Should You Add Shopify Inc. to Your TFSA With Shares Near All-Time Highs?

Description

Shopify Inc. (TSX:SHOP)(NYSE:SHOP) shares have been on an incredible run over the past year with an astounding ~140% climb. The company has seen subscriber growth gain momentum as investors across both Canada and the U.S. flock to the stock with the hopes of realizing even larger long-term gains. Everyone seems to be focused on the bull case right now, so if you are a buyer at these levels, you're following the herd — something Warren Buffett would advise against.

When it comes to high-flying tech stocks, the TSX doesn't really have much to offer compared to our neighbours south of the border, so many Canadians opt to get their growth fix from the NASDAQ exchange. Of course, there's currency risk since you need to swap your Canadian dollars for greenbacks, but for many Canadians, taking such a risk is necessary to get exposure to the best of what tech stocks have to offer.

Shopify is arguably one of the hottest stocks out there right now, but should you chase it near all-time highs? It has been building a nice moat for itself, and we've seen positive developments because of this moat in the form of partnerships with large key players in the e-commerce space.

Shopify's wide moat keeps getting wider

When Shopify hit the TSX, venturing to the U.S. was no longer necessary for Canadians seeking tech exposure, and many flocked to the stock, so a hefty scarcity premium quickly got baked in to shares. Shopify isn't profitable yet, but it's building its moat really fast in an intensely competitive market.

Just how wide is this moat, exactly?

It's so wide that **Amazon.com, Inc.** (NASDAQ:AMZN) chose to partner up with Shopify instead of compete against it with its Webstore platform. Yes, Amazon, the huge disruptor of many industries in the modern age, doesn't want to go against Shopify — at least not yet. Amazon is taking the good old philosophy of "if you can't beat them, join them."

Bottom line

The moat is huge, subscriber growth momentum is likely to pick up, and the best part is, Shopify is still in the early stages of its life, so there are many reasons to believe the best is yet to come.

Personally, I'm on the sidelines because I think the gravy train has already left the station at this point. There's still plenty of long-term upside, but there's also plenty of potential downside as well thanks to the huge amount of headline risk involved with owning shares.

Shopify is one of the brightest power plays on the TSX right now, but I'd be very cautious if you're thinking about initiating a position today. Prudent investors should wait for weakness, then consider investing the amount that they're willing to lose. Adding the shares to your TFSA would be a more aggressive approach, since potential losses can't be used to offset potential gains from a non-registered account.

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