Here’s How Much You Would Have Now if You Invested $10,000 in Shopify (TSX:SHOP) During the March Market Crash

Description

The crash that happened in March is all but a distant memory right now, as the markets have been soaring since then. When stock prices fell, they crashed quickly and without warning. And within weeks, many of them recovered and haven’t looked back since. **Shopify** (TSX:SHOP)(NYSE:SHOP) is one of those stocks. Recently hitting a new all-time high of $1,457.90, it’s come close to reaching the $1,500 mark.

Shopify’s been popular during the pandemic, as the company was seeing lots of traffic on its platform when people were stuck indoors. It turns out that when people are bored and have nothing to do, they like to browse Shopify stores and even make purchases. In the company’s first-quarter results, which went up until March 31, Shopify’s sales grew 47% year over year to US$470 million.

Back in 2016, the top Canadian stock didn’t even generate US$400 million for a full year, and now that’s how much it’s done during just a single quarter. Its growth has been nothing short of phenomenal over the years, and that’s why investors are often quick to jump on the stock’s bandwagon, which is what’s been happening in recent months.

The stock fell below $500 in March

When the markets crashed in March, Shopify wasn’t immune to the selloff, as its share price fell to a low of $435.03 back on March 17. But grabbing the stock at its low point during the selloff would’ve been lucky, to say the least. Let’s assume you bought the stock for a nice round $500 sometime during the crash — there were several days in March where its low fell below $500 and even a couple of days in April.

A $10,000 investment would've been enough to buy you 20 shares of Shopify. If were to hold on to those shares up until now, you'd be able to sell them somewhere between $1,250 and $1,300, assuming you just missed the peak. That would mean your investment would be worth between $25,000 and $26,000. That's not a bad profit of at least $15,000 in a period of about four months.

You could certainly hold out for longer in the hopes the stock continues rising, but there's the danger that profit could quickly disappear in another market crash. Shopify, is, after all, one of the pricier stocks on the TSX, trading at more than 60 times revenue. It was hit hard by a crash earlier this year, and another one could have the same impact on the stock.

The takeaway for investors

There's one important lesson that investors can learn from all of this, and that's to always have a price in mind, a target, of what you're willing to pay for shares of a company.

When a stock is falling quickly, it's easy to get wrapped up in the panic and worry that it'll continue crashing lower and lower. But if you were to target $500 for Shopify and stuck to that, you could have bought the stock without regard for what the markets were doing as a whole.

Having a number in mind and sticking to it is a way you can stay disciplined and take any emotion out of your decision-making process. And by doing that, you can avoid making bad, emotionally charged decisions.

By setting a target price for stocks that you're watching today, you can be better prepared if another market crash hits.

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