Don’t Blink: Shopify and Apple Stock Won’t Be Deals for Much Longer

Description

2022 will go down in the books as one of the worst years for investors of all sorts. With rates on the rise, stocks and bonds have been under considerable pressure. Just because 2023 has begun does not mean the problems from the last year will be left behind. Investors are still worried about rising rates and the implications on earnings.

As the months progress, we’ll learn how much fear of last year will be warranted. Though conditions are likely to get worse from here, there’s potential for things to be better than feared. That alone could be enough to help undervalued stocks trend higher again, as they look ahead of the looming recession to the next bull market.

Shopify (TSX:SHOP) and **Apple** (NASDAQ:AAPL) are two tech titans that suffered big hits to the chin last year. Higher rates have hurt demand for growth stocks. Expensive hyper-growth names like Shopify have been dealt crashes that saw shares shed more than 80% of their value. The profitable tech titans, like cash-rich Apple, haven’t been able to dodge the shockwaves. Despite being more resilient than the broader Nasdaq 100 exchange, the stock has still lost more ground than the S&P 500 (around 29%) for 2022.

Indeed, investors have turned on tech, and value could remain king until the Fed is ready to pause and cut. Even if the Fed does choose to cut sooner rather than later, there’s no telling how inflation will react to such. In any case, long-term investors seeking deep value shouldn’t shy away from the tech sector after one of its worst years since 2008 or the 2000 tech bust.

Let’s have a closer look at Shopify and Apple stock to see which, if either, should be on investors’ buy lists in January 2023.

Shopify

Shopify is a Candian tech star that's fallen hard and fast. Indeed, the e-commerce giant still has some incredible growth days ahead of it, as continues to invest in its business to capture a bigger chunk of the still untapped small- and medium-sized business (SMB) portion of e-commerce.

With recent acquisitions (think Deliverr), Shopify will expand into new growth arenas. As Shopify moves into fulfillment, payments, and other parallels, the total addressable market could grow by leaps and bounds. For long-term investors, it's all about whether management can pull it off in the face of stiff rivals.

I'm a believer in management. Still, I find it tough to pinpoint a value on the stock with rates rising so quickly. Until rates begin to fall, I view Shopify as a speculative buy for young investors who can handle a rocky ride. Remember, an 80% drop doesn't mean the bottom is in. Though the stock trades at the cheapest multiple in years, things could easily get worse before they get better.

In any case, SHOP stock remains a risky, high-upside bet.

Apple

Apple has been incredibly resilient in the early innings of this tech selloff. Still, Apple has been crumbling of late, sinking at a rate quicker than the S&P 500. Though Apple has a lot in store for 2023 (perhaps a mixed-reality headset), investors seem unwilling to pay the premium multiple the name commanded for most of 2021 and early 2022.

Regardless, Apple is still a cash cow. And its new innovation could help the firm grow above expectations in a recession year. Indeed, Apple always seems to have a game changer up its sleeves during the toughest of times. The iPhone was launched right before the world sunk into a recession. Whether a headset helps Apple blast off on the other side of the downturn, though, remains to be seen.

In any case, I view Apple stock as a bargain at just 21.2 times trailing price to earnings. It's too good a firm with too much near-term-focused bad news weighing it down.

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