Shopify Stock: A Beaten-Down Growth King That's Turning a Corner

Description

It can be hard to buy severely beaten-down stocks while they're in free-fall mode. Undoubtedly, a stock that's fallen over 40% could easily fall by another 40% immediately after you've purchased shares. Indeed, Mr. Market does not care when you hit that buy button. In this market, catching a falling knife has been quite painful, given many of the many battered high-multiple stocks have shed well over 70% from peak to trough. Beginners who've grown accustomed to quick rewards from buying dips could be in for a rude awakening.

Many dip-buyers have likely already exhausted their dry powder, only to see shares continue tumbling further and further to new multi-year lows. Undoubtedly, buying dips is a good idea if you're sure a stock has fallen below its true worth. That said, when it comes to many beaten-down stocks, I believe that it may prove to be a wiser idea to be a buyer on the way up. By giving a stock a chance to settle down, one can pick their spots carefully and avoid the pain that comes with catching a falling knife that's seen its narrative be changed for the worse.

In this piece, we'll have a look at one battered stock that has shown signs of turning around.

Whether or not there's another leg lower is a mystery. That said, I think that both firms are attractively valued relative to both the peer group and historical averages. So, without further ado, check out **Shopify** (TSX:SHOP)(NYSE:SHOP), one of the best TSX growth stocks that have turned a corner recently. The e-commerce juggernaut may be ready to shrug off recent woes. But with so many macro risks out there, it's hard to tell whether the name is ripe for chasing higher.

Shopify stock: Turning a corner?

Shopify stock has suffered one of its biggest crashes in years, shedding nearly 70% of its value in just a matter of months. It's a top tech blue chip on the TSX, so there's no question that a lot of Canadians felt the impact of the tech-driven meltdown. Since bottoming out in early March in the mid-$600 levels, the name has been red hot for those lucky enough to catch it in the $600 range.

The stock is now up over 35% from the bottom. Still, SHOP stock is still sitting down just shy of 60%

from the top. Could it be that rate hike fears were overblown? Probably. But there's also a risk that there could be another leg lower if central banks can't engineer a "soft landing" after its rate hikes. Indeed, the recession risk seems low, but it's getting higher. If the yield curve is any suggestion, the economy could fall into recession at some point over the next year.

While there's nothing wrong with Shopify itself, the macro environment is a huge question mark right now. I think the impact of rates is already more than baked in. But if we do fall into recession, Shopify could get pummeled further, given many of its peers may not be in the best shape to deal with a massive pullback in demand.

Bottom line

Indeed, a bet on SHOP stock may require no "severe" recession, no more hawkish pivots from the Fed, and continued execution from management. The latter scenario seems like a given, but the former two? I'm not so sure, especially given fighting inflation could become the top priority over economic strength over the medium term. In any case, I'd be cautious, as it's my opinion that the degree of bullishness has gotten a bit out of hand this past week and a half.

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