



## Shopify (TSX:SHOP) Just Surged 20% — Should You Buy Now?

### Description

Don't look now, but **Shopify** ([TSX:SHOP](#))([NYSE:SHOP](#)) stock is [picking up traction](#) once again after taking a brief breather amid the broader tech-driven correction. Shares of the e-commerce kingpin continue to defy the laws of gravity, now up 20% since September 17. But is this recent bounce just the start of another leg higher (next stop \$2,000)? Or could the frothy multiple on the name leave investors at risk of holding the bag if the Shopify stock fails to break out of its \$1,450 level of resistance?

### Why is Shopify stock leading the upward charge again?

There wasn't any big news that sent shares surging 6% on Tuesday. Shares appear to be driven by strong technical momentum, with investors backing up the truck on dipped tech firms that view this pandemic as a tailwind.

With the second wave of COVID-19 cases now giving most investors the jitters once again, the appetite for COVID-19 resilient plays and tech stocks riding high on pandemic tailwinds look to picking up again. Dip buyers appear to be backing up the truck on the September tech sell-off. Although Shopify stock technically fell into a bear market in the first half of September, with shares falling over 23% from peak to trough, the fall was hardly remarkable when you consider the sizzling rally out of its March lows.

Shopify more than tripled in a matter of months. Compared to the rally into September, the 23% drop, which is a severe pullback for most other stocks, was a tiny blip in the grander scheme of things. Heck, the pullback is just another small bump in the road when you look at the five-year chart.



## Should investors hop on the Shopify bandwagon after its latest bounce?

Shopify is a 8% bounce away from testing its all-time highs. While I wouldn't be surprised if the name continues defying the laws of gravity in spite of its frothy valuation, a worsening second wave will cause investors to scoop up the discarded, albeit ridiculously expensive pandemic winners like Shopify.

At the time of writing, shares of Shopify trade at a staggering 56.4 times sales. That's a nosebleed level valuation, to say the least. While the tailwinds and growth prospects are unfathomably strong amid this worsening crisis, I'd be reluctant to pull the trigger on a full position right here and think Shopify could feel the full impact of another tech-driven sell-off that could continue into year's end.

Shopify has always been expensive and it'll never fall to a level where it'd be considerable a value stock. However, the growth story is so incredible that fearless young millennials have few reasons not to at least nibble on any short-lived weakness in the name.

The Canadian e-commerce kingpin is hard to value and will have its fair share of 40-50% corrections. That said, the company and its stock remain unstoppable and its tailwinds profound. Shopify is one of those stocks that remains a prime candidate to dollar-cost average into, given its [amplified volatility](#) and unprecedented growth story which seems as unpredictable as it is impressive.

## Foolish takeaway

Unless you're willing to scale into a position by buying one share at a time, I'd much prefer waiting for what I think is a "real" correction (40-50% drop) in white-hot shares of Shopify.

## CATEGORY

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2. Investing
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