

Let's Toke Business

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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](#).

Looking at the calendar and the holiday period, we will not publish a letter for the week ended December 22, 2023 unless there is a report that justifies publication. That means the last report for 2023 will be for the week ended December 15, 2023 (next week) and the next letter will be for the period ended December 29, 2023 due to be published on January 2, 2024.

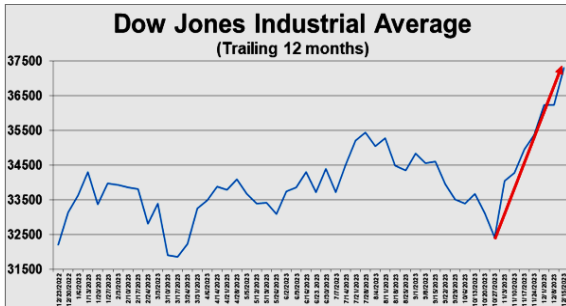
Checking the calendar, we will not publish a letter next week which means our next letter will be out in 2024. I wish you, your family and friends a wonderful Christmas holiday season and a happy new year. Thank you for your continued support and I look forward to publishing our letter again next year which will be our tenth!



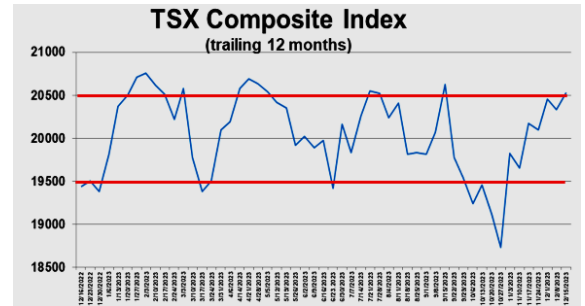
Stock Market Review & Outlook

LTB MARIJUANA INDEX: 1wk -3.5% 1 mo -5.2% 3 mo -22.3% 6 mo -29.0% 1 yr -46.0%

The large cap markets moved in lockstep into record high ground following an interpretation that the the final Fed Open Market Committee (FOMC) meeting for the year. The fact is it was the



Dow Jones that broke out into record ground as the chart to the left shows. The Federal Reserve commentary and written forecasts

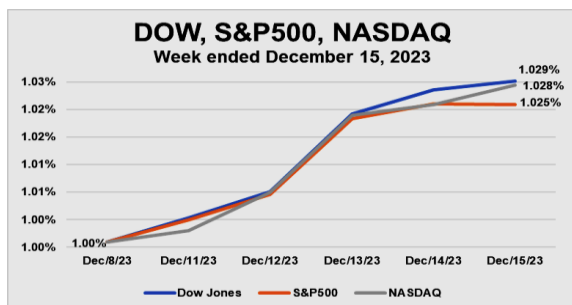


led the markets to conclude that we are now looking at rate declines in 2024. The analysis actually led some economists to speculate that this Fed has succeeded in manipulating a “soft landing” or even a “no landing” through their efforts to date.

I have been in the markets for too long to believe everything could possibly be that simple. We still have some \$9 trillion in budget deficits over the past four government fiscal years to work through that I think could still provide another bump up in inflation. Still from a market point of view, I don't care about that. My approach is to take what the market is telling me. Predicting turns in the markets or the economy is an attempt to pick the absolute highs or lows that no one has been able to do. What I have seen is that trends in the market do tend to last for longer periods of time and the sooner we are able to identify those trends, the better. Right now, the stock markets are headed higher that could be an inflation in stock prices caused by too much money chasing too few stocks. In any event, I have more on this below.

Again I remind you that last year at this time, 60% of economists were forecasting a recession in 2023 and most of the rest were expecting a slowdown. We are well advised to forecasts with a grain of salt. I think there is more value added by identifying the flow and going with it. It reminds me of an old market saying that was coined so long ago that most of you don't even understand the term “tape.” The adage is “Don't fight the tape.” This means it is better to invest with the flow than against it.

As the chart below left shows, it was a week in which investors acted in common. This too is a reason for concern but not just yet. The chart below right shows that 2023 will likely be down as an

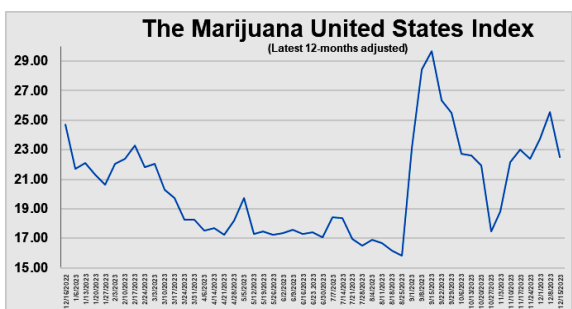


above average year for stock market investors. The Dow (8.7%), the Standard & Poor's 500 (6.5%) and the NASDAQ (10.4%) are all

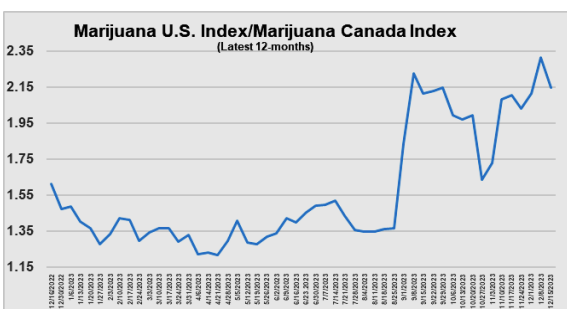


running well above their long term average return shown in brackets above. I provide a more detailed assessment below but my conclusion is "Don't fight the Bloomberg terminal." The markets are trending higher so go with the trend.

