



Millennials: GameStop Is Trendy, But Shopify Is Quality

Description

The recent volatility we've seen in retail-favorites **GameStop** ([NYSE:GME](#)) and others has many investors' heads spinning.

Indeed, the rise of meme stocks has altered the playing field most investors are accustomed to. Scratch that. It's changed the rules of the game. If enough investors can target one stock and pile into a trade, maybe, just maybe, the crowd can be more powerful than the massive institutional money that has for so long dominated Wall Street (and Bay Street for that matter).

The fact that short-sellers and hedge funds might lose a few billion and shut their doors? All the better.

The social media-savvy retail mob on platforms such as Reddit's r/WallStreetBets is indeed powerful. The stocks that once used to be "trendy" among this group are some of the best-performing stocks out there today as more retail investors pile in.

However, questions of just how long this trade will last has some investors questioning whether to play the momentum here.

GameStop momentum is powerful, but works in both directions

High-volatility momentum trades can be explosive. Like dynamite, these trades can either be highly productive (in the case of mining) or extremely dangerous (if not handled with care).

GameStop certainly has a tonne of momentum right now, fuelled by strong retail investor support. However, a myriad of potential reasons this trade could turn sour provides a level of risk right now most Foolish investors won't want to take.

Long-term [growth investors](#) may have much better luck banking on a name like **Shopify** ([TSX:SHOP](#))([NYSE:SHOP](#)). This e-commerce juggernaut has provided incredible returns over the past six years. In fact, these returns since the company's Initial Public Offering (IPO) have been even better than Gamestop's over the same time frame, with less downside volatility.

When Main Street and Wall Street are in sync, results can be more powerful

Long-term investors simply may have more luck investing in companies where institutional investors are as bullish (or perhaps more bullish) than their retail counterparts. Such is the case with Shopify.

Indeed, Shopify's broad support across the investor spectrum provides a higher margin of safety for those with growth objectives today. Yes, Shopify's valuation is steep right now. However, investors need to remember that this company has proven its growth thesis time and again. GameStop's valuation only makes sense in the eyes of those who believe a continued short-squeeze is possible. However, eventually, the bottom falls out on all short-squeezes and the stock being squeezed falls back to what it's really worth.

Stock markets are still efficient, and aren't broken quite yet. Accordingly, long-term growth investors would do much better to consider Shopify over GameStop today.

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2. Tech Stocks

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TICKERS GLOBAL

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

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Author

chrismacdonald

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