocked SAFE Banking time after time, I warned about the political consequences that could come into play. One of these is a House that is now controlled by the Republicans. There is every reason to believe SAFER will pass the House which has the lower 50-50 hurdle but looking ahead there needs to be a Senate vote with approval pretty much assured followed by a House vote.

The underperformance of the Canadian operators compared to their U.S. counterparts becomes clear. The charts above show the U.S. operators correcting back from levels much higher

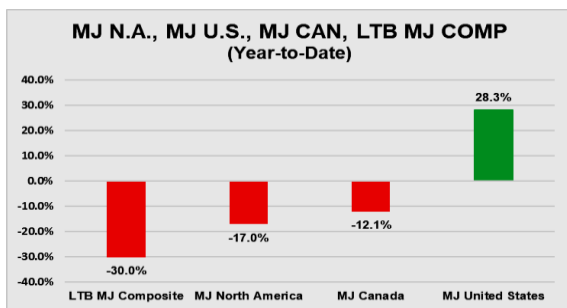


than they were at in late August 2023. As these charts show, the Canadian operators have corrected from much lower levels and

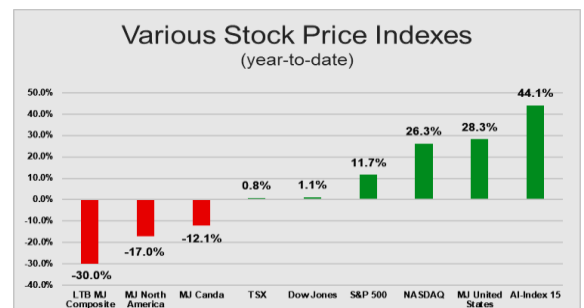


are now almost back to their post rally levels. One factor is how quickly some of the Canadian operators moved to finance. Canopy Growth jumped at the chance to sell units at US \$1.09 per unit. On August 28th their stock was trading at US \$0.39 per share and by September 11th, CGC closed at US \$1.69 per share. In nine trading days, the stock had more than quadrupled. On September 18th, CGC announced their stock sale. On Friday, CGC closed at US 0.78 per share. Similarly with Aurora Cannabis. On August 28th, ACB closed at CA \$0.60 per share and September 15th it closed at CA \$1.33 per share. This was a rise of 2.2 times in thirteen days. On September 28th, ACB announced the sale of 46.25 million shares at CA \$.73 per share. ACB closed Friday at CA \$0.79 per share. These transactions timed very well with the start of the correction in Canadian cannabis stocks. It also related closely to the high in the U.S. cannabis sector.

The chart below and to the left shows the correction in the past two weeks has brought three of the four marijuana stock price indexes back into the red on a year-to-date basis. The U.S. index re-



mains firmly in positive territory. I expect the U.S. good news we are expecting legislatively impacts the



American operators the most. The chart to the right looks at a broader list of indexes. It shows the Artificial Intelligence continues to lead the way by a wide margin followed in close order by the MJ United States operators and the NASDAQ Composite. After the recent correction, the Toronto Stock Exchange and the Dow Jones Industrials are barely keeping their heads above water in 2023.

Conclusion: It is interesting to watch the trading in **Lexaria Bioscience (NASDAQ: LEXX)** recently. As I pointed out, the shares performed very well a week ago following its announcement to pursue a diabetes application for its technology. The stock was up +7.5% during a very poor week for

the markets in general. Last week, LEXX announced a private placement with a single healthcare-focused institutional investor for gross proceeds of \$1.6 million. LEXX stock was up on the day of this announcement that was also unusual and positive. Next, if we remember the NASDAQ rule means a listed company will not be in compliance if it trades below \$1.00 per share for 30 consecutive days. This is the rule that has led to companies reverse splitting their shares to get back over \$1.00 per share. The stock closed last week at US \$0.9999 per share. I don't know if the NASDAQ rounds up to decide if a stock trades for 30 days below \$1.00 per share which would start the thirty day counter over again. If it does not, then LEXX is about as close as you can get. So keep an eye on LEXX next week. **Predictmedix AI (CSE: PMED) (USOTC: PMEDF) (FRA: 3QP)** is in India as we speak so I think we will have a another couple of weeks without much news. To the extent that this keeps the stock price close to be \$0.10 per share or lower, it has created a buying opportunity, in my opinion. If we have another day like last Friday, which saw the stock dip to \$0.085 per share, you should be ready to jump in with both feet to take advantage of such rare opportunities. Until management returns later this week, you should buy the dips in PMED. **1933 Industries (CSX: TGIF) (USOTC: TGIFF)** seems to have developed consistent buying in the \$0.02 to \$0.03 per share range. Again, with TGIF I would buy the dips. If you see the stock in the \$0.02 to \$0.03 per share range, I would add to positions. **Organigram Holdings (NASDAQ: OGI) (TSX: OGI)** and **Jushi Holdings (CSX: JUSH)(OTCQX: JUSHF)** are behaving more or less as expected. JUSH as an American operator has risen more off its lows and is still up over 2X off its late August lows. OGI, as a Canadian operator, had a smaller bounce off its late August lows and is trading back close to its late August price. I didn't have the opportunity to speak with with Alvaro Torres, CEO of **Khiron Life Sciences (TSXV: KHRN) (OTCQX: KHRNF) (Frankfurt: A2JMZC)** but I will do so this week.

