



Today's Top Buy: Shopify Stock

Description

Looking for a top-notch Canadian growth stock trading at a 25% discount to its 52-week high? Aren't we all.

Well, it just so happens that **Shopify Inc.** ([TSX:SHOP](#))([NYSE:SHOP](#)) fits this profile.

The company's taken a hit of late, amid broader risks for growth stocks. Bond yields are up, and e-commerce stocks have seen some resistance of late as investors price in a resurgence of bricks-and-mortar sales on the horizon.

That said, I do think there's [room to be bullish](#) on this stock. Here's why.

Bond yields remain a key focal point for Shopify investors

As previously mentioned, bond yields are on the minds of many growth investors right now.

In recent weeks, bond yields have surged. The 10-year U.S. Treasury yield has broken through 1.7% and appears ready to continue higher. Indeed, inflation expectations are higher than ever, and there's reason for optimism on this front. If the U.S. economy reopens in a big way, the market believes we could see a rush of inflation the likes of which we haven't seen in some time.

This environment is not bullish for growth stocks. Companies like Shopify have valuations in the nosebleeds. Accordingly, the willingness to take profits on Shopify appears to have overtaken the long-term growth prospects of this company in the near-term.

That said, there's been some rather dovish rhetoric coming out of the Federal Reserve of late. It appears there's a willingness among policymakers to keep rates lower for longer. Thus, a tug-of-war exists right now between the market (which doesn't believe this is possible) and policymakers, who suggest that's the way it's going to be.

Right now, I think growth stocks like Shopify may be caught in this tug-of-war. However, for longer-term

investors focused more on the company's growth than exogenous factors, these near-term concerns are less of a worry. I think Shopify is a stock that requires a long-term investment horizon. While it may be volatile over the near-term, the company's got one heck of a nice looking long-term chart for a reason.

Bottom line

Despite these near-term headwinds, I'm still bullish on Shopify stock right now. I think the momentum Shopify has seen throughout the pandemic is structurally sound. Yes, a "return to normal" isn't necessarily positive for Shopify. However, I do think consumers' spending patterns have been fundamentally altered by this pandemic. Or, at least, the shift toward a technology-driven omnichannel retail future has been accelerated.

I also think Shopify's got some great growth potential outside of its organic growth prospects. The company's history of acquisitions suggests Shopify can acquire the growth it needs over the long-term.

Slower organic growth is likely to materialize at some point. However, most of these concerns are priced in right now. With the potential for accretive acquisitions on top of a strong existing organic growth base, there's a lot to like about this stock right now.

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