



## Why Shopify Stock Tanked Over 10% Tuesday

### Description

### What happened?

The shares of **Shopify** ([TSX:SHOP](#))([NYSE:SHOP](#)) dived by well more than 10% this afternoon to below \$1,563 per share. With this, the largest Canadian company by market cap started 2022 with sharp losses. In 2021, SHOP stock posted 21.2% gains against the **TSX Composite Index's** 21.7% advances.

### So what?

Shopify has been one of the most popular tech stocks since its initial public offering in May 2015. Its outstanding financial growth trends, surging demand for its easy-to-use e-commerce offerings, and solid e-commerce industry outlook have popularized it among growth investors.

Although there was no key company-specific news to blame for today's [big selloff](#) in SHOP stock, a tech-sector-wide pullback across North America drove its big losses. At the time of writing, the tech-heavy **NASDAQ Composite** benchmark was trading over 1.7% losses for the session.

Interestingly, Shopify has a price-to-earnings multiple close to 200 based on its earnings estimates for the next 12 months. And the ongoing correction seems to be affecting the tech stocks with high multiples the most.

### Now what?

In the last three years, SHOP stock has delivered an outstanding over 840% positive returns to its investors. In 2021, several market experts warned investors of a possible big correction in high-flying tech stocks, as they started looking too expensive. While the ongoing selloff might look horrifying to many at first, such healthy corrections usually prevent the formation of a market bubble.

You shouldn't be surprised to see the year 2022 begin with a big pullback in most popular tech stocks, as it already started in December. Shopify stock also [lost](#) 10.3% of its value in December 2021.

Shopify's financial growth has [slowed](#) down a bit in the last couple of quarters. Although its long-term growth prospects still look strong — also much better than most of its peers — Shopify stock is clearly trading with lofty valuation multiples. That's why the ongoing correction could give you an opportunity to buy some high-growth tech stocks cheap.

## CATEGORY

1. Investing
2. Tech Stocks

## TICKERS GLOBAL

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

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