Question of the Week

Thank you for sending in your questions and I hope you will keep them coming. It's your questions that keep this feature interesting and useful. Send your questions to: ltbletter@gmail.com Include your initials or a pen name we can use along with your city and country of residence. Questions will be edited for clarity and brevity.

The objective of the 'Question of the Week' feature is to allow readers to ask questions about investing about investing that is on their minds rather than have me guess what you are wondering about.

The Cannabis Report Model Portfolio

The two largest holdings are **1933 Industries (CSX: TGIF)(USOTCQB: TGIFF)** and **Predictmedix AI (CSX: PMED)(USOTC: PMEDF)(FRA: 3QP)** while **Lexaria Bioscience (NASDAQ: LEXX)** and **Khiron Life Sciences (TSXV: KHRN) (USOTCQX KHRNF) (Frankfurt: A2JMZC)** remain prominent holdings. The two smallest positions are **Organigram Holdings (NASDAQ: OGI) (TSX: OGI)** and **Jushi Holdings Inc. (CSX: JUSH) (USOTCQX: JUSHF)**. Cash is around 17%.

Special Report

As we are going through historic times in the U.S. cannabis industry, I think it is important to follow each development for the record and to gain a better understanding where this is all leading. The major development last week came on Wednesday, September 27th when the Senate Banking Committee passed the Secure and Fair Enforcement Regulation (SAFER) Banking Act by a mote

of 14 – 9 which is just a fraction over the 60% needed to carry the entire Senate. The Senate Majority Leader Charles Schumer is yet to schedule a vote but he has said words to the effect that he will bring it to the floor as soon as possible. Here are some thoughts to keep in mind.

1. Chairman Sherrod Brown (D-OH) says he does not anticipate “many amendments” when the bill reaches the floor. Senate Majority Leader Charles Schumer (D-NY) says he will add language on state-level cannabis expungements and gun rights for medical cannabis patients but this has probably been discussed with committee members who are ready to accept these amendments. Chairman Brown has said:
 - There will likely be a few “minor” changes when the bill reaches the floor.
 - “...we’ll pass it (SAFER) decisively.”
2. Senate Majority Leader Charles Schumer, who effectively blocked House attempts to pass the SAFE Banking Act last year has said:
 - “I intend to bring the SAFER Banking Act to the Senate floor with all due speed....”
 - “...with SAFER Banking moving through the committee in such a strong, bipartisan way, I believe now is the time to get it done.”
3. One change that is being proposed as a new bill by Senators Cynthia Lummis (R-WY) and Steve Daines (R-MT) called Deferring Executive Authority (DEA) Act notes that SAFER Banking only protects state-legal marijuana operators. The DEA Act will ensure changes such as rescheduling cannabis from Schedule I to Schedule III must have congressional approval. This will prevent current and future administrations from attacking individual legal businesses such as firearms manufacturing and sale without such changes being approved by congress.
4. There will be cannabis opposition but the powers that be will have ensured the sixty votes required will not be impacted. Given Chairman Brown’s statements, the vote is not likely to be close. The House that passed the SAFE Banking Act seven times was Democrat controlled and now the Republicans have a small majority. So this could be problematic although the House only requires a majority vote.

Conclusion: Again, because cannabis has been in the news so much, investors may be underestimating the importance of these developments. I think the developments of last week more or less assures passage of SAFER Banking through the Senate. That leaves passage in the House as the remaining hurdle. I said many times in the months leading up to the midterm elections that passage of the then SAFE Banking Act should be dealt with while the Democrats controlled the White House, the House and the Senate. Because that did not happen, we are in the position of being at least a little bit in doubt. The House has passed SAFE/SAFER Banking legislation seven times in the past and I think it will pass again this time but its no longer the sure thing it was pre-midterms.

The markets are sorting themselves out as expected. In late August and early September, it was the U.S. cannabis sector that led the way higher with Canadian operators riding their coattails. When companies like Canopy Growth and Aurora Cannabis jumped to issue stock to raise money, the Canadian sector stalled out. The Cannabis Report that I produce for iHub features a cannabis model portfolio where the U.S. operators (1933 Industries and Jushi Holdings) have a 45% weighting and the Canadian operator (Organigram Holdings) is at 5%. Both sectors have been consolidating over the past two weeks but I expect to see another rally between now and Christmas.

