Shopify Stock: Is it a Buy in the Face of a Potential 2023 Recession?

Description

Investors shouldn't bet that a recession will happen, but they should be prepared just in case. Even central banks can make mistakes, and with that, investors should be prepared for the blowback. Further, it seems like a soft landing is getting further out of reach by the day, as stock markets continue their tumble into the abyss in April.

Here are two dividend stocks that I think are great buys; even if we head into an economic slowdown that could still see rampant price increases. Yes, stagflation is a buzzword that inspires fear in many. But as the great Warren Buffett once put it, investors should be "greedy while others are fearful." And this time, I believe, is no different, as the VIX spikes and S&P 500 tumbles below its lows for the year.

Lots of risk in the growth trade

Shopify (TSX:SHOP)(NYSE:SHOP) stock is in a world of pain these days and is now below the $550 mark. Indeed, the 6% drop on Tuesday was brutal, and the pain is yet to be over. Now down nearly 75% from its peak levels, SHOP stock has appeared to fly into no man's land, and through no fault of its own. Investors just hate growth these days. They're no longer willing to pay up for without a steep margin of safety.

While I wouldn't dump the stock if you're already hanging on, I think that new buyers should wait for the dust to settle first. The company is innovating at a rapid pace. With a brilliant management team, Shopify stock deserves a rich multiple.

Now, the pandemic tailwinds have all but dissipated, and I think that's already reflected in the share price. What isn't reflected, however, is another run in rates. Could the Bank of Canada hike faster than expected? Will it take more than just a 3% target on the 10-year note to bring inflation back down? If not, rates could creep higher, and Shopify stock is one of the firms that could face even more downside. Remember, just because a stock has fallen 75% does not mean it can't fall another 20%, 50%, or even another 75%.

Shopify stock's massive decline may not be over yet

Fortunately, I think the odds of a 75% plunge from $550 per share is unlikely. With a growing risk of a recession on the horizon, a pullback in consumer spending and much higher rates could prove a toxic mix for Shopify. It could lead to massive quarterly flops as we navigate through such a horrific economic downturn. Though I do expect Shopify will rise again, it's unwise to time a bottom in the name.

If anything, I'd rather catch the stock on the way up than on the way down. But don't be fooled by those bear market bounces, like the one we saw earlier this month. Such bull traps can happen. So, instead of chasing up or down, I'd recommend buying gradually over the span of many months. Remember, bear markets are measured in months, not days or weeks!

So, dollar-cost averaging seems like the best bet to tame the wild Mr. Market that's been so unkind to aggressive dip buyers.

In short, Shopify is a great innovator. I expect it to continue firing on all cylinders, even if a recession hits. That said, the stock will likely drag until rate-hike jitters and recession fears pass. We won't know when peak fear will hit, but if you want into Shopify stock, you shouldn't strive to buy the bottom. You probably won't. So, be ready to buy gradually to build a long-term position.

CATEGORY

1. Investing

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

Date
2025/07/21
Date Created
2022/04/29
Author
joefrenette