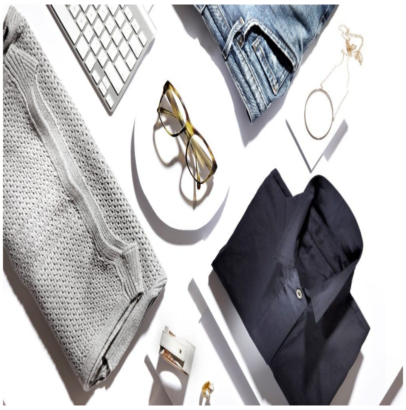

Shopify Stock Looks Oversold and Ready to Rebound

Description

Stock markets spiked in a big way on Wednesday following the U.S. Federal Reserve's decision to hike rates by the expected amount. Indeed, when asked, Fed chairman Jay Powell ruled out any triple-point hikes.

Indeed, three hikes in one go was a scenario that seemed to trouble broader markets the most. Though the Fed cannot guarantee a soft or "soft-ish" landing, its transparency and effort are surely appreciated by investors. Indeed, it's the assurance that has many investors piling back into stocks. As the 10-year U.S. note flirts with 3%, though, the tightrope walk between fighting inflation and keeping the stock market afloat looks to be reaching some sort of equilibrium.

Undoubtedly, the bond market has waned considerably over the last year, as bond yields climbed. Could it be that we're closer to peak yields on the 10-year and peak inflation? That's the million-dollar question. Up ahead will be April's CPI results, and if they show evidence of a drastic slow of pace or inflation rolling over, the stage could be set for a remarkable second-half rally that could see markets hit fresh new highs.

Undoubtedly, such a scenario would pull bond yields lower and act as a massive boost to growth stocks. The growthiest stocks that rolled over this year — think high-multiple tech — could be in a spot to enjoy a historic relief rally. Of course, the magnitude of such a relief rally depends on the Fed's rate roadmap.

Given all the pessimism, I think many top tech titans could have room to run. They've already crashed, with the bubbliest of bubble stocks now down well over 70-80% of their value. Cathie Wood's **ARK Innovation Fund** lost almost 70% from peak to trough. That's some serious pain, and odds are, most of the damage is already in!

In Canada, **Shopify** (TSX:SHOP)(NYSE:SHOP) strikes me as one of the best bargain bets to play what could be a relief rally in the high-multiple growth stocks.

Shopify

Shopify is an e-commerce firm that needs no introduction. The stock has gotten obliterated of late, plunging from over $2,000 per share to below $600 per share. Today, the stock got a nice bid-up due to assurance from the Fed that it will not look to hike by more than 50 bps in one go. Indeed, the pace of inflation could change this, as they'll be sure to be data-driven after the next few front-loaded rate hikes are out of the way.

In any case, Shopify is continuing to innovate, and with a hand in so many pies (think payments and AR tech), SHOP stock looks too cheap to ignore here. While I wouldn't go as far as to say the bottom is in, I would say that the stock is pretty darn cheap at below 20 times sales. Yes, that's expensive still, leaving it vulnerable to more downside if the Fed picks up the pace. However, versus its growth profile, I'd argue shares have fallen way too hard.

Moving ahead, Shopify could begin to outmuscle rivals in payments, and the rise of the metaverse could prove as a compelling wild card. Could it be that the stores of the future have 3D models customers can view or try before they buy? If that's the future of online shopping, Shopify is a name to stash for the long haul. It's innovating at a rapid pace, and this will pay off eventually. In the meantime, all eyes are on macro trends, which could drag on Shopify stock for quite some time.

My takeaway? I think it's time to average into a position over the next year.

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