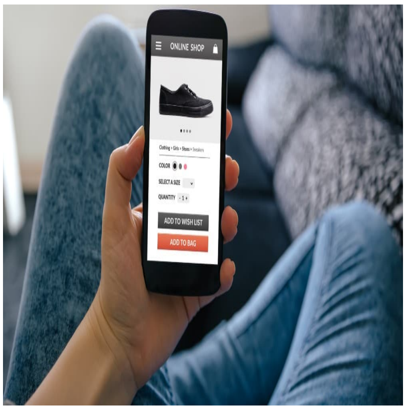

Shopify Stock Selloff: Could it Turn Around in February?

Description

Shopify (TSX:SHOP)(NYSE:SHOP) continues to be one of the worst-affected stocks amid the ongoing market selloff. After posting its worst weekly losses ever, SHOP stock is trading on a mixed note this week, extending its year-to-date losses to more than 36%. Before we discuss whether Shopify stock could see a big turnaround in February, let's take a closer look at the ongoing Shopify stock crash.

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Shopify stock selloff

Shopify stock is currently trading near $1,100 per share, and I wouldn't be surprised if it falls below the key psychological level of $1,000 in the near term. The ongoing market-wide correction — especially in tech stocks — doesn't seem to have ended.

There are several internal as well as external factors that could be fueling the recent crash in SHOP stock. To make it easier for you to understand, let me list some of these key factors here:

- An expected decline in Shopify's sales and earnings growth in the post-pandemic phase
- Declining analysts' consensus target prices on Shopify stock
- Rising competition in the e-commerce space
- Short-term investors booking profits in some highflying tech stocks after witnessing a spectacular rally in the last couple of years
- Investors' expectations that the U.S. Federal Reserve and Bank of Canada could aggressively tighten the monetary policy in the coming months to fight inflation are partly leading to a selloff in tech stocks — including Shopify

Could it turn around in the near term?

Shopify has been one of the most popular tech stocks on the TSX since its listing on the exchange in 2015. As the COVID-19 accelerated the shift towards e-commerce, its financial growth improved massively. This positive growth stock appreciation from investors skyrocketed SHOP stock during the phase of pandemic-related restrictions.

While its financial growth rate might decline in the coming quarters due to the reopening of physical stores, its long-term growth outlook remains strong. That’s one of the reasons why I still find Shopify stock very attractive for long-term investors.

Undoubtedly, the e-commerce industry is becoming more competitive with each passing day. But that doesn’t mean Shopify isn’t prepared for it. In fact, the Canadian e-commerce giant is continuing to aim at aggressive international market expansion. In line with its expansion plans, Shopify recently joined hands with the Chinese e-commerce company **JD.com**. This collaboration would make it much easier for U.S.-based Shopify merchants to sell their products in China — the world’s largest e-commerce market. In my opinion, such steps would encourage more merchants to subscribe to Shopify’s e-commerce services — accelerating its sales growth in the coming years.

Shopify is set to release its fourth-quarter results on February 16. Analysts expect its Q4 revenue to rise by 46%, and its earnings to fall by 28% year over year. However, a consistently growing demand for e-commerce services could help it post much better-than-expected financial results and help its stock recover fast.

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While it’s extremely difficult for anyone to predict when exactly SHOP stock will start recovering, long-term investors may want to start adding it to their portfolio right now before it’s too late.

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