The U.S. marijuana sector checked back as I see evidence of tax loss selling coming into the markets. Sometimes tax loss seller don't dump the stocks they want to get rid of, they sell the stocks

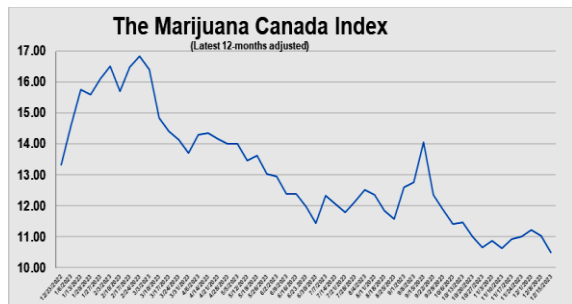


they can. In this cycle, that would be the large, more actively traded U.S. operators. Again, smart money will be watching for

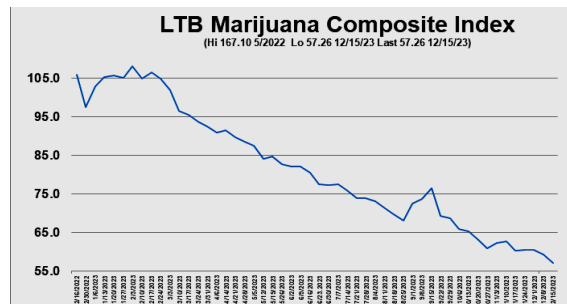


buying opportunities created by the tax loss sellers. This means trying to turn last year's losses into next year's gains. As I will not be publishing until tax loss selling season is over, I think the opportunities to watch for in this sector are **1933 Industries (CSX: TGIF) (USOTC: TGIFF)** and **Jushi Holdings (CSX: JUSH)(OTCQX: JUSHF)**. I think the buy point on TGIF could well be where it is now. At \$0.015, the stock is very attractive and if it gets to \$0.01 per share, where it has traded this year, TGIF just screams to be bought. I suggest JUSH at \$0.50 to \$0.60 per share is an easy buying range if it should get there. I suggest putting in bids below the market because it is Christmas time for many of us and attending a seasonal social event could result in a missed opportunity.

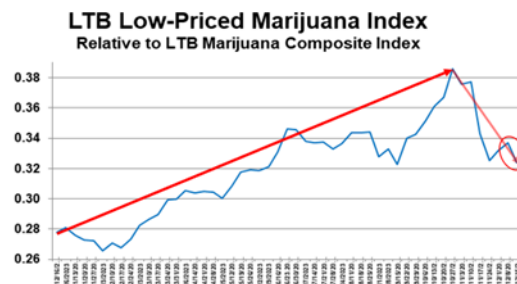
The Canadian cannabis stocks lost more ground last week as I see clear signs of tax loss sell-



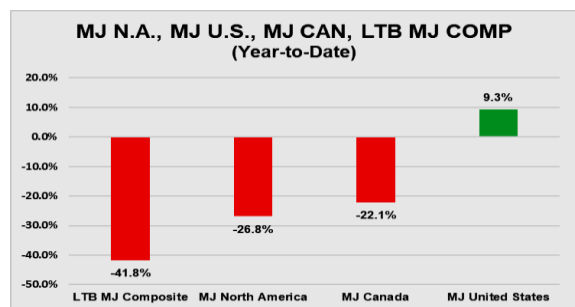
ing. The Marijuana Canada index dipped -5.1% while the Let's Toke Business Marijuana Composite lost -3.5%.



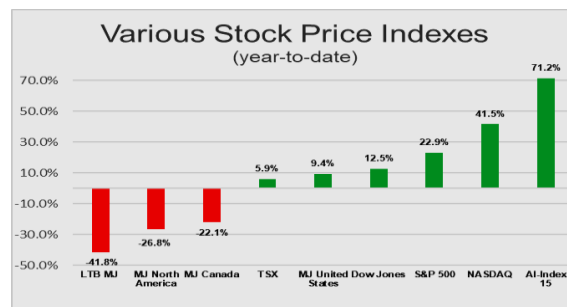
The sell off was triggered by Canopy Growth's announcement of a 1 for 10 rollback of their stock that shook the market's confidence. One clearer sign to me is the -7.2% decline in the Let's Toke Business Low Priced Index that measures the performance of cannabis stocks trading under a dime. This is a graph that I haven't shown often but it has an important message today. It plots the Low Priced Index relative to the LTB Marijuana Composite, that is, as it rises to the right, it shows the low priced stocks outperforming the group on average which it has been doing over most of the year to date. Starting about a month ago, the low priced and by inference the riskier cannabis stocks started to suffer from some selling pressure that accelerated last week. This to me points out some prospects for tax loss buying. **Predictmedix AI (CSE: PMED) (USOTC: PMEDF) (FRA: 3QP)** is the stock that comes immediately to mind. PMED has been dipping into the \$0.04 range and if it goes there or lower again, It would be a major opportunity to tax loss buy this stock.



