



## Shopify (TSX:SHOP) Stock: Is the Current Sell-Off the Start of a Crash?

### Description

The Canadian e-commerce darling, **Shopify** ([TSX:SHOP](#))([NYSE:SHOP](#)) has rarely disappointed its investors. Since the pandemic-triggered March dip, this stock [has more than doubled](#), massively outperforming the benchmark index.

But that rally is recently showing some signs of fatigue in tandem with other high-powered growth stocks. Since reaching a record high of \$1,457.90 on July 13, Shopify stock has fallen about 14%. At writing, it's trading at \$1,255.50, down 3%.

This move to the downside has coincided with general weakness in the tech-heavy **NASDAQ** during the past week. The reasons: the surging coronavirus cases in the U.S. and investors' worries about the ongoing earnings season.

Some states in the U.S., such as California, are re-introducing lockdown measures lifted only in May to curb the pandemic. Besides that ongoing concern about the virus and its impact on the economy, investors are also taking some risk off the table after an impressive rally in high-growth tech stocks since March.

### Shopify stock: A solid growth story

In the case of Shopify stock, this price acceleration has been so fast and furious that investors are now thinking that the current correction might linger on for some time and could deflate the bubble.

Shopify's surge this year has made its stock the most valuable in Canada with the market capitalization of about \$150 billion. The rise of such magnitude is raising concerns in the minds of some investors, who are wondering whether Shopify stock is a bubble that's ready to burst.

In my opinion, these concerns are valid. No stock can go up forever. There are always risks of it overshooting, especially when there is so much cheap money available.

That being said, Shopify is a solid business, which is in a strong growth mode. Analysts expect the company to report 38% growth in its quarterly revenue when the e-commerce platform provider reports its latest numbers on July 29.

With surging sales, Shopify's gross merchandise volume, the key performance metric that represents the value of all goods sold on the platform, increased 46% to \$17.4 billion in the first quarter.

The company is at the centre of a major shift taking place in the market; consumers are shunning mortar-and-brick retail stores to buy online.

On the macro side, some analysts see more upside potential in tech stocks despite the recent run.

"We believe tech stocks could still go another 20% to 30% higher," Wedbush analyst Daniel Ives wrote in a recent research note. "While fears of a second wave and a soft macro will cause volatility over the coming months, especially with earnings season around the corner, we remain firmly bullish on tech for the rest of the year."

## Bottom line

Shopify stock's meteoric jump this year has been backed by earnings momentum and the company's potential for future growth. But after that massive rally, its stock has become vulnerable to a correction, especially when there is too much cheap money chasing growth stocks and fuelling their prices.

But Shopify stock, in my opinion, will recover strongly from any pullback. Investors should be ready to deploy their dollars when the price becomes more attractive.

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