



Shopify Stock: At What Price Does it Become a Buy?

Description

Just a few months ago, nobody would have predicted that **Shopify** ([TSX:SHOP](#))([NYSE:SHOP](#)) stock, one of the top innovators in all of Canada, would be down around 75% from its all-time high. It went from above \$2,000 per share to nearly \$500 per share.

That's a vicious [tumble](#), and it may not be over quite yet. Though a return to such highs is unlikely over the medium term, investors who've been averaging down may be wondering if they should give up on the SHOP stock trade altogether. It's frustrating to buy a stock at down 50%, thinking you had a great deal, only to see your investment get cut in half again. This is indeed the scenario going on at Shopify stock.

Several months ago, when SHOP stock was trading in the four digits, I'd predicted that Shopify stock would test the \$500 range. It seemed far-fetched at the time, but here we are. Though it's tempting to lower the bar on my original price target again, I don't think that it's the right time. The stock is not yet cheap, but it's starting to get there. Further, I do not believe that a company the calibre of Shopify deserves to be at a "cheap" multiple that would appease the value investors.

In this piece, we'll have a closer look at the risk/reward scenario over at Shopify to see whether the name is worthy of buying on the dip.

Shopify stock: Buy the dip or sell in May and go away?

Shopify stock has been in free-fall mode, and the negative momentum suggests we're far away from a bottom. That said, the company itself is still growing well, with many intriguing innovations going on behind the scenes. Further, there are reasons to believe that the selloff may be overdone.

Yes, things are ugly right now. Between inflation, rate hikes, the Russian invasion of Ukraine, the COVID pandemic (yes, it's still not over yet), and lockdowns in China, it's really hard to find anything to be optimistic about. Everybody is downright gloomy. But that's why I'd look to be a buyer of hard-hit stocks like Shopify if you have a bit too much cash that's just waiting around on the sidelines.

Timing the bottom is a reckless move. Shopify stock could fall to \$400 or even \$300 if macro conditions worsen further. In any case, I think that the bar has been set low that it will not take much for markets to pop again. Whether it's the unexpected peaceful resolution to the Ukraine-Russia crisis or China's embracement of American COVID vaccines (both seem unlikely today), all it takes is something good to happen for the markets to blast off to new heights.

For now, everybody expects a slow and steady descent into the [abyss](#). With talk of Russian nuclear weapons and weakening earnings, it seems like stagflation or a recession is unavoidable.

SHOP stock: What about the recession risk?

Even as the tides of recession move in, I think Shopify will continue to innovate. Tobias Lütke is a legendary founder, and he'll continue to perform, even if his stock fails to. That alone makes SHOP stock an intriguing nibble play at these levels. I'd buy a quarter position here with the intention of buying more at some point down the road.

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