



Should Canadians Be Worried About the Snapchat Stock Plunge?

Description

Snapchat ([NYSE:SNAP](#)) plunged over 40% on Tuesday, as the company announced to employees it expects to miss its adjusted profit and revenue targets for this quarter.

The fall in Snapchat stock led to social media stocks losing a combined US\$180 billion in market value on Tuesday alone after the warning. This adds to the already problematic sector that's still volatile with inflation and rate-hike fears.

What happened?

Snapchat stock had its largest intraday loss on record, falling below its initial public offering price of US\$17, trading at US\$13.25 as of writing. The fall erased about US\$15 billion from its market capitalization. And it all came down to a note from executives.

Snapchat stock announced in April its quarterly report that topped estimates. It then announced forecasts, which, just a month, later the company has now backtracked on. It doesn't expect to hit revenue and profit targets, leading to the insane fall.

And it wasn't just Snapchat. **Meta Platforms**, **Alphabet**, **Twitter**, and **Pinterest** all saw shares drop. But one may note that these are social media companies in the United States, so what about in Canada?

Competition is on

The fall in social media stock in general comes down to competition. There is massive competition for advertising dollars at a time when consumers simply don't have the cash to spend. Meanwhile, inflation continues to rise in the United States, as it does in Canada, but at a higher rate.

In this country, tech stocks seemed to take the brunt of the news. While we don't have any major social media platforms on the **TSX**, it's clear that inflation and interest rates are hurting companies this side of

the border as well.

In fact, **Shopify** lost about 7% of its share price on Tuesday with the poor news. Other areas, such as [cryptocurrency mining companies](#) also saw shares drop, with **HIVE Blockchain Technologies** down 13%.

Now what?

What should Motley Fool investors take away from this news? [Tech stocks are volatile](#) and could be for some time. And, frankly, it remains unclear when they could rebound. While there are a lot of opportunities out there right now, I'm not so sure Snapchat stock and others are ones to buy on the dip.

That being said, don't erase them from your watchlist just yet. This could mark the end for some companies and a strong opportunity for others. But it will take time to see just what companies will come out on top.

When that becomes more clear, I would buy up tech stocks with a solid path to profitability, and a large market share. That might include Shopify stock in Canada, and perhaps Alphabet in the United States at this point. But I'm less certain about others.

Bottom line

Snapchat shares remain down by 41% as of writing. There will be some time between now and its next earnings report. So, investors may want to hold on, as another drop could be coming down the line for social media companies and tech stocks.

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