The chart below left shows the year-to-date (y-t-d) returns for the cannabis indexes. The notable change is the declining performance of the stocks in the U.S. sector. The MJ United States Index is still



positive but it has backtracked in recent weeks. In the chart to the right we can see it was passed by the surging Dow Jones Average.



The other point worth making is the artificial intelligence group as measured by the AI-15 Index is now up over 70% year-to-date range. The index has also reached a new high since inception in 2019. I see this as another reason to tax loss buy **Predictmedix AI (CSE: PMED) (USOTC: PMEDF) (FRA: 3QP)**.

Conclusion: Lexaria Bioscience (NASDAQ: LEXX) is also a candidate to buy on any weakness in the next two weeks. The stock is in an ideal position for nimble investors. Having traded down from higher levels early in the year, tax loss selling opportunities exist. At the same time, there are many reasons to buy LEXX as I have outlined in recent weeks. My thinking is a purchase under U.S. \$1.25 per share could turn out to be a highly profitable, short term trade. As I mentioned above, **Predictmedix AI (CSE: PMED) (USOTC: PMEDF) (FRA: 3QP)** is also an opportunity waiting to happen. I have made the case for Artificial Intelligence being a trend with decades of growth ahead and the AI-15 Index hitting a new high simply confirms my expectation. Watch for buying opportunities before year end. PMED is a buy and tax loss selling could provide a situation that makes it a better buy. **1933 Industries (CSX: TGIF) (USOTC: TGIFF)** is already trading at levels that I think make it a super buy. I continue to favour TGIF at current levels for long term, aggressive growth investors. **Jushi Holdings (CSX: JUSH) (OTCQX: JUSHF)** and **Organigram Holdings (NASDAQ: OGI) (TSX: OGI)** remain my picks for the

U.S. and Canadian markets. I have a detailed update from Alvaro Torres, Chief Executive Officer of **Khiron Life Sciences (TSXV: KHRN) (OTCQX: KHRNF) (Frankfurt: A2JMZC)** that provides some hopeful developments.

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 might 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.

"I've been a subscriber since 2017 and value your analysis, even after losing \$14k on Sunniva. I understand that was a blindside attack that killed Dr. Holler's company and you couldn't foresee it but your information and due diligence on Dr. Holler's operation of his companies seemed to have missed the details of the financing of the glasshouse construction that led to the foreclosure. It made me wonder if he was totally forthcoming with you in order to instill your confidence in him.

I fear the same situation may be brewing with Khiron and your confidence in Alvaro Torres. With the recent legislation proposed (and then recently halted by the senate) regarding adult use legalization in Colombia, I am concerned about the future of the company, since its a medical-only operation, and as has happened in other instances, legalized adult use will undermine the medical side, probably to its demise.

Question is: Will the legalized adult use in Colombia spell the end for Khiron? Do they have a plan for pivoting to adult use sales if and when it becomes legal? You are basically the only source of info about Khiron, so many of us depend on your insights.

MS, Long Beach, CA, USA

To fully answer these questions, I connected with Alvaro Torres, Chief Executive Officer of **Khiron Life Sciences (TSXV: KHRN) (OTCQX: KHRNF) (Frankfurt: A2JMZC)**. I was pleasantly surprised to note an improvement in operating conditions. KHRN is not out of the woods yet but things seem a little more hopeful than the last time I touched base. M.S. mentioned Sunniva as well and I address this comments here as well.

Dr. Holler did not withhold information about the situation. However, back in the day we had a few discussions about the arbitration proces. Sunniva's interests were well represented by Dentons US LLP, a well-regarded legal firm in the United States. I can recall one discussion in particular along the lines of "Since the O.J. Simpson trial, everyone knows that you can never predict with certainty how a jury or panel will rule." I can say with confidence that Dr. Holler did not try to make a purse out of a pig's ear. He was always optimistic but realistic at the same time and we both knew that losing the case was

one of the possible outcomes from day one. In the end, Dr. Holler thought Sunniva's subsidiary CP Logistics had a good case and Denton's thought so too as they took on the case. However, the arbitration panel found against them and that was that.

The Khiron situation is quite different in my opinion. In this case, KHRN's purchase of a German manufacturing and distribution company, Pharmadrug GmbH, was announced in May 2022. At about the same time, there was a federal election in Colombia in May 2022 that required a runoff election in June 2022 in which the left wing candidate was elected. As part of their planning, KHRN decided to switch over to Pharmadrug in the second half of 2022. This would result in a period of revenue disruption in European operations but that was manageable. The Black Swan event was the new government decided to review the national health insurance payment system and put a hold on all payments to the service providers for an indeterminant period of time. This meant virtually all of KHRN's revenue in the second half of 2022 was unexpectedly cut off or negatively impacted by a planned management decision. This combination was not manageable.

