Why Shopify Stock Fell 4% in September

Description

September has never been a good month for stock returns. The S&P 500 plunged around 9% on the month, as investors grew increasingly fearful over coming rate hikes and a recession that seems difficult to avoid at this juncture.

Undoubtedly, October could see more of the same, with new lows being reached for the year yet again. On the flip side, oversold conditions could lead to a sharp relief rally. Unlike the summertime bounce, it could be sustainable, as Santa Claus comes to turn in the late innings of the final quarter of 2022. Further, the Fed is nearing the end of its rate-hike spree, with a pause that could come as soon as 2023.

Indeed, the bears may think a small hike is necessary in early 2023 to be on the safe side. Regardless, Vice Chair of the Fed Lael Brainard seems to be looking to risks beyond inflation. Most notably, market stability is an important factor that could dictate how many more hikes we'll need to deal with before year's end. If the Fed pauses sooner rather than later, the bear market of 2022 could end in an abrupt fashion. Taking its place? A bull that could be most kind to the rate-sensitive tech stocks that have been clobbered so far this year.

SHOP stock: Slowing negative momentum in September could mark a bottom

Shopify (TSX:SHOP)(NYSE:SHOP) stock is the go-to tech stock for many Canadians. It's endured a painful fall from the top of the TSX Index. Shares have shed nearly 83% from their all-time highs. And while such levels may not be seen anytime over the next five years, I do think Shopify stock has evolved to become more of a "growth at a reasonable price" stock than some sort of speculative moonshot.

For the month of September, Shopify stock's negative momentum slowed considerably, bringing down the stock just 4%. That's far less than the **S&P 500** and **Nasdaq**, both of which were down more than 9%.

Shopify stock has already been so oversold this year that broader market factors are less impactful to the price. Though it's hard to tell when a bottom is in, I do think a dovish tilt and ongoing efforts to adapt have been discounted by many investors.

M&A and physical retail: Two key growth levers Shopify is pulling right now

Now, a dovish tilt from central banks is out of the control of Shopify's managers. But they have been doing well in areas they can control. Most notably, they've been open to acquisitions, with Deliverr, a firm that gives Shopify a nice presence in fulfillment. E-commerce and fulfillment go hand in hand. The deal, I believe, will help Shopify power higher longer term.

Recently, Shopify also announced a point-of-sale (POS) product that could give it a huge presence in brick-and-mortar retail. Undoubtedly, Shopify can become a force in physical, just as it was in digital retail. While retail (online or offline) will take a spill in a recession, investors should be looking at Shopify to keep taking share. It's a wonderful firm that's been hit with hard times. In due time, I suspect Shopify stock will power higher and trade closer to its intrinsic value.

Is Shopify stock still a buy?

The slowed losses in September, I believe, are a sign that the bottom is closer than the top! As such, I think Shopify stock is a great buy at these depths.

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