



## Is Shopify's (TSX:SHOP) Stock Unstoppable?

### Description

If you haven't been following, **Shopify** ([TSX:SHOP](#))([NYSE:SHOP](#)) has been on fire. After breaking through resistance in early February, the company's stock has been setting new highs almost daily.

Year to date, Shopify is up 55% and yesterday it closed at \$291.67, another record high. The stock is now within [striking distance of \\$300](#), double where it was a year ago.

So much for Citron Research's short thesis. It appears that its bearish views are now being ignored, [with good reason](#).

### Technical breakout

At the heart of Shopify's recent success has been a technical breakout. As mentioned, the company blew through previous highs and resistance this past February. It entered blue-sky territory. There was, and still is, no telling just how high Shopify's stock can soar.

Despite touching new highs, don't expect the company's stock to come crashing down anytime soon. All of its moving averages point to bullish momentum, and from a technical standpoint, the company is a strong buy.

Are you thinking its overbought? Think again. The company's 14-day **Relative Strength Index** (RSI) is currently below 70, which indicates that it is neither overbought or oversold. It is in neutral territory.

From a technical standpoint, there is nothing standing in Shopify's way.

### Strong performance

Shopify is arguably the top technology stock on the **TSX Index**. Since it went public in 2015, the company has beat on both the top and bottom lines in each reporting period. That's 15 straightquarters of outperformance by defying analysts' expectations.

It is therefore not surprising that Shopify's stock has returned almost 200% annually since going public.

The best part about its strong performance is that it is expected to continue well into the future. Analysts expect the company to grow earnings by 62% annually over the next five years. Given its propensity to beat expectations, it's likely these estimates are on the low end.

## High valuation

Perhaps the only thing that can slow the company down is its sky-high valuation. As of writing, it is trading at 22.58 times sales and 11.51 times book value. This is above the company's historical averages and well above industry averages.

## Foolish Takeaway

From a technical standpoint, Shopify still has some room to run. At some point however, the company's valuation will turn away even the most bullish of investors. At that point, shareholders can expect a slight pullback and some consolidation.

It's likely that any pullback will result in a correction (10%+), as the company's stock price tends to be highly volatile. Don't panic and don't sell. If anything, use any correction as an opportunity to average up.

Don't be scared away from its high share price. There are plenty of stocks which have soared past \$300 and reached quadruple digits. **Amazon** ([NASDAQ:AMZN](#)) is the poster child of these types of high-growth companies. Is Shopify Canada's Amazon? It is certainly trending that way.

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