



Shopify Stock Plunges to 52-Week Low: Time to Buy?

Description

Shares of e-commerce darling **Shopify** ([TSX:SHOP](#))([NYSE:SHOP](#)) nosedived on a turbulent Tuesday of trade. Indeed, many tech investors grew increasingly jittery over the earnings steadily flowing out of the pipeline this week.

As we head into the middle of earnings season, investors should expect nothing short of off-the-charts volatility. It's been frustrating for many new investors, especially those that got into markets earlier this year or late last year. Shopify stock has now shed more than 80% of its value. With recent news that Shopify is laying off 10% of its staff, there's fear and panic in the hearts of SHOP stock investors once again, with shares down around 14% on a turbulent Tuesday.

The news probably shouldn't have come as a shocker to investors. We've heard about tech layoffs across the entire technology sector. From big tech to startups, staff cuts have been the new normal. And given the magnitude of the decline in Shopify stock, such budget cuts should have been expected, as the former high-flying e-commerce firm is now following in the footsteps of other pandemic winners stuck in a sort of "post-COVID hangover."

Over the coming weeks, Shopify will put its low \$400-per-share level to the test. If the level breaks (I think it could if tech earnings don't come it better than feared), Shopify's next stop could be in the \$21-22 level. That's a long way off from \$40 and change — where the stock sits today.

Too much negativity baked into Shopify stock after recent layoffs

There's a lot of pain in the rear view for Shopify stock. However, that does not mean that more pain cannot be in the cards. Many pandemic-era darlings have shed north of 80% of their value from peak to trough. **Peloton** is down nearly 95% from its all-time high. Indeed, the euphoria of 2020 and 2021 got a tad out of hand, and it's late investors who were left holding the bag.

Back to Shopify and its latest round of cuts.

Following the cuts, Shopify CEO Tobias Lütke noted that it's pandemic-era "bet didn't pay off." As Shopify reverts its "mix" to the pre-COVID era, the last of weak-handed investors are likely to be shaken out.

Give Shopify's CEO the benefit of the doubt

Now, it's hard for any CEO to admit that he overshot with employment. It's even harder to acknowledge that the road ahead will be bumpier. If there's a CEO that can navigate a tough storm, though, it's Lütke. Further, I think the worst of the pain is already baked into the stock after Shopify's news of around 1,000 in employee cuts.

Retail just stinks these days. **Walmart's** latest flop and the massive Shopify round of layoffs are not encouraging. But they could represent a period of maximum pessimism. Whenever it's hard to find anything to be optimistic about, it tends to be a good time to be an optimist. Shopify stock is sitting on a strong support level that may hold whether or not Q2 numbers are solid.

At the end of the day, Lütke is a brilliant founder and manager.

He's hanging onto 41% of voting power and will have his work cut out for him, as he looks to make right on his admitted wrongs. After the latest round of layoffs, Shopify will have around 9,000 employees, still up from 7,000 at the end of 2020. In short, Shopify will still [swim forward](#), even as the tides in the retail waters turn against it. And I think it's a mistake to bet against Lütke here, as he attempts to steady the ship.

CATEGORY

1. Investing
2. Tech Stocks

TICKERS GLOBAL

1. NYSE:SHOP (Shopify Inc.)
2. TSX:SHOP (Shopify Inc.)

PARTNER-FEEDS

1. Business Insider
2. Koyfin
3. Msn
4. Newscred
5. Quote Media
6. Sharewise
7. Smart News
8. Yahoo CA

PP NOTIFY USER

1. joefrenette
2. kduncombe

Category

1. Investing
2. Tech Stocks

Date

2025/07/04

Date Created

2022/07/27

Author

joefrenette

default watermark

default watermark