# Forget Netflix! Shopify is My Favourite Rebound Stock

### Description

The second half of 2022 has gotten off to a pretty decent start, recouping a bit of the massive losses posted in the first half. Undoubtedly, recession risk is still elevated, and the Bank of Canada could continue delivering those super-sized (100 bps) interest rate hikes.

With many second-quarter earnings results coming in better than expected, the bears may be underestimating the resilience of this economy and the consumer. Sure, inflation and cooling economic growth may not seem like a good thing for investors. That said, investors can still make money in this market, especially on oversold plays with such a low bar set in front of them.

Video-streaming giant **Netflix** (NASDAQ:NFLX) clocked in some pretty horrid results for its latest quarter. The stock rallied anyway. Why? The results weren't as nightmarish as many expected. Sure, Netflix is still bleeding out subscribers, with around 1 million who left the service.

## When the bar is set too low, oversold stocks can bolt higher

However, compared to the 2 million subscriber loss expectation, the bad results were taken well. There was just way too much pessimism baked into the stock. As Netflix looks to pivot its business in response to the downturn, the stock may build on its recent gains. In any case, Netflix is a prime example of a stock that's so oversold that it does not take much to move the needle higher.

As we head into year's end, we may see more firms rise in response to better-than-feared earnings results. The first half saw companies be punished for solid beats but uncertain guides. Even beats and raises didn't induce rallies that lasted very long, as the gravitational pull of the market dragged almost everything down.

In this piece, we'll have a look at two value stocks that I think are so cheap that even meagre results are capable of inducing a bit of relief. **Shopify** (TSX:SHOP)(NYSE:SHOP) is just one of the names that Canadians were too quick to dump as recession fears mounted.

# Shopify stock: The next quarter may be rough, but could it be better than feared?

Almost every Canadian is likely aware of the nasty tumble in shares of Shopify. The formerly red-hot e-commerce sensation has faded into the background, with sales growth slowing and worries that rising competition could weigh heavily on growth. When you pay up for many years' worth of growth off the bat, any unforeseen road bumps could have a severe impact on a stock.

A recession or retail slowdown seems mostly baked in, with the stock now attempting to stage a recovery from a ~83% implosion from peak to trough.

Still, the disruptive impact of **Amazon** and its fulfillment strength may still be discounted by investors. Shopify bought Deliverr to beef up its fulfillment service. I praised the move in prior pieces. However, Shopify's job is not yet done. It needs to integrate Deliverr well to deliver for its customers and merchants (pun not intended).

"Together with Deliverr, Shopify Fulfillment Network will give millions of growing businesses access to a simple, powerful logistics platform that will allow them to make their customers happy over and over again," said CEO Tobias Lütke.



In any case, SHOP stock seems to be at a turning point.

After soaring over 12% on Wednesday, the bottom may very well be in for this oversold e-commerce stock that may have already been punished ahead of a quarter that probably won't be as bad as the bears expect. Other revenue drivers include the firm's improving "Shop" app, which has super-app potential.

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