

Why The Trade Desk Stock Fell 24% in September

Description

What happened

Shares of **The Trade Desk** ([NASDAQ: TTD](#)) were moving lower last month after the programmatic advertising specialist got swept up in a broad-based sell-off of high-flying cloud stocks. As a result, Trade Desk shares finished the month down 24%, according to data from [S&P Global Market Intelligence](#).

As the chart below shows, the stock fell consistently over the course of the month as a number of factors prompted investors to back away from stocks like The Trade Desk.

So what

Although there was no company-specific news out on Trade Desk last month, there were several reasons for its slide. First, the stock came into the month having already doubled since the beginning of the year, and was therefore one of a number of software-as-a-service stocks that the market seemed to believe was overvalued. Trade Desk shares plunged on Sept. 9, when a wide range of [cloud stocks dropped](#) after earnings reports from some cloud companies seemed to come up short of the market's lofty expectations.



Image source: Getty Images.

Another factor that seemed to be weighing on The Trade Desk and other high-flying stocks was [the collapse](#) of The We Company's IPO, as the office-sharing company abandoned plans to go public over concerns about corporate governance issues and wide losses that led many investors to believe that its business model was unsustainable.

Unlike WeWork, Trade Desk is solidly profitable, but the stock still carries a lofty P/E ratio at 60, meaning it's vulnerable to these kinds of valuation-based sell-offs.

Now what

The Trade Desk has gained modestly through the first week of October, a sign that last month's headwinds may have passed. The company continues to put up strong growth and is benefiting from a number of secular tailwinds, including the growth of digital advertising, the opportunity in [connected TV](#), and the advantages of using the kind of scalable cloud-based platform that Trade Desk offers.

Over the long term, last month's sell-off will hardly matter, but it's a reminder that even the strongest growth can fall sharply for little fundamental reason.

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