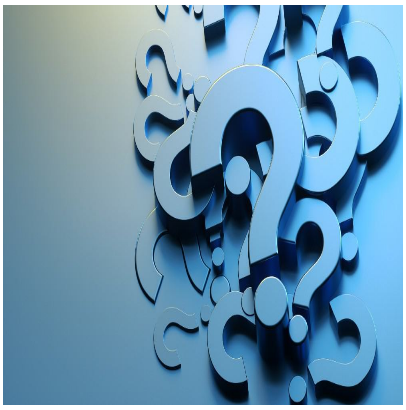

Shopify vs. the Bond Market: Who Will Win?

Description

Recently, the U.S. 10-year treasury bond yield crossed the 1.75% mark. As bond yields have risen, investors have become increasingly worried about the valuations high-growth stocks have generated of late. Indeed, high-growth stocks like **Shopify Inc.** (TSX:SHOP)(NYSE:SHOP) have not been exempted.

default watermark

Let's dive more into why this is the case, and why investors shouldn't panic right now.

Rising bond yields worry retail investors

Vaccine rollouts and the pandemic relief bill worth $1.9 trillion in the U.S. have given rise to inflation expectations. Experts now believe that there is enough room for the U.S. 10-year yield to breach the 1.8% mark in short order. This rapid increase in bond yields has become quite troublesome for retail investors who made significant investments in the best momentum stocks of the past year, like Shopify.

Moreover, since Shopify now represents a significant percentage of Canada's tech sector, it appears that it is more vulnerable than ever to the rise in bond yields.

However, I'm skeptical that bond yields will be allowed to increase much further. Many countries have already put established yield curve control. In fact, Japan and Germany are great examples of two countries that have done so successfully. In these countries, bond yields across the curve remain much lower than those in the U.S.

Without explicit Federal Reserve support on this topic, bond investors are selling off these securities right now. However, central banks will likely continue to step in over the medium to long term.

Regardless, growth stocks like Shopify present a valid thesis in every interest rate environment. The company's growth rate has been sky-high, and is supported by product and market positioning that's second to none.

Shopify's business model and product portfolio provide a small moat

Most industry observers believe that the growth e-commerce businesses have provided investors is unlikely to subside over the long-term. Certainly, Shopify's product leadership in the e-commerce segment provides excellent long-term growth catalysts in this secular growth area.

Most retail businesses have now transitioned from the traditional brick-and-mortar stores to E-commerce due to the pandemic. Indeed, Shopify has fuelled this transition. The company's integrated platform has now become the lifeblood of many SMBs.

I believe that this transition into e-commerce has just started. Hence, continued growth in this sector is likely to exceed expectations for some time. These growth catalysts won't be subsiding in the near future. Accordingly, investors have to think long and hard right now if they're questioning whether to sell this stock or not.

This stock certainly isn't cheap right now, and valuation-related risks do exist. However, Shopify's dominant market position and superior product make this company a hard one to bet against. Indeed, if Shopify continues to grow its top and bottom lines in the coming quarters, this is a stock that could continue to rally to $2,000 per share this year and beyond.

default watermark

CATEGORY

1. Investing
2. Tech Stocks

POST TAG

1. growth
2. growth stocks
3. investing
4. long term growth
5. Shopify
6. Shopify Stock
7. Stocks
8. tech
9. tech stocks
10. technology
11. technology stocks
12. tsx growth stocks
13. tsx tech stocks

TICKERS GLOBAL

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

PARTNER-FEEDS

1. Business Insider
2. Koyfin
3. Msn
4. Newscred
5. Quote Media
6. Sharewise
7. Yahoo CA

Category

1. Investing
2. Tech Stocks

Tags

1. growth
2. growth stocks
3. investing
4. long term growth
5. Shopify
6. Shopify Stock
7. Stocks
8. tech
9. tech stocks
10. technology
11. technology stocks
12. tsx growth stocks
13. tsx tech stocks

default watermark

Date
2025/08/25
Date Created
2021/03/23
Author
chrismacdonald

default watermark