



## Why Shopify (TSX:SHOP) Was Down 2.75% Last Week

### Description

**Shopify** ([TSX:SHOP](#))([NYSE:SHOP](#)) stock took a substantial dip last week, falling 2.75% from Monday's open, or 4.5% from Friday's close. It was a volatile week for the stock, which fell far more than the market averages. While Shopify has been having a great year this year, there are concerns that deceleration could begin to affect it in the quarters ahead. In this article, I'll explore why Shopify stock fell 2.75% last week.

### Broader market volatility

One of the biggest reasons why [Shopify stock fell last week](#) is broader market volatility. Most major indexes ended last week in the red, including

- The NASDAQ: Down 1.57% from Monday's open;
- The S&P 500: Down 1.57%;
- The Dow Jones Industrial Average: Down 1.94%; and
- The TSX: Down 2.78%.

Shopify stock is an NYSE- and TSX-listed tech stock, so it makes sense that it would decline in this environment. Most U.S. tech stocks fell last week, as did the TSX as a whole. When entire indexes sell off, the stocks that make them up sell off as well. So, if investors were bailing on TSX index funds and tech funds last week, then Shopify would logically decline along with them.

### Deceleration concerns

Another issue for Shopify stock relates to fundamentals, or, more accurately, its future fundamentals.

Shopify's fundamentals in the past six quarters were amazing. But looking to the future, there could be some issues.

Shopify stock got a [big boost from the COVID-19 pandemic](#). The pandemic shut down retail stores,

which led to consumers flocking online. Shopify, as a company that provides the infrastructure for online stores, was a huge beneficiary of that trend. Shopify vendors made more sales than they normally would, and SHOP took a cut. The result was five quarters in a row of revenue growth topping 90%, followed another quarter with 56% growth. In all of these quarters, both GAAP and adjusted earnings were positive.

That's all good news, but the party could easily end. What COVID gives, COVID takes away. Delta variant concerns notwithstanding, the world appears to be turning a corner on the pandemic right now. Vaccination rates are high, and lockdowns are not as prevalent as they once were. In this environment, retail stores are free to do business as usual.

That may not be a good thing for Shopify. If retailers are going to be selling more in person, then they won't be selling as much online. The result of that could be less revenue for Shopify or, at least, revenue growing more slowly than it was growing before. It's not likely that Shopify will continue growing at 90% forever. Most likely, some deceleration is coming. It always does when a company gets big enough. The question is, how much deceleration is coming, and will investors be able to tolerate it?

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