



## E-Commerce Stocks: Is it a Good Time to Buy Shopify?

### Description

**Shopify** ([TSX:SHOP](#))([NYSE:SHOP](#)) has had a good run in price this year on optimism regarding e-commerce in the wake of the COVID-19 pandemic. Consumers are shopping online, and the Canadian government is doing a great job at fueling the economy with the Canadian Emergency Response Benefit (CERB) through the Canada Revenue Agency (CRA).

Since April, the stock has soared from below \$600 per share to over \$1,400 per share. Unfortunately, that run may be over, as the stock seems to be correcting downward. Last week, the stock closed at around \$1,261.35. We don't know yet if the stock will downtrend, stay stable at the current valuation, or continue the uptrend.



Some analysts are predicting that tech stocks will begin to sell-off after stay-at-home trends caused a huge shift into e-commerce and an accompanying boost in demand for tech stocks. The crucial determining factor will be whether this shift is permanent or only temporary.

Bulls would say that society is forever changed and e-commerce was already a powerful force in today's economy. Bears might say that there is no way Shopify shareholders can justify a price-to-book value of 48.63.

## End of the tech rally?

Analysts see some [weakness in tech stocks](#), particularly on the **NASDAQ Composite Index**. Tech has been performing better than most other sectors during the coronavirus health crisis. Now, investors may be re-evaluating their portfolios.

Other sectors now boast a plethora of value investments, depending on the perspective of which direction the global pandemic will take in the next month or so. Canadian investors may want to identify these options outside of technology to maintain an investment portfolio diversified across multiple sectors.

Canada seems to have contained the spread of the virus within its borders. Assuming a positive outlook for the resumption of normal business activities, Shopify could also continue on a downtrend.

## Can Shopify sustain such a high valuation?

I've never been much of a Shopify fan. I don't see the appeal of a dropshipping platform. I feel like the success of **Amazon** hinged on its digital service, content, and products like Amazon Web Services, Amazon Prime Video, and Kindle.

That being said, Canadian consumers do love the Shopify brand. Moreover, the company is partnering with **Walmart** and **Chipotle**. Therefore, Shopify's revenue should see a substantial boost.

The Canadian government is now promoting a 90-day free trial for small businesses on the Shopify website until October 31. The COVID-19 pandemic has had an outsized effect on smaller merchants. Hopefully, this program will go a long way to helping them recover. If these merchants succeed and choose to stay with Shopify, the firm will see extra revenue in future quarters.

## Value or tech stocks?

Canadian investors have an important strategic choice to make concerning value and tech stocks in the next few weeks. The technology rally seems to be fading. As negative earnings come in for companies like **Molson Coors Canada**, investors can expect some more volatility from the long-term value plays.

No investment comes without risk. That's why it is important to think about these issues. On the one hand, a passive buy into a company like Molson Coors Canada could really pay off within the next two years as things return to normal.

Then again, it all depends on how the economy bounces back from this crisis and whether consumers will return to their usual habits. If the unemployment rate remains high after CERB payments from the CRA end, consumers will have less cash to spend. Even if they can visit restaurants safely, they might not have the money to spend.

### CATEGORY

1. Coronavirus
2. Investing
3. Stocks for Beginners
4. Tech Stocks

### TICKERS GLOBAL

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

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