Finally, the straw that broke the camel's back was the disappointing result of Canaccord's best efforts financing that raised only \$690,000 as reported on April 4, 2023. Initially, the plan was to raise a few million dollars but poor market conditions and the financial difficulties of KHRN resulted in an unexpectedly poor response to the offering that was not disclosed to KHRN management until the last moment.

Alvaro Torres, CEO, has been very forthcoming about KHRN's challenges and the fact they have been in survival mode from the third quarter of 2022 to today. Torres is fully committed to saving what he can of KHRN and that boils down to Colombian operations following the sale of the European operations.

As far as legalization in Colombia goes, the most recent news is that on December 12, 2023, during a plenary session to pass legislation to regulate adult-use marijuana, an unexpected proposal was made to archive the bill which garnered sufficient votes to pass. Legalization supporters, including President Gustavo Petro, were clearly upset as it meant illegal sales would continue. An attempt to legalize cannabis in June 2023 had also failed. Medical cannabis that was legalized in 2016 and industrial hemp that was legalized in 2021 are not affected. The adult-use marijuana legalization process will have to start again in 2024 and it takes two years. This means full legalization cannot happen before 2026.

The status of recreational marijuana in Colombia is a semi-decriminalization. President Petro decreed that the fine for possession of small amounts of drugs was cancelled and the police are no longer allowed to make seizures of small amounts of drugs.

My view is that adult-use legalization is not a major concern for Khiron at this time. There are two reasons for this. First, I think it is Torres' hope that the government will now focus on getting the medical marijuana side of things working more smoothly. Second, as Torres has said in all of our recent conversations, he has his hands full trying to keep KHRN alive in the Colombian medical cannabis business. KHRN is still balancing on the precipice and failure is not yet out of the question. Should it come to that, my guess is that it will have had little or nothing to do with the failure of Colombia to pass legalizing adult-use cannabis.

For example, KHRN is actively working to ensure the language in legislation includes that the “robustness of medical cannabis coverage” is clarified. As it now stands, there are some differences of opinion of what is covered by the national health insurance plan. **The good news** is the delay in getting paid is down to around 30 days which is very helpful but there still needs to be clarification on what is covered and reimbursed. **The not so good news** is the government froze all payments as of October 2023 and started the 30 day payments on new business as of that date. KHRN is negotiating with the government on a substantial amount they believed is owed to them from pre-October 2023 payments.

Christmas is a very important period in Colombia so very little will happen between now and around January 10, 2024 when everyone gets back to work.

The House just passed a new health law that says payments will go directly from the government to the insurers. This must be passed by the Senate in March 2023 and then it must clear the courts and it will take some time for the changes to be implemented. If all of that happens, it will provide companies like KHRN with some breathing room but this is several months away assuming there are no unexpected bumps in the road.

At the present time, KHRN is selling around 1,400 medical cannabis units per month compared to 10,000 units in June so it is important to get these issues resolved as soon as possible. Today's sales have a high content of patients paying directly, some court ordered payments and some payments coming from insurance companies. So, again, it is important to get the language in the law sorted out.

In the meantime, Torres reports spending a lot of time dealing with the issues we discussed last time. KHRN continues to try to convince suppliers and banks to remain patient on receiving their funds and in the meantime, KHRN is trying to attract new customers for general medicine practice and mental health issues to lessen the clinics dependence on cannabis sales. This is not easy because it puts Zerenia in competition with some of its existing customers.

Cash is still very tight but Torres calculates that sales of 5,000 units per month will get them on a sustainable footing. This is positive in that it is only half of what they were doing but it is still a challenge because it is 3 – 4 times the sales they are doing now.

As to whether KHRN pivots to adult-use cannabis when it is legalized, here are my thoughts. KHRN remains in survival mode and two years is a long time. Whether KHRN has any interest in adult-use cannabis depends on where they are in their recovery cycle in 2026. Second, I think medical cannabis is far more attractive to KHRN in Colombia than adult-use cannabis. Again, it will depend very much on what is going on with KHRN at the time that will determine if they have any interest in adding adult-use cannabis to their medical marijuana operations.

Conclusion: the low point for KHRN was approximately one year ago and in the intervening time Alvaro Torres has been able to bring the business back to a point close to seeing light at the end of the tunnel. KHRN is not out of the woods yet. But compared to a year ago, the path ahead is becoming clearer. Thanks to Alvaro Torres' efforts above and beyond, shareholders may have a chance to get out of this pickle.

