



Why Is Shopify (TSX:SHOP) Hitting New All-Time Highs?

Description

Lost amidst the bullish start to 2019 is the meteoric rise of one of [Canada's tech darlings](#) – **Shopify** ([TSX:SHOP](#))([NYSE:SHOP](#)). It seems that almost daily, the company is hitting new 52-week highs and its stock price is up almost 43% year to date.

Outside of the concept that a rising tide raises all ships, Shopify has had a couple of positive catalysts recently.

S&P/TSX 60 Index

First, let's start with most recent development. On March 8, the **S&P Dow Jones** Indices announced changes to the **S&P TSX Composite Index** and the **S&P/TSX 60 Index**. Shopify was one of two companies that had the distinction of being added to the S&P/TSX 60 Index.

Why is this important? The main benefit to being included is the added liquidity it provides. There are many funds that track the Index and will be re-balancing to reflect the changes. As such, those who were added to the list usually benefit from increased buying activity. In the three days since the announcement, Shopify's stock jumped by approximately 7%.

Similarly, **Brookfield Infrastructure Partners** ([TSX:BIP.UN](#))([NYSE:BIP](#)), the other company added to the Index, also saw increased buying activity. Its stock jumped 5.10% the day after the announcement, and although it has retreated somewhat, it is still up by approximately 3%.

The key takeaway is that this was an under-appreciated event. The addition adds instant credibility and a whole new set of buyers who must hold the stock as long as it's on the Index.

Technical breakthrough

In the back half of 2018, Shopify was following a clear pattern. It would rise up to its resistance level of approximately \$215 before dropping to the \$160-\$170s range in the weeks that followed. This pattern

repeated itself a number of times. If you were a trader, you could have made some significant money trading in and out of the stock.

In early February, Shopify's stock finally broke through resistance. The next point of resistance was not until the \$235 mark, its previous all-time high. It didn't take long for the company to break through. As it neared its previous 52-week high, it posted better than expected quarterly results. That was the boost it needed to break through and achieve new heights.

The company is now in blue-sky territory, which is used to define scenarios in which companies break through up-end resistance.

I would caution investors however, that the company's stock may be due for a short-term pullback. This week it entered overbought territory and as of writing has a 12-day relative strength index (RSI) rating of 78. An RSI over 70 is typically a sign that the company's stock is overbought and could see selling pressure in the near term.

Foolish takeaway

Shopify remains best in class. It was one of my top [three tech stocks to buy in 2019](#) and I am still bullish on the company's prospects. There is no more reliable tech stock on the TSX. It has beat analysts' estimates in every quarter since it went public and has one of the highest expected growth rates on the TSX. Its stock may look expensive, but there is a reason. The sky's the limit for Shopify.

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