Marijuana Matters

When a new industry gets underway, the disbelievers predominate. Think of the buggy whip manufacturers resisted the introduction of the automobile. The reason is parallel to the reason why there are so many naysayers at the start of a new bull market. The explanation with a new technology such as Artificial Intelligence is in the early days, only a small (but rapidly growing number of people) have even heard of it let alone understand its potential. But as the technology grows, more and more people see and understand its benefits. Of course, the larger the potential overall benefit, the longer it takes to fully comprehend. The same is true of a new bull market that starts as the market hits its bear market low. A stock market cycle low happens because at that moment, a maximum number of investors are negative on the outlook for stocks. That is what puts the market at a cycle low. As more and more people recognize the economy is improving and earnings will be rising, the higher the stock market goes.

As with any race, a good start is important. In the world of AI, the “aha” moment started with the introduction of Chat Generative Pre-trained Transformer, better known as ChatGPT. According to Wikipedia, it is a chatbot that can develop a conversation to a desired length, format, style, level of detail and language. A chatbot is a computer program that can simulate a human conversation. In other words, ChatGPT can create a conversation that is virtually indistinguishable from humans talking and it can also create written articles or media posts, for example. ChatGPT reached 100 million active users in two months. This was 4.5X faster than the next consumer technology application, TikTok.

Another way to look at it is a commonly accepted target for the AI industry is \$15 trillion in a decade. We are at the point where trillion is taking over from billion in terms of large numbers but we don't understand how much bigger a trillion really is. For example, one billion seconds is 31 years and 8 months. A trillion seconds is 31,688 years. One billion minutes is 1,902 years while one trillion minutes is 1,900,000 years ago. Consider the difference in billions and trillions in terms of distance. One billion inches is 15,783 miles (25,400 kilometres) or about 63% of the distance around the earth at the equator. One trillion inches is 15,782,828 miles (25,400,000 kilometres) or 634 times around the earth at the equator. All of this is to say one trillion is much larger than one billion and AI is not close to over. It is close to taking over.

How does AI's 15 trillion compare with other sectors you may have invested in. For example, it would make AI 10X larger than the crypto currency market and over 50X larger than the electronic vehicle market. In other words, AI is going to be much larger than the commonly accepted high growth sectors we are familiar with. Much larger. Perhaps larger than the average person can imagine. In the fullness of time, I think we will look back on AI and 2023 and laugh at ourselves for not seeing how pervasive this technology has become.

As a result, when I think of **Predictmedix AI (CSE: PMED) (USOTC: PMEDF) (FRA: 3QP)** I see a fantastic opportunity ahead. Management is currently in India which has created a dip in the news flow and the share price. I think this will be made up for in the days and weeks following their return. So many investors say, in effect, “Let's wait until they return and listen to what they have to say.” That

is a strategy equivalent to “buying on history”. What you should do is take advantage of today’s lower prices so that you will be in a position to profit from when management returns.

Cannabis Quickies

Sometimes, being an investment analyst is like being a detective. You’re looking small clues that others have missed. Each clue brings you closer to the solving the case you are working on. Such is the case of **Lexaria Bioscience (NASDAQ: LEXX)**. Last week, I pointed out that LEXX shares performed very well following its announcement to pursue a diabetes application for its DehydraTECH™ technology. The stock was “only” up +7.5% during a very poor week for the stock markets in general. Many investors “missed” the fact that LEXX’s performance was actually very positive given the circumstances.

This past week, LEXX announced a private placement with a single healthcare-focused institutional investor for gross proceeds of \$1.6 million. LEXX stock was up on the day of this announcement. I don’t know the last time I watched a small cap, cannabis-technology company announce a financing with the stock closing up on the day.

Not only that, LEXX shareholders are a little confused and concerned about the delay in the Investigational New Drug (IND) application. After seeing this investment, a question I would ask is would a healthcare-focused institutional investor commit \$1.6 million if they were concerned about the IND application delay? That was also unusual and positive. Next, if we remember the NASDAQ rule means a listed company will not be in compliance if it trades below \$1.00 per share for 30 consecutive days. This is the rule that has led to companies reverse splitting their shares to get back over \$1.00 per share. the stock closed last week at US \$0.9999 per share. I don’t know if the NASDAQ rounds up to decide if a stock trades for 30 days below \$1.00 per share which would start the thirty day counter over again. If it does not, then LEXX is about as close as you can get. So keep an eye on LEXX next week.

Conclusion: Despite the fact that **Lexaria Bioscience (NASDAQ: LEXX)** has encountered a delay in its Investigational New Drug (IND) application, the Company continues to show the market it is undervalued at current levels. At a price of US \$1.00 per share, LEXX’s market cap is just over US \$8 million which I think is a gross undervaluation for a company with so many prospects. Again, as the chart shows, the stock has traded down since the financing fiasco early in the spring of 2023. The clues I have identified and reported to readers indicate there is quiet accumulation of the stock at current levels. At current levels I would much rather join the buyers than participate with any sellers.



Applications Watch

Health Canada issued no new licenses last week for an adjusted total number of licenses of 969. Over 40 public companies are LPs or own an interest in one or more LPs. For a complete list of LPs and related information, Ctrl-Click [\(here\)](#)

(For a free copy of this newsletter or to have your name removed or to contact us with feedback, industry and corporate news, email ted@letstoke.biz)

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