The Cannabis Report Model Portfolio

The two largest holdings are **Lexaria Bioscience (NASDAQ: LEXX)** and **1933 Industries (CSX: TGIF)(USOTCQB: TGIFF)** while **Predictmedix AI (CSX: PMED)(USOTC: PMEDF)(FRA: 3QP)** 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

A Glimpse Ahead to Large Cap and Marijuana Stock Performance in 2024

As this is our final newsletter until 2024, it is an appropriate time to discuss the market outlook mainly because I think we have reached a critical point according to my paradigm. Regular readers will be

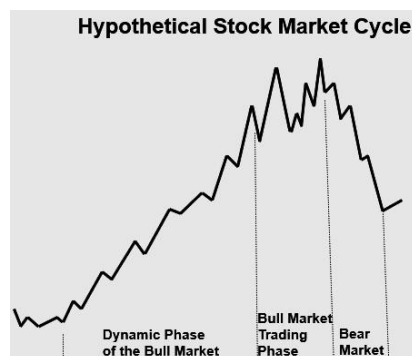


Figure 1

familiar with these concepts. **Figure 1** to the left lays out the hypothetical model I have developed for a complete stock market cycle over the years. It breaks the full cycle into three parts: (1) The Dynamic Phase of a Bull Market, (2) The Trading Phase of a Bull Market and (3) The Bear Market. **Figure 2** shows the cycle in its three parts a little more clearly.

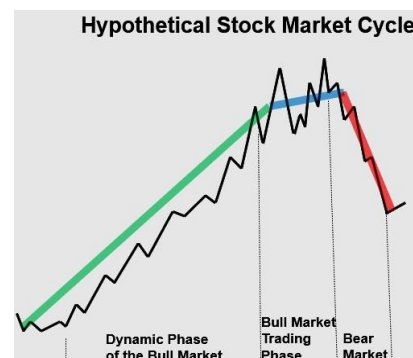


Figure 2

This is not a predictive model, that is, I am not trying to forecast where the market is going. Over the years, it has been established that market forecasting does not add value to the portfolio management process. In this approach, I try to identify the phase we are in. Since each leg has some duration, if we identify the stage we are in, we can set up portfolios for what is to come.

The most difficult part is identifying the transition points where we are moving from one phase to the next. That is where we are now. As illustrated in **Figure 1** above, a Bull Market is made up of the Dynamic Phase and the Trading Phase in which the market is generally rising whereas the Bear Market stands alone as a period of declining prices. The average Bull Market lasts around 33 months or 2.7 years. Of this total, the Dynamic Phase traditionally lasts longer than the Trading Phase. The average bear market lasts approximately 9.5 months or 0.8 years. As a result, the complete stock market cycle runs an average of about 42.5 months or 3.5 years. On a rule of thumb basis, a typical stock market cycle is said to be 4 years long made up of a 3-year Bull Market and a 1-year Bear Market. The Bull Market represents a little over 75% of a full cycle with the Bear market lasting a little less than 25% of the full cycle. As a result, investors often describe the stock market as three steps forward and one

step back or as Professor Burton Malkiel is reputed to have said, “The stock market is a random walk up a 9% grade.”

Another variable is the average Bull Market rises over +110% while the typical Bear Market declines around -36%. This relationship of Bull Markets reaching higher new highs and Bear Markets falling to lower new lows has been true for almost all of the past 100 years. That is why a long-term stock index chart such as the Dow Jones Industrials and the Standard and Poor’s 500 has always risen over time. What characteristics predominate in each of the stock market cycle’s different phases? The main difference is in the volatility and size of corrections in stock prices both up and down during each phase. In the Dynamic Phase of a Bull Market, stock prices are generally rising strongly. Because the Dynamic Phase is the longest of the three phases, there may be more corrections but they tend to be smaller; typically in the 3% to 5% range as shown in Figure 3.

As the cycle transitions from the Dynamic Phase to the Trading Phase, the volatility increases. In fact, this is the defining characteristic of a Trading Phase compared to the Dynamic Phase. In the Trading Phase, the corrections become much larger; generally, in the 5% to 10% range.

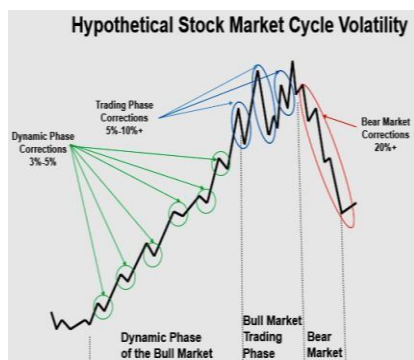


Figure 3

Finally, as we move into the Bear Market, the pattern changes again and becomes almost the direct opposite of the Dynamic Phase of the Bull Market. In other words, in a Bear Market stock prices tend to decline relentlessly with very minor and occasional rallies of 3% to 5%. A sign of the end of a bear market is an unexpected disaster such as a high-profile bankruptcy and investor capitulation, that is, a market that experiences a sharp decline on high volume, also called a selling climax. Such an event is not necessary for a bear market to end.

I reported that the Dow Jones Industrial Average (the Dow) hit its all-time high last week. Let’s take a look at what typically happens after the Dow hits a new high. The chart noted **Figure 4** shows what has happened over the previous 30 years. The black lines show how long it took for a new high to reach the level of the previous high. The record length of time for this to happen was following the Great Depression when it took the Dow from September 3, 1929 to November 23, 1954, or over 25 years to recover its post-depression loss. But as the chart shows, it is typically much shorter than this. The longest times for the Dow Jones Industrials shown in **Figure 4** are the four and one-half years required following the Dotcom bubble and the four years following the 2007 – 2008 Global Financial Crisis. The red lines on **Figure 4** shows the recoveries after the Dow has recouped its previous losses continue for long after.

