



Is Shopify Stock Safer Than an ETF?

Description

The recent sell-off among tech stocks included one of Canada's best and brightest over the last few years: **Shopify** ([TSX:SHOP](#))([NYSE:SHOP](#)). Shopify stock soared to about \$2,200 per share last year, before starting a straight fall. As of writing, it trades at about \$1,100.

But are tech exchange-traded funds (ETFs) any better? Shares of Shopify stock are still [down 47%](#) as of writing, but the **iShares S&P/TSX Capped Information Technology Index ETF** ([TSX:XIT](#)) is also down by 29%. And some argue perhaps Shopify stock has further to climb.

So does that mean it's safer? Rather than have a bunch of tech stocks with the potential to fall, should Motley Fool investors put their tech bets on Shopify stock? Let's take a look.

Shopify stock: The fall

Over the last few months, shares of Shopify stock started to fall after reaching all-time highs for a few reasons. First, there was the belief back in September that perhaps the pandemic would come to an end. That would mean lower e-commerce sales, wouldn't it? If so, Shopify stock could certainly see a drop in revenue.

Then there was the tech sell-off in the beginning of 2022. With the potential for interest rates to climb in the U.S., and the Omicron variant surging, the economy didn't seem like it was doing too well. Therefore volatile companies in industries such as the tech sector fell to the side. And that included Shopify.

Finally, there was Shopify stock itself. While the company continued to beat estimates and continued to post year-over-year growth, it was lower than investors became used to. Further, news that it was ending contracts with fulfillment centres left many worried it wouldn't be able to continue shipping at as fast a pace. Especially with supply-chain disruptions continuing.

But part of this strategy was to put its efforts into the Shopify Fulfillment Network, creating a long-term, stable approach to shipping. Shopify already has every other aspect of its business covered, from

payments and credit to shipping and receiving. So getting a fully-functioning fulfillment network makes sense. Especially for long-term investors.

What about the tech ETFs?

A lot of what I mentioned applies to these tech ETFs like XIT stock as well. Tech stocks started to drop, and that meant so too did the [tech companies](#) held in these ETFs. Now it's important to mention that indeed these ETFs also have an investment in Shopify stock. They also have investments in other large software companies, along with up-and-coming tech stocks that should do well.

So here, you get an entire portfolio rather than just one stock. And on the side of losing cash, that can be a great thing. Look at the recent price movement as an example. Instead of losing 47% of your value, you lost just 28%. That also means it has less room to climb back.

But on the flip side, should Shopify stock start growing as it did back in 2019, this could be the beginning of substantial returns. And given the company's stable, strong [growth](#) trajectory, it looks like its management team has every base covered in terms of revenue strategies. So patient investors can certainly look at the next decade and expect strong, stable growth long term.

Bottom line

So, is Shopify stock better than an ETF like XIT stock? It depends on what you want out of your stocks. If you're a millennial with lots of wiggle room and time to wait, I'd argue that Shopify stock is a better buy over XIT stock. You have room to make a more risky buy, because if you don't need that cash on hand you can afford to wait and see immense returns long term.

That being said, if you want in on the tech sector and need that cash soon, I would go with XIT stock. This gives you access to the sector as a whole, one that is set to recover and rebound at a more stable rate. Perhaps not with such high returns as Shopify, but not such low dips either.

CATEGORY

1. Investing
2. Tech Stocks

TICKERS GLOBAL

1. NYSE:SHOP (Shopify Inc.)
2. TSX:SHOP (Shopify Inc.)
3. TSX:XIT (iShares S&P/TSX Capped Information Technology Index ETF)

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