



Shopify Inc (TSX:SHOP) Stock: A Perfect Time to Sell?

Description

For investors in Canada who still own **Shopify Inc** ([TSX:SHOP](#))([NYSE:SHOP](#)) shares in their stock market portfolios, now may be the perfect time to sell the stock.

It's best to sell today while Shopify is at an all-time high and possibly miss out on some returns than feel even more remorse later when the stock falls.

On Thursday, the stock closed at \$489.61 — a nearly \$500 share price on a company with a profit margin of negative 8.97%.

Even if Shopify stock continues to fly to \$1,000, smart investors shouldn't go anywhere near this company. Owning Shopify at the current market value is like playing a rigged game of hot potato with billionaires.

The stock is overheating, and the blowout will likely ruin the humble retirement portfolios of many otherwise financially stable Canadians.

Shopify is a perfect example of irrational exuberance. Irrational exuberance is overconfidence in an asset's returns, which distorts prices beyond what's reasonable.

Former U.S. Federal Reserve Board Chairman Alan Greenspan coined this phrase during the dotcom bubble of the 1990s. The most widely cited example of irrational exuberance is the Tulip Mania of 1637, when futures contracts on tulip bulbs soared on strong demand and subsequently crashed.

Political connections fuel stock market prices

Shopify is distinct because Founder and CEO Tobias Lütke boasts deep political connections in the Canadian government.

The father of Lütke's wife, Bruce McKean, is a former civil servant in Canada who served with Global Affairs Canada in India, Thailand, and Egypt. Global Affairs Canada is a government organization

promoting the nation's international trade interests in foreign countries.

After working in the Canadian government, Bruce McKean began working on the board of sustainability initiatives for education and metal mining, where he no doubt built an even larger professional network inside and outside of the Canadian government.

Canada is no different than many sovereign states in that who you know is vital to raising capital. Bruce McKean no doubt gave Shopify a robust professional network and financial acumen built over a 30-year career in government and business.

In part, it may be Lütke's father-in-law who is to thank for the 130% surge in the stock price over the past 52 weeks. It's widely known that Bruce McKean was a strong supporter of Lütke from Shopify's inception and an early board member.

Whatever the reason for Shopify's current overvaluation on the TSX, Canadian investors should use caution when holding onto shares at such high prices.

Shopify stock will continue to be volatile

It won't happen overnight. Still, the bottom will fall out of this bubble eventually when shareholders realize that Shopify's dream of becoming Canada's **Amazon** is nothing but good public relations.

Even Amazon didn't reach Shopify's current market capitalization of \$50.70 billion until 12 years after its initial public offering at the end of 2009.

Shopify will continue to be volatile for the next few years, and will slowly start to lose some of the market gains from this year at the expense of overly exuberant shareholders.

The winners will likely be the rich and powerful insiders like Lütke, McKean, and company executives who can gain more immediate compensation in the form of salary and stock options while the company runs a loss.

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