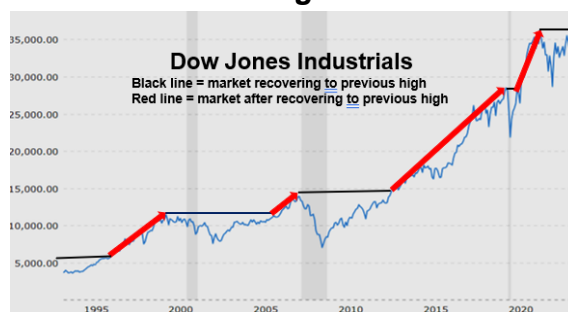
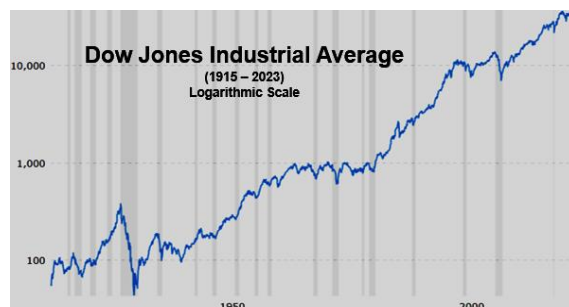


Figure 4

Here is a look at the long-term Dow chart. Two points to note. First, this chart is plotted on a different scale than the chart of the Dow above. The reason is this chart covers over a century of history and the data from a chart this long nearly eliminates the ups and downs for most of the early years. A logarithmic scale shows the rate of change in the data which gives us a more revealing picture to look at. What is critical is the chart steadily rises to the right. This is likely to happen with listed common stocks as long as the underlying economy keeps growing. The growth does not need to happen on a daily, weekly, monthly or yearly basis. As I mentioned above on rare occasions such as the Great Depression of the late 1920s and 1930s, the recovery of losses took as long as 25 years. But if you are a long-term investor, your return over a 30 or 40 or 50 year period should provide a return of close to the long-term compound annual average return of approximately 10.5%.



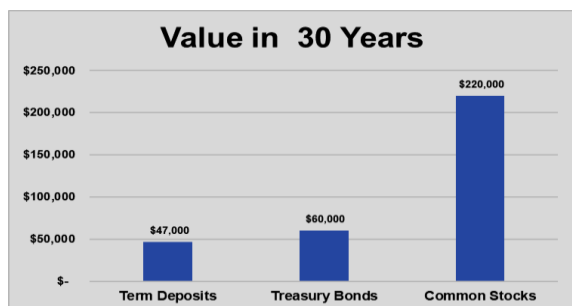
The economy can also help us identify the phase of the market. But this is not as easy as it might seem for reasons that are under discussion at present. Here are some of the issues:

- As we have seen of late, economic data is often published after the fact and is almost always revised six and nine months later. On the other hand, the stock market is accurate on a real time basis. If you receive a stock price quote, that is the price it was trading at a few seconds ago in most cases. That is why economic forecasts are not particularly valuable when used in relation to stock prices.
- The Federal Reserve Board tries to engineer or manage the economy from time to time. When it is attempting to move the economy higher or lower by moving interest rates lower or higher, investors hang on the Chairman's every word. This has been the case over the past two or three years. But this is not always the case. The markets can go years at a time in which the Federal Funds rate and the Fed Open Market Committee meetings are only of passing interest. It is sometimes said, "Investors see a trend and try to get on it. The Fed sees a trend and tries to change it."
- One issue for the past year or two is whether the Federal Reserve Board will be able to engineer a soft landing, that is, raise interest such that the economy slows enough to reduce inflation to the 2% range without slowing the economy so much we have a serious recession or depression. This was the self-imposed task the Federal Reserve and economists were quick to jump on board. The economic conversation addressed questions such as: how much will the Fed have to raise interest rates, when will the Fed be able to stop raising interest rates and when will the Fed be able to lower interest rates. Statistically, in the past century, two out of three bear markets have been associated with recession while one out of three were not. Another way of looking at it is through economist Paul Samuelson's comment that "the market has predicted nine of the past five recessions." In other words, the bear markets and recessions don't always go hand in hand.
- Perhaps the most egregious error in judgement not just in the U.S. but pretty much around the world was the spending binge justified by the need to offset the negative economic effects of the COVID pandemic. In the U.S. for example, the cumulative federal budget deficits in fiscal years 2020 – 2023 were \$9.0 trillion or 9X the federal deficit for fiscal 2019. At the same time, the Fed ran an expansive monetary policy by lowering interest rates and buying billions of dollars in treasury bonds on the market.

