



Tech Stock Selloff: What Canadians Need to Know

Description

A tech stock pullback was always an inevitability. But what wasn't so obvious was the effect that a vaccine breakthrough might have on tech stocks. However, after last week's **Moderna** ([NASDAQ:MRNA](#)) hopes buoyed markets both sides of the border, it's clear that tech has an allergy to vaccines. Let's explore some of the themes of last week's market movements.

Tech stocks sank on vaccine hopes

Shopify ([TSX:SHOP](#))([NYSE:SHOP](#)) was down 10% over the preceding five days of trading. Early suggestions for the dip pinned the blame on investors suddenly getting spooked by Shopify's high valuation. Such pundits overlook the nature of tech stocks. The whole point of these high-momentum plays is that bulls run them as far as they can. Bold latecomers leap on and ride the upside, and so it continues.

So, what changed? Why did Shopify suddenly tank? The most likely explanation is that biopharma outfit Moderna published a potential vaccine breakthrough. Tech stocks clearly don't like vaccine breakthroughs. This is because the pandemic, and the resultant quarantine culture, supports their growth. It might seem obvious, in retrospect, that digitalization thrives on social isolation.

So, while Moderna leapt, Shopify sank. Other names sank with it. **Docebo** was down 4%, and **Kinaxis** flopped by 8.7%. There were wider losses, too. **Twitter** suffered a [humiliating privacy breach](#) on Thursday, with its verified users unable to Tweet after a Bitcoin scam targeted 130 top users. The hack cost Twitter stock 4% after hours. Shopify's woes accumulated Friday when the platform went down.

Kinaxis's supply chain software business was boosted by the pandemic's emphasis on the precision management of essential goods distribution. Docebo's cloud-based training model likewise benefited from a stay-at-home world. It barely needs to be pointed out that Shopify thrives on the online shopping trend and digitalization of retail. So, of course these names are allergic to a vaccine.

The quarantine boost was a one-off

But let's get back to Shopify. This stock was never going to [revisit the initial boost](#) it got from the lockdown. As customers migrated *en masse* to online shopping, Shopify saw a massive uptick. Fast forward to last week, and the announcement of a potential vaccine breakthrough brought tech investors down to Earth with a bump.

And it just got worse on Friday. According to the Shopify Support account on Twitter: "Some merchants are currently unable to access their Shopify Admin, as well as experiencing issues with storefronts and checkouts. We're investigating the issue and will keep you updated."

Noted Twitter user William Shatner was less reserved: "Shopify is down! My store is unreachable! I'm losing million(s) of dollars every minute in potential sales!" Not great public relations for a company whose stock had already tanked 10% that week.

It may be time to start taking overvalued names off the table, with **Netflix** also taking a beating last week, compounding U.S. tech woes. Meanwhile, tech investors seeking new opportunities will soon have a hot IPO to check out. **Apple** device management provider **Jamf** is expected to go public July 23 offering fresh momentum at the ground level.

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TICKERS GLOBAL

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

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