1 Unloved Tech Stock That Lost Over 80% of its Value: Time to Buy?

Description

Tech and growth stocks have been unloved for around a year now. Going into the summer, it seems like the pain is about to get worse, with the U.S. Federal Reserve keeping the door open for another 75-bps (triple) rate hike in July. That's a massive problem for tech stocks that are lacking in profitability prospects. As you're probably well aware by now, higher rates mean distant cash flows are worth a bit less. The higher rates go, the more pain will be dealt to those high-flying tech stocks.

Eventually, tech will become oversold and be a great buy. However, I wouldn't rush to buy on the dip quite yet, given the profound uncertainties and the multi-year recovery trajectory that could be in the cards for many fallen stars. During the 2000 tech bust, it took many, many years for the best tech plays to recover. Many never saw their highs again and some have been forgotten forever.

2000 + 1970s? Tech bust with a side of stagflation

Could today mirror the world we had around 22 years ago? Possibly. The tech bubble has burst, and it's hard to know when the pain will end. My guess is that it may take a while for things to stabilize and for the former darlings like **Shopify** (TSX:SHOP)(NYSE:SHOP) to begin moving higher again.

With high oil prices, many may compare today's world to the one of the 1970s. In reality, 2022 is a brutal year that may draw comparisons to the 2000 dot-com bust, the 1970s stagflationary period, or even the 2008 market crash. It's impossible to tell just how bad this market correction and bear market will get.

Though many of the biggest losers over this year may not see their highs again this decade, they are still capable of sizeable gains once they have a chance to turn a corner. Though the Fed sees rates peaking out at below the 4% mark in a year, investors should not discount the possibility of 5% or even 6%. Remember, central banks are focused on fighting inflation right now, even if it means dealing substantial pain to investors and those in the labour force. The Fed thinks the economy is strong enough such that laid-off workers in the tech space can find work elsewhere.

In any case, the Fed doesn't have much it can do, as it looks to trigger a recession to crush inflation.

Monetary policy has 1970 written all over it.

Shopify stock tumbles further into the abyss

Shopify stock dipped more than 6% on Thursday to $394 and change per share. CEO Tobi Lütke has his special voting shares, even though most investors were opposed to such. Undoubtedly, many investors are fed up with the never-ending retreat. Down around 82% from its highs, the damage may not even be over. The stock could be on its way to the $200 range in a hurry if inflation doesn't back down enough for the Fed to ease on its tightening.

The tech scene is ailing right now, but it won't be like this forever. Though it seems doubtful that Shopify will recover anytime soon, even with a perplexing stock split on the way. Investors hate growth right now. It doesn't matter if there's a share split. Anything that used to ignite excitement is no longer doing the job.

Shopify needs to focus on improving margins and bolstering its profitability prospects in a recessionary environment if it's to win back the love of investors. Otherwise, SHOP stock could prove to be a tough hold through 2023.

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