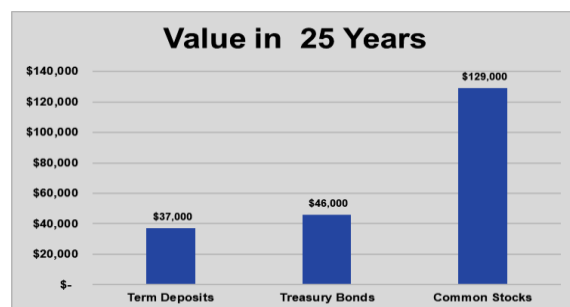
This also pumped dollars into the economy. With so much liquidity pumped into the economy from both fiscal and monetary policies, it is no wonder the economy remains stronger than expected. I also wouldn't be surprised to see the inflationary problem hasn't been totally resolved.

- The major economic lesson of the war in Vietnam is that fighting wars is inflationary. President Biden campaigned on the platform of keeping the U.S. out of "forever wars." This was similar to the policy of President Trump that was to force NATO members to pay their fair share of the costs and for the U.S. to stop trying to solve everyone else's problems. This was a promise Trump was able to keep and Biden wasn't. The U.S. is now engaged in supporting Ukraine against Russia, Israel against Hamas/Palestine, has made a commitment to support Taiwan if Russia initiates a conflict and the Philippines Defense Treaty with the U.S. could drag Americans into a dispute with China over islands in the South China Sea also claimed by Japan and South Korea.

At the end of the day, why do people invest in common stocks looking for that 10.5% long-term return?



The chart below left shows the amount you will accumulate at retirement if you invest \$1,000 per year for 30 years in a retirement



savings account and invest in term deposits at 2.5% per annum, treasury bonds at 4.0% and common stocks at 10.5%. This chart shows the value of earning the higher long-term return from investing in common stocks. The chart above right shows how much less you will have at retirement if you start saving five years later, in other words, the cost of procrastination is high. Starting five years later at \$1,000 per year means you will have \$91,000 less at retirement in common stocks. Get started. The sooner, the better.

Conclusion: On the basis of this information, I expect 2024 to be a positive year for common stocks. The returns might not be as high as 2023 but I think they will still be strong. It looks very much as if the economy will have a "soft landing" or even more likely a "no landing" in 2024. Based on the final Fed Open Market Committee (FOMC) meetings last week, the Federal Reserve has now built in three interest rate reductions for 2024. I will continue to measure the trends in the major indexes and the momentum. I am not into forecasting the markets as much as I am into letting the market tell me which phase it is in. I then apply the characteristics of that phase and act accordingly.

The chart to the right illustrates where we are in terms of the next cycle. There is evidence that we are not at the very bottom of the cycle. For example, the major indexes have already recovered well off the lows and are into new highs. In fact, the Dow Jones Industrials reached its new high last week. However, as I have shown on this graph, there should still be considerably more upside to the market moving forward from here.



As far as the cannabis sector is concerned, I can't think of any sector that has been more let down by the Democrats. In 2020, pro-cannabis voters supported President Biden and the Democrats at the polls. Leading candidates like Vice President Kamala Harris and Senate Health, Education, Labor and Pensions Committee Chair, Bernie Sanders made some strong pro-cannabis statements while campaigning but both have been very quiet on the topic ever since. As I have said, the destructive triumvirate has been Charles Schumer, Cory Booker and Ron Wyden that used the Senate to block the many attempts by the House Democrats to pass the pro-cannabis SAFE Banking Act.

With the next Presidential election less than a year away, it should be no surprise Republican support in the senate is much harder to come by. I first identified this as a possibility over a year ago. I'm not predicting my worst-case scenario is likely to happen but it is at least clearly possible and may even be probable. As a reminder here's how that goes. With the election now on the horizon, Republicans can smell victory and see no reason to pass pro-cannabis legislation in the senate before the election results are known. Even if they round up the necessary votes in the senate, since the 2002 midterms, the Republicans have regain control of the House so it might not pass that hurdle. In the 2024 election, the Republicans regain power and move cannabis to a lower priority. The recommendation from the Department of Health and Human Services (HHS) together with the Food and Drug Administration (FDA) reportedly recommended to the Drug Enforcement Agency (DEA) that marijuana be moved from Schedule I to Schedule III. But the DEA has been decidedly anti-cannabis reform. For example, they did not change marijuana away from Schedule I even though the FDA had approved drugs based on cannabis thus establishing medical applications. From the time President Biden asked HHS to review the Schedule I classification of marijuana, it took around ten months to get a response and this was considered light speed in terms of Government bureaucracy. Going into an election year, an unwilling DEA could stall for an additional two months that would carry the decision to the end of August 2024. Because marijuana could be a hot issue in the election, they might consider this too close to the election to make an announcement so they could wait until the spring of 2025 and if there is a Republican controlled congress, the pressure would be off to even make a change for some time after that.

I think the cannabis sector will continue to recover but to the extent that the new-found optimism is based on rescheduling before the 2024 election, there may be some risk especially if it becomes clear the Republicans are going to make further political gains.

Marijuana Matters

The Four-Year Presidential Election Cycle is a theory that suggests that the fixed 4-year United States election cycle produces a parallel 4-year stock market cycle. The theory was developed by Yale Hirsch in the Stock Trader's Almanac. Since it was first introduced, the description of the cycle has been refined and changed.

