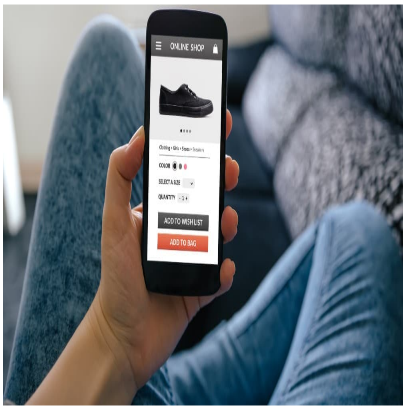
COMPANY NAME
Address | Phone | Link | Email



Shopify Stock: Is This TSX Growth Stock a Buy Below $600?

Description

Shopify (TSX:SHOP)(NYSE:SHOP) stock is in a world of pain these days, recently plunging a horrendous 8.2% on Thursday and bringing shares back to around $600 per share. Shopify stock briefly fell below the $600 mark, putting in a new 52-week low amid the recent wave of growth-induced selling chaos. Indeed, Shopify shares probably never should have climbed above the $2,000-per-share mark.

With SHOP stock now down 72% from its peak level, dip-buyers and contrarians are likely wondering what the risk/reward profile is like. Indeed, the stock is a heck of a lot cheaper than it was in the back half of last year. But with rates rising at a scorching rate to combat extremely high levels of inflation, it's really tough to catch a falling knife in the Canadian tech sector these days.

Shopify stock cannot catch a break as U.S. rates soar

Eventually, the selling pressure will end, and top growth stocks like Shopify will rally back. But until then, they seem to be leading broader markets lower. While a lot of rate hikes are expected, the fact that markets plunged on Thursday over comments made by U.S. Federal Reserve chairman Jay Powell does not bode well for the high-multiple tech trade.

Indeed, we've heard chatter about half-point rate hikes before. In fact, many pundits expected it to happen as soon as May! It should have come as no surprise to hear Powell bring up the possibility of such a "double" rate hike. But the markets sagged lower anyways, and we could have another 2018 year-end bear market moment on our hands, as markets confront the reality that rates are going to have to rise at a potentially blistering pace.

With rates nearing 3%, growth simply is not worth as much when rates were below 1%. With rates doing nothing but surging these days, it's really hard to be a growth investor. While little has changed about the Shopify growth story, it's clear that many have seen their tolerances for pain be exceeded and in a big way!

Shopify stock: When will the pain end?

While I think most of the rate-induced damage has already been put in (SHOP stock has lost more than two-thirds of its value already!), I fear that Shopify could come up short in future quarters, exacerbating the negative momentum in the name.

We've all heard about that dreadful **Netflix** quarter. It caused an already crumbed stock to crumble further. Indeed, a stock like Shopify could see shares crash even more if its growth numbers fall short. With a potential recession in the cards for 2023 and high levels of inflation, we could see curbed spending, and Shopify is unlikely to be spared from such broader economic weakness. With such a high bar and a still high multiple, it's hard to catch the falling knife that is Shopify stock.

I wouldn't try to be a hero in SHOP stock just yet. But if you're young, risk-tolerant, and are willing to average down should shares get cut in half again (that'd send SHOP stock to $300), I would not hesitate to be a dip buyer. Eventually, the tides will turn. I have no idea when they will, but the stock is now beyond oversold.

The bottom line for brave TSX growth stock investors

For now, brace for price target cuts by Wall Street analysts and expect nothing less than explosive volatility come the firm's next earnings report.

CATEGORY

1. Investing
2. Tech Stocks

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
2. Tech Stocks

Date
2025/09/01
Date Created
2022/04/24
Author
joefrenette