



Why Did Shopify Stock Just Jump 12%?

Description

Canada's greatest tech stock, indeed one of the strongest names on the TSX, has jumped 12% in the last five days. The cause? The announcement of a retail partnership that could reshape the e-commerce space and potentially reorder the tech stock hegemony. As **Shopify** ([TSX:SHOP](#))([NYSE:SHOP](#)) and **Walmart** ([NYSE:WMT](#)) plot the overthrow of online retail together, let's delve into the background.

A major growth trend

Shopify stated Monday, "Starting today, Shopify merchants across the U.S. will be able to apply to sell through Walmart.com. If approved, they'll be able to connect their Shopify store to their Walmart Seller Account, enabling them to quickly and easily sync their product catalog and create product listings on Walmart.com."

It's sometimes useful to take a macro view of the markets, especially during times of great economic change. Society is undergoing a [profound shift in consumer behaviour](#) — one that was already emerging before the pandemic. Digitalization was sweeping the tech and entertainment sectors, with names like Shopify and **Netflix** reshaping entire industries almost single-handedly.

Today, we have two very clear examples of how the pandemic has poured gas on the digitalization thematic. Shopify has nailed the [e-commerce megatrend](#), which has found its place in the locked-down consumer marketplace. Netflix is one of the only American stocks to remain positive during last week's sharp Thursday selloff. As a stay-at-home stock, Netflix reigns supreme.

Social media has also benefitted from the lockdown. As one of the main sources of interpersonal connection during the imposed social-distancing rules, names like **Facebook** have seen their economic moats materially widened. Investors eyeing Shopify should note that Facebook is also now a key partner of the e-commerce growth machine with an option for merchants to craft shopfronts across the two platforms.

This week, we have further examples of how market forces are further strengthening these two trends.

Shopify's deal with Walmart shows just how disruptive the online shopping name has become to the retail industry. Meanwhile, the ruptured **Cineworld–Cineplex** deal illustrates the extent to which the entertainment industry has been chewed up by social distancing.

A gravity-defying stock?

But back to Shopify; to decipher the legitimacy of its claim to the e-commerce throne, we need to turn to **Amazon** ([NASDAQ:AMZN](#)). The Bezos-fronted online behemoth is the shared nemesis of both Shopify and Walmart. To gauge whether there's any real threat to Amazon's business model, one early indicator might be investor sentiment. Sure enough, a skim through the NASDAQ shows the stock plunged \$100 a share on the news.

So, Amazon shareholders clearly think that Shopify presents a threat to their investment. As the world's largest retailer, Walmart could have an apt partner in Shopify, a leader in inventory management. Walmart also gets key digital growth expertise, while Shopify gains access to brick-and-mortar outlets. Amazon investors are right to be concerned.

Meanwhile, jubilant Shopify shareholders could have a wild ride of breakthroughs up ahead. New investors can mull an expensive price tag that could come with years of upside. Indeed, Shopify could be that rarest of beasts — a growth stock that never comes down.

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1. Investing
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1. Shopify Stock
2. tech

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2. NYSE:SHOP (Shopify Inc.)
3. NYSE:WMT (Wal-Mart Stores Inc.)
4. TSX:SHOP (Shopify Inc.)

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