



## Why Did Shopify Stock Fall 12% This Week?

### Description

Tech stock fans eyeing this week's big-name losses can blame **Moderna** ([NASDAQ:MRNA](#)). For those who don't know, Moderna is a U.S. biotech company big into drug discovery development, as well as vaccine technologies. Headlines this week trumpeted Moderna's [early success](#) in COVID-19 vaccine trials. The news lifted the markets, with many sectors witnessing meaningful gains.

Not the least of these gains was the healthcare sector. Moderna stock rocketed 17% on initial suggestions that its vaccine may be effective in combating COVID-19. Industrials also got a boost, with **Air Canada** seeing gains in excess of 13% this week. The rally gave free rein to investors to buy up shares in names that had been impacted by the outbreak. A sense of relief permeated the markets, and bullish headlines dominated the business sections.

Not so for tech stocks, however. Quite the opposite, in fact. This week gave a glimpse of how the markets will react to further vaccine breakthroughs, and it was not all positive.

## The vaccine rally was bad news for tech stocks

Tech stocks took something of a battering on the markets this week. A picture is beginning to emerge of an inverse relationship between tech stock growth and vaccine rallies. Since a quarantined world favours digital businesses, a vaccine is logically anathema to tech stocks. This logic was played out in the real world this week with several big-name **TSX** [tech stocks in the red](#).

Unfortunately, these losses were compounded by Wednesday's apparent **Twitter** hack. The timing could not have been worse. Twitter shed 4% on the news. The pain for tech stocks continued on Thursday, with a mixed but ultimately disappointing earnings report from **Netflix**. The news sent Netflix tumbling 10% out of hours. These incidents alone may seem incidental. But the pullback was much broader.

In the background, the TSX overall was up by more than 2%. This five-day victory lap saw a welcome return to March highs — and a taste of what a full-blooded recovery might feel like. It was also a rare instance of the market outperforming tech stocks. By comparison, **Shopify** was trading 12% lower for

the week. It was quite the fall from grace for a sector that had been holding its own during the public health crisis.

Up until now, anyway. So it seems that tech investors react badly to good news these days. By extension, investors could be starting to see how an actual vaccine rollout might impact stock markets. An early pattern could be emerging that sees tech stocks weaken on broader vaccine rallies. Going forward, this essentially ties strong tech stock performance to bad news. And that's never a sound investment strategy.

Trimming those high-cost tech stocks may therefore be a sound strategy for [raising liquidity](#) in the present financial climate. But these vaccine rallies have a broader implication – one that is potentially more dangerous than a tech stock dip.

With hope comes the danger of disappointment. A market buoyed by hope is not sustainable. At root, its emotional investing writ large.

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