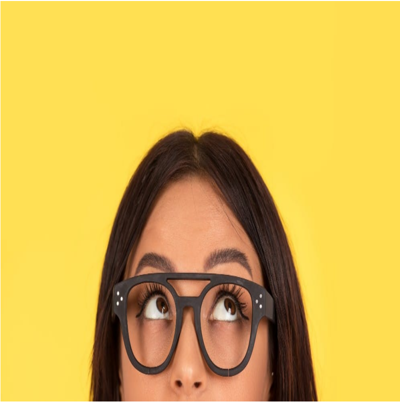

Better Buy: Shopify Stock or the Entire TSX?

Description

It's been a brutal year for the portfolios of new investors, especially those who were drawn into the game by white-hot disruptive tech investments, like **Shopify** (TSX:SHOP), that took the world by storm. Indeed, the brutal bear market of 2022 has shown us all the importance of diversification. Diversifying your portfolio can really save you from yourself when emotions like fear and greed get in the way.

It's "only human" to feel euphoric when there's nothing but green on the screen for weeks and months on end. You can feel like a genius for hitting a buy button, having not done much in the way of valuation and research. Once the tides turn and Mr. Market takes back the gains he "lent" to you, investing can feel downright painful. Indeed, the pain and lack of reward have caused many to reconsider their investment approach.

Investing isn't always a good time. There are bad days, and there are days that are downright terrifying. Though it's been a slow and steady ascent relative to prior market-wide declines, investors should still temper their return expectations and consider both sides of the risk/reward scenario.

Balancing risk and reward: The key to thriving in 2023?

Investing is all about maximizing returns while also minimizing risks you'll take on. Some risks are worth taking if there's a good shot at rewards. Smart investors strive to find the perfect risk/reward balance, while most beginners only seek to maximize rewards. Undoubtedly, 2021 was a year where many had unrealistic expectations.

Now the tides have turned, investors should look to consider risk and reward. By blindly chasing potential rewards or buying the dip in stocks that are impossible (or difficult) to value, one could get nicked by the falling knives in this market.

Shopify is one such falling knife that's ricocheted nicely of late. Though the stock may be harder to value than the likes of your average TSX stock, I think it's a name that offers a pretty solid return relative to the risks that remain.

Shopify stock: A better buy than the TSX?

Shopify is a great company that just so happened to sail into a perfect storm of negatives in 2022. Higher interest rates, broader weakness in the tech sector, and a looming recession have all contributed to the more than 80% crash in SHOP stock.

Just like the perfect storm of pandemic-driven tailwinds that helped SHOP stock double up many times over in a span of nearly two years, Shopify has shown it can also be vulnerable to gravity. Though it seems like game over for the Canadian e-commerce kingpin, I'd argue that the "valuation reset" is a magnificent opportunity to get in at a good price ahead of what could be the next multi-year leg of Shopify's growth story.

The stock is still up around 328% over the past five years, even with the recent plunge included. And though higher rates and a more competitive environment make for a more uphill climb, I think the risk/reward scenario is the best it's been in a very long time, with shares trading just north of 10 times sales.

Shopify is a true innovator that has a plan. In 2023, I expect the firm to continue improving its wonderful platform, even as quarterly numbers tread water. The company's narrow third-quarter loss is encouraging, however.

SHOP stock or the TSX?

Between the TSX and Shopify, I'd take SHOP stock every day of the week. Though the TSX is a less-risky play ahead of a likely recession year, I think Shopify shares have more to offer over a five-year span.

CATEGORY

1. Investing

TICKERS GLOBAL

1. TSX:SHOP (Shopify Inc.)

PARTNER-FEEDS

1. Business Insider
2. Flipboard
3. Koyfin
4. Msn
5. Newscred
6. Quote Media

7. Sharewise
8. Smart News
9. Yahoo CA

PP NOTIFY USER

1. joefrenette
2. kduncombe

Category

1. Investing

Date
2025/09/29
Date Created
2022/12/06
Author
joefrenette