



Red-Hot Shopify Stock: Why I'd Buy on Recent Strength

Description

Buying low and selling high isn't the only way to do well and make money in markets. Buying high and selling higher or not at all may be a strategy that could produce stellar results over a prolonged period of time. Indeed, many folks on Wall or Bay Street have the trader's mindset.

Just because one can flip in and out of stocks to make a quick buck doesn't mean it's right for everyone, especially those who can't afford to take sudden losses. Undoubtedly, investing is one of those games where it's easy to feel like a genius. A couple of big short-term wins could lead one to overestimate their tolerance for investment risk. And all it takes are one or two soured bets before progress could reverse, prompting investors to question their decision to enter the stock market.

Investment versus speculation: A sacred line that one should not pass with the core of their TFSAs or RRSPs

Undoubtedly, there's a line between speculation and sound investment that long-term investors must not cross. The difference lies in one's time horizon and analysis of a company's long-term fundamentals. Over the near term, news you're likely to hear about is less material, making it tough to make a solid risk-adjusted return over a concise timespan.

For longer-term investors, one can see through the near-term noise to the long-term fundamentals, which traders and speculators may very well discount in favour of near-term setbacks or other events that aren't at all devastating to the longer-term growth story.

In this piece, we'll have a look at two hot Canadian stocks I'd be willing to buy or watch on the way up. Although shares have considerable momentum behind them, their businesses are firing on all cylinders in spite of macroeconomic challenges and uncertainties. It's these such names that may very well deserve to be grouped in the "seemingly expensive, but not expensive" enough category.

Shopify stock: New all-time highs, but can it march higher?

Consider **Shopify** ([TSX:SHOP](#))([NYSE:SHOP](#)), the e-commerce company we all know and love. The stock has never been cheap, but it has been undervalued in that the stock was underpriced relative to its growth prospects. Today, the stock is at a fresh, new all-time high after slogging through a turbulent first half.

The firm has all the traits of a long-term winner that can keep on winning, raising the bar on the premium multiple investors should pay. Most notably, the stellar quality of management is more than capable of keeping the growth alive. In due time, growth will fade. That's only [natural](#) for growth companies that enter an advanced age. Still, with new growth levers being pulled, the company shows that it could defy the laws of aging, warranting an even more premium multiple.

At writing, shares of Shopify trade at just north of 50 times sales, making it one of the most [expensive](#) **TSX** stocks out there. Still, there's real growth backing the firm, and it would be unwise to bet against CEO Tobias Lütke, who's not only one of the best managers in Canada but perhaps the tech world. In any case, Shopify is just one of those stocks that investors should not feel bad about paying up for.

While the sticker price is hefty, you get a lot of incredible growth with the disruptive e-commerce firm that's put the power back in the hands of small businesses.

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