Shopify Stock: Is the Bottom in for Growth Stocks?

Description

It's challenging to be a growth investor these days, with the horrific plunge across some of the more speculative growth stocks out there.

With interest rates on the rise, the fastest-flying growth stocks of yesteryear are not worth as much today. Stop me if you've heard that one before!

Now, Mr. Market tends to overreact in both directions. With between seven and eight rate hikes expected from the U.S. Federal Reserve here (a similar number could be in the cards for the Bank of Canada), there's a lot of negativity baked into the growthiest of growth plays these days.

A strong case could be made that now is the time to be a buyer of the dip. Still, with so much uncertainty at the macro level, and the possibility of a recession (the U.S. yield curve inverted last week, which could point to a downturn in 2023), buying the dip in great growth stocks will not be easy.

The great growth plunge of 2021-22: When it will it end? Nobody knows

Just because a bottom looks to have been formed, with the tech-heavy Nasdaq gaining most from the latest relief rally, nobody knows how long the rally will last or if those ominous first-quarter lows will be revisited. Although it seems like the hailstorm in growth stocks is over, investors must be open to the possibility of another round in the ring with a Mr. Market that seems to be heavily in favour of the value trade.

In short, growth stocks may or may not be no man's land. In any case, the easy money looks to have already been made for those traders looking for a near-term bounce.

For young, courageous investors who understand the stakes of owning speculative technology, though, I'm not against buying here. A lot of quality secular growth companies have their shares on sale. And if you can stick with quality secular growth, I think that some of the risks are worth taking.

Just be ready to average down and for another choppy ride, as there's still a possibility that we may still be in the eye of the storm.

In terms of secular growth, it's hard to match **Shopify** (TSX:SHOP)(NYSE:SHOP). It's one of the more intriguing Canadian growth plays that may have longer-term room to the upside.

Shopify stock: Secular growth; intriguing entry point

Shopify is the growth company that many beginners have familiarized themselves with over the past few years. Its astronomical ascent over the past five years is remarkable, as too are the calibre of management and their ability to stay ahead in a competitive environment.

At around 18 times sales, the stock is nowhere near being cheap. That said, investors need to ask themselves what has changed at the company-specific level over the past five years. While Shopify's past two quarters have been less than incredible, I think that the long-term secular story is still in play. The stock was priced for perfection at its peak. After a rate-driven implosion, the stock is starting to look like an intriguing buy for those who believe in the company's ability to continue dominating the smaller end of the e-commerce scene.

Arguably, Shopify is still best in breed, making it worthy of a heftier multiple versus the peer group. Is the stock at nearly 20 times sales too much of a premium? It could be.

Regardless, I view Shopify as one of the firms that will hit its all-time highs again after enduring such a vicious blow from the great tech selloff of 2021-22 — a crash that may or may not have concluded. When it eclipses $2,000 again is anyone's guess. Regardless, it's the Canadian growth stud I'm keeping on my watchlist going into mid-year!

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