



Shopify: Is it a Dip-Buy for Growth Stock Investors After a 17% Single-Day Drop?

Description

Growth stocks have been [hammered](#) lately, but don't expect the pain to last forever. Sure, rates are rising, and that's bad news for expensive companies that have zero profits or plans to become profitable at any point in the near future. Indeed, future cash flows aren't worth nearly as much as today. The higher rates are and the further into the future any potential profits are, the greater the punishment that will need to be doled out to the stock under question. Indeed, Mr. Market has been busy penalizing many high-multiple growth stocks that popped through the pandemic. Many growth firms have surrendered their epic gains posted in the pandemic. Some are even lower than where they were at their pre-pandemic peaks.

With such hard-hit stocks down 50%, 60%, 70%, and even over 80%, many who chased momentum are now feeling the pain. It's unlikely that any such names will recover over the near term. This goes to show the true risks of chasing what's "hot" or "sexy" on the Street without conducting your own due diligence first! Remember, a stock that doubles, triples, or quadruples over a period as concise as a year or two can easily surrender such gains in an even more concise timespan! Momentum works both ways. And it can turn at the drop of a hat, giving investors little to no time to react accordingly.

Don't chase momentum: It can reverse on you!

If a stock doubles in a year, getting cut in half in the next year is not out of the ordinary! If a stock triples, it can shed two-thirds of its value or more. That's why momentum chasing is so dangerous, even though it's a big draw to beginners.

Amid the tech carnage, many stocks have likely fallen below their intrinsic value. Mr. Market tends to overprice or underprice a stock, especially when there's panic in the air. Which stocks could bottom out and bounce back? And how can tech recover, given rates have nowhere to go but higher?

While it's true rates are going up this year, next year, and probably 2024, one must remember that the market is looking into the future by some unknown period. Investors are anticipating such rate hikes. If they anticipate more rate hikes than the Fed serves up, tech stocks could have room to rally! That's

why it makes little sense to worry about what others have already had the opportunity to worry about. You need to be an independent thinker and go against the grain sometimes to make the most profit. Of course, you need conviction and patience to see your investment pay off.

Shopify stock's epic fall from glory

In this piece, we'll have a look at one intriguing growth stock that I believe is [oversold](#) and potentially undervalued, given all the negativity of late. Consider shares of **Shopify** ([TSX:SHOP](#))([NYSE:SHOP](#)), which collapsed over 17% on Wednesday over slowing revenues. Undoubtedly, the reaction was a tad overblown, especially given how negative the Street has been of late on the name and other firms like it.

With the stock sinking below \$1,000 per share, the stock is in the danger zone. While I wouldn't look to load up just yet, I would watch it on the way down. The brutal start to 2022 could proceed a nice rally into year-end. Which level should you look for? I think there's a strong level of resistance at the \$700 mark. Down over 57%, SHOP is a falling knife, but, in due time, it will bounce. It's a wonderful company that's hit a roadblock that I think it could get through. In the meantime, look for the valuation to reset to the downside and the earnings bar to lower. For now, it's a top watchlist pick that could reverse at some point this year.

CATEGORY

1. Investing

TICKERS GLOBAL

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

PARTNER-FEEDS

1. Business Insider
2. Koyfin
3. Msn
4. Newscred
5. Quote Media
6. Sharewise
7. Smart News
8. Yahoo CA

PP NOTIFY USER

1. joefrenette
2. kduncombe

Category

1. Investing

Date

2025/08/18

Date Created

2022/02/17

Author

joefrenette

default watermark

default watermark