



Why Shopify Stock Whipsawed Last Week

Description

What happened?

The shares of **Shopify** ([TSX:SHOP](#))([NYSE:SHOP](#)) ended last week with a minor 0.4% gain at around \$1,118 per share. By comparison, the main **TSX** index posted solid 2.6% gains. This was the second consecutive week that SHOP stock continued to trade with high volatility, restricting its recovery. On a year-to-date basis, Shopify is down by nearly 36%.

So what?

In 2022 so far, most high-flying [tech stocks](#) have seen a sharp correction as investors expected the U.S. Federal Reserve to aggressively tighten the monetary policy to fight high inflation. However, the central bank kept the key interest rates unchanged after its latest meeting held in the final week of January. This move came as a big relief for tech investors who were avoiding riskier assets in anticipation of an early rate hike, leading to a recovery in most tech stocks. This is one of the key reasons why Shopify stock rose by more than 10% on Monday last week to begin the week on a solid note.

However, a much weaker than expected latest non-farm employment change data (released on Wednesday last week) seemingly paused buying in tech stocks. As investors tried to derisk their portfolios again by limiting their exposure to the tech sector, the shares of Shopify tanked again by 10% and 8.4% on Wednesday and Thursday last week, respectively. This was the main reason why its stock whipsawed in the week ended February 4.

Now what?

Clearly, these external factors have played a big role in keeping SHOP stock extremely volatile in 2022. Nonetheless, most recent company-specific updates have largely been positive. For example, Shopify [announced](#) its partnership with the Chinese e-commerce giant **JD.com** in mid-January. This

partnership is likely to make it easier for Shopify's U.S.-based merchants to sell their products in China. I expect this move to help the Canadian e-commerce company attract more merchants towards its platform in the near term. Despite this positive announcement, Shopify stock plunged by nearly 30% in January, mainly due to the tech sector-wide selloff.

Shopify is preparing to report its fourth-quarter results on February 16. Analysts expect the company to report a 36% increase in its total revenue and its adjusted earnings to fall by 16% year over year. In my opinion, the company could manage to beat these seemingly conservative estimates. My expectation is based on the fact that the demand for e-commerce services remains strong, as the global pandemic still continues to affect sales as physical stores. That's one reason why I find SHOP stock worth buying on the dip.

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1. Investing
2. Tech Stocks

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