



Shopify (TSX:SHOP) Stock Is on an Absolute Tear

Description

The TSX has started to rally. Even though it's still over 10% down from its year-to-date value, it is recovering. If we compare its progress to the S&P 500, the S&P/TSX Composite Index is lagging just 1.5% behind. The three main engines that are driving Canada's stock market out of the slump are material, IT, and consumer discretionary sectors.

The leading role of the material sector is understandable, as a substantial part of it is made up of gold companies, and they were the fastest to recover. But IT, which represents only 7% of the overall weight of the TSX index, has also performed exceptionally well. Within the sector, the starring role goes to **Shopify** ([TSX:SHOP](#))([NYSE:SHOP](#)).

Shopify and tech sector

The Capped Information Technology Index has rallied back about 41% since its lowest point during the crash. It's already 13% up from its start-of-the-year value. And while almost all the 16 constituents of the index showed great resilience, then recovery, the bulk of recovery was carried by Shopify.

The company has the largest weight by market cap in the index. Its capitalization is more than the rest of the stocks (in the tech index) put together. By sheer virtue of its weight, Shopify has the power to sink the sector or help it soar. Thankfully, in this situation, Shopify's explosive recovery helped the IT sector and, by extension, the TSX in getting back on their feet.

The effect would have been more pronounced if it weren't for the still down energy and financial sector.

The stock

Shopify's stock grew over 93% in the past one-and-a-half years. It's already trading at 67% higher than its start-of-the-year value. This sharp rise in the market value is fueling the IT sector's recovery and growth. Currently, the stock is trading at \$888 per share, but if it continues like this, the stock may top \$1,000 per share [price before long](#).

Currently, Shopify is used by over a million businesses from 175 countries in the world. That's six times growth in its consumer base from May 2015, when about 165,000 businesses were using this platform. The company already has a powerful business model and an amazing platform, but it hasn't run out of growth yet. Despite being a highly oversold stock, Shopify, as a company, has the potential to grow even further in the coming years.

The e-commerce landscape is expected to grow for several more years. In 2020, global e-commerce sales are expected to top US\$4.2 trillion, and it can grow over US\$6.5 trillion by 2023. As a key player in that market, Shopify might be one of the front liners to benefit from that growth. The company is also leveraging its decade worth of accumulated data to improve its platform even more.

Foolish takeaway

It would be too presumptuous to say that Shopify is single-handedly tipping the scales in favour of TSX. But that fact is, that after **Royal Bank**, Shopify is the most valuable stock currently trading in the market. Even at its overpriced stage, the company is attracting investors, and many people believe that it's still a [millionaire-maker stock](#).

CATEGORY

1. Coronavirus
2. Investing
3. Tech Stocks

TICKERS GLOBAL

1. NYSE:SHOP (Shopify Inc.)
2. TSX:SHOP (Shopify Inc.)

PARTNER-FEEDS

1. Business Insider
2. Msn
3. Newscred
4. Sharewise
5. Yahoo CA

Category

1. Coronavirus
2. Investing
3. Tech Stocks

Date

2025/07/03
Date Created
2020/05/06
Author
adamothonman

default watermark

default watermark