



Shopify (TSX:SHOP): Should You Buy as the Stock Market Plunges?

Description

Is the stock market about to crash, or is this just another healthy correction, one that's needed to keep the bull market alive for many years to come? It's impossible to know. When do we start labelling a market correction as a market crash? When it hits bear market territory? Or could it already qualify as one, given so many high-growth stocks have already crashed, shedding well over 50% of their value?

Shopify stock: Case of wonderful company with a hefty multiple

With so much damage in the tech sector, I'd argue that many high-multiple stocks have already crashed and are at risk of crashing further, leaving recovery prospects further and further out of reach. Indeed, **Shopify** ([TSX:SHOP](#))([NYSE:SHOP](#)) stock is one of many "sexy" names that surged to the very top of the TSX Index, only to come crashing down violently, surrendering top spot back to a Canadian bank.

Shopify is a wonderful revenue growth business. There's no denying that. Its management team? Top notch. That said, the market environment just does not care for "sexy" sales growth stories as much as it used to. The painful valuation reset shows us that sometimes "giving in" and scooping up unprofitable growers at any price is not a formula for success in markets. Cathie Wood's ARK funds are down around 60% from their peak. That's a brutal decline, and, unfortunately, the pain may not be over yet, given she owned some of the fastest flyers in the stock market.

I see no reason to jump in front of a falling knife right now. Shopify is a wonderful business. Make no mistake. But the valuation? It was alarmingly high, as I'd warned in prior pieces. Even the best business in the world can have a stock that's not buyable if the valuation isn't in the right spot.

With Shopify stock in free fall, I'd much rather look to other areas of the market right now, because, like it or not, I'm not even so sure SHOP stock is cheap here, even after its violent decline in excess of 60%. From a price-to-sales basis, it's still expensive. Personally, I'd wait for volatility to calm before touching any such expensive growth stocks here, with rates likely to surge much higher through 2024.

Too soon to try and be a hero as the stock market corrects further?

Instead of trying to be a hero by catching the bottom in a hot-gone-cold stock like Shopify, I'd much rather pick up shares of a dividend-growth hero with a relative margin of safety. Indeed, I'd much rather buy shares of a profitable company with a predictable earnings growth trajectory than reach for speculations that could be the "next big thing." Indeed, [Warren Buffett's approach](#) could have saved many speculators and new investors from their emotions.

If you took a hit from chasing growth, it's not too late to correct your portfolio. You don't need to liquidate it, but with future purchases, you should look to diversify into value plays, rather than doubling down many times over in the names crashing so hard. Although Shopify stock will eventually hit bottom, those with the courage to [chase](#) it here should understand the stakes. They're higher than ever, with analysts rushing to adjust their price targets accordingly.

Personally, I'd much rather buy Shopify stock on the way up, well after the volatility has calmed down. Whether that's in a month, a quarter, or longer, I wouldn't want to catch a falling knife right now, because it can really hurt if you get it wrong!

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