The general explanation relates to the Presidential Election Cycle in which the first year is called the Post-Election Year, year two is called the Midterm Election Year, year three is the Pre-Election Year and year four is the Election Year. In the current cycle, the Pre-Election Year is 2023 and the Election Year is 2024.

Year One or the Post-Election Year is typically the least productive stock market year of the cycle. The newly elected President is postulated to deal with the more unpopular changes at this time since the next election is 3 – 4 years off. The new President also deals with promises made to financial supporters early in the new term.

Year Two or the Midterm Election Year tends to be a recovery year as the new President addresses the changes of personal importance. However, voters are often disillusioned as they are not satisfied their wishes have been sufficiently addressed. Incumbent Presidents generally do not fare well in the midterms.

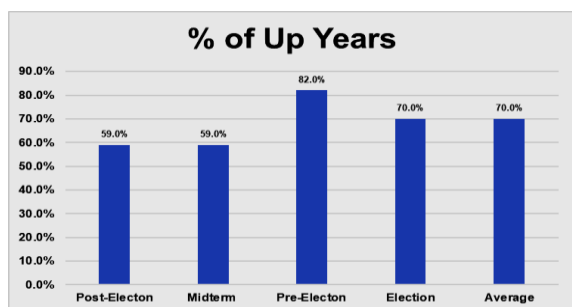
Year Three or the Pre-Election Year is most often the best stock market year of the four as the President gets the voter's message in the midterms and plans are put in place for re-election next year. Such an approach is normally very positive for the stock market. Statistical analysis of the four-year cycle indicate stock market strength in year three is the most consistent finding. Although there are still over two weeks to go in 2023, it is clear that this Pre-Election Year will match the established pattern.

Year Four or the Election Year in the current cycle could be an extraordinary year and one for the history books. I am not predicting these things will happen but they are possible:

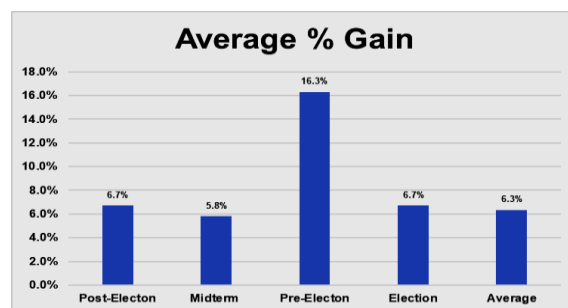
1. President Biden has a major health issue and cannot run in the election.
2. President Biden receives an adverse ruling in his association with son Hunter Biden and is buried in legal issue during the final few months of the campaign.
3. The Democrats believe a Biden/Harris ticket cannot win and try to make a change ahead of their convention.
4. President Trump has a major health issue and cannot run in the election.
5. President Trump has an adverse legal outcome and is in prison in the weeks leading up to and/or during the election.
6. President Trump loses the election that triggers civil unrest equivalent to a mini-American Civil War.

Assuming none of these oddball events occur in 2024, the Presidential election cycle tells you in the Election Year, the market has, on average, turned in the second best results. Of course, never forget you can drown in a river with an average depth of one foot.

Based on a study by Lee Bohl that covered the years from 1933 to 2015, the results look like this. Since this pattern was first noticed and began to be followed, the statisticians began to refine the process by



looking at the impact of an incumbent candidate losing and which party controlled the White House and Congress. A recent study by



U.S. Bank going back 75 years, found that two combinations produced above average stock market returns: Democrats controlling the White House while Republicans control both the House and Senate and Democrats controlling the White House and control of Congress split between Republicans and Democrats. The combination that produces below average stock market returns is a Republican White House with Congress fully controlled by the Democrats.

Another important question is “Does the President determine where the economy and stock market goes or does the economy and stock market determine who becomes President?” For instance, if the Standard & Poor’s 500 is up in the three months before the election, the incumbent President wins 87% of the time since 1928 and 100% since 1984. In effect, the stock market is a better indicator of who will be elected President than who is elected President predicts what the economy and stock market will do.

Conclusion: The Presidential Election Cycle stock market indicator is less effective today than it once was. That is why if people have an indicator of the market that actually works, they will not reveal it to the public at large. In the stock market, knowing what works and investing to take advantage of it will, over time, erode the usefulness of the indicator. I think the interesting finding to watch in 2024 is the performance of the market leading up to the November 5th presidential election. Starting on August 5th, if the market is higher, that will be a positive sign for Biden and the Democrats. But if the market starts to fall, that will be a good sign for the Republicans. We will be watching people vote with their money before they vote with their ballots.

Applications Watch

Health Canada issued five new licenses last week for an adjusted total number of licenses of 1,001. Last week, new licenses were issued to 12780739 Canada of Quebec for sale, 1402168 B.C. of British Columbian for cultivation and processing, BudNked Enterprises of British Columbia for micro-

processing, ECG HOLDINGS of British Columbia for cultivation, processing and sale and Manaa Brands of Quebec for micro-processing. 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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