Why Shopify Stock Got Pummeled and Fell 5% Last Week

Description

We witnessed that with many of the high-multiple tech stocks (think shares of **Shopify** (TSX:SHOP)(NYSE:SHOP)) that only seemed to climb higher almost every day in late 2020 and early 2021. Come late 2021 and the first quarter of 2022, things reversed course, and those who refused to take profits in the high flyers were dealt a punishing blow.

Some of the beginner investors who held may not see their investment recover again, at least not anytime soon. As someone wise once said, though, you don't need to make money back where you lost it. And if you were one of many beginners who were caught offside amid the euphoric hype of late 2020, treat the experience as an opportunity to learn.

What happened with Shopify stock last week?

After adding nearly 5% in losses last week, SHOP stock now finds itself down just north of 60% from its all-time high last seen in the second half of November 2021, when the stock went for over $2,100 per share.

As the stock attempts to find its footing from a nasty decline, beginner investors may be wondering if the time has come to top up on this dip, or if this recent stabilization in the $600-850 level could ensue a more vicious leg lower.

Indeed, Shopify stock has been a go-to dip-buy stock over the past several years. This isn't the first time Shopify stock has lost over 50% of its value from peak to trough in just a matter of months. And it probably won't be the last time either! However, with rates on the rise, investors may have reason to be cautious, as Mr. Market looks to claw back some of the gains posted in the mid-March relief rally.

Now, there wasn't a tonne of news on the Shopify front last week. High-multiple growth stocks have simply seen their relief rallies begin to run out of steam. Further, big-tech titan **Alphabet** announced its intention to go after the e-commerce market — a market vertical it's not too familiar with. Alphabet's pursuit of some of the smaller digital retailers would put it on Shopify's turf.

So what?

Now, I don't think investors should make too much of Alphabet's intent to get in on the e-commerce action. Shopify has dealt with big-tech disruptors before. The company put up a very good fight against e-commerce behemoth **Amazon**, ultimately pressuring the firm to take a step back in 2015, with its SMB-focused Amazon Webstore.

Although Amazon has since added intriguing SMB-focused innovators like Sydney-based Selz to its portfolio, it has been quite tough for rivals to dethrone the firm in its corner of e-commerce of late, and for good reason.

Shopify is still innovating like it's nobody else's business. It's this innovative talent that should act as peace of mind for investors. However, no competitor should be dismissed entirely, whether it be Amazon or Alphabet.

Now what?

For now, I view Shopify as an e-commerce powerhouse that's doing a great job of defending its share of economic profits in SMB. Still, the valuation seems stretched, leaving Shopify stock vulnerable to another potential leg lower for high-multiple growth stocks.

I suspect SHOP stock will move hand in hand with the rest of "expensive" tech. For that reason, I'd hold off on buying the dip after last week's flop, as the odds of a "bear market bounce" seem too high for my liking.

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