



Why Shopify Stock Skyrocketed Nearly 40% in January 2023

Description

What happened?

Shares of **Shopify** ([TSX:SHOP](#)) rallied by 39.5% in January 2023 to settle at \$65.57 per share, outperforming the broader market by a huge margin. By comparison, the **TSX Composite Index** rose by 7.1% last month. With this, SHOP stock marked its biggest monthly gains since April 2020, taking its [market capitalization](#) to \$82.5 billion.

So what?

The recent rally in Shopify stock could be attributed to multiple macroeconomic and company-specific factors. For example, inflation has started showing early signs of cooling lately after reaching its highest levels in decades. The possibility of peaking inflation in Canada and the United States increased the chances that the central banks might slow down the pace of monetary policy tightening in the near term.

At the same time, the labour market and consumer spending continue to remain strong. These key factors made investors believe that the economy in 2023 might perform better than earlier expected, leading to renewed buying in [Canadian growth stocks](#), including Shopify.

Also, Shopify's strong underlying [fundamentals](#) and consistent focus on long-term, growth-oriented efforts could be another reason that helped its stock rally last month. For example, on January 3, the Canadian e-commerce giant introduced commerce components to make it easier for large retailers to access Shopify's component infrastructure. With this move, Shopify also revealed that the American toy manufacturer **Mattel** would utilize commerce components to bring its entire portfolio of brands to its platform.

In a surprise move on January 24, the Canadian e-commerce company raised the pricing for its Basic, Shopify, and Advanced subscription plans. Investors expect an upward revision in pricing to boost Shopify's profitability in the coming quarters and accelerate its financial growth.

Now what?

To understand Shopify stock's spectacular rally in January, besides these fundamental factors, we must also take into account the massive 73% correction SHOP stock saw last year, which made it look undervalued.

In the first three quarters of 2022, Shopify's total revenue jumped by 19.6% year over year to \$3.9 billion, despite a challenging macroeconomic environment and subsiding pandemic-driven demand for its products and services. The underlying strength in its fundamentals could also be understood by the fact that the merchants on its platform set a new sales record on 2022's Black Friday and Cyber Monday weakened.

Given these positive indications, the Canadian tech company could post solid financial growth in the fourth quarter. Moreover, the recently raised pricing for its plans could help it accelerate financial growth further in the coming quarters, which could help Shopify's share prices continue soaring in the coming months as well.

Despite rallying nearly 40% in January 2023, SHOP stock is still down 46.6% in the last year. That's why it might not be too late for you to buy this amazing growth stock at a bargain to hold for the long term.

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Date

2025/06/28

Date Created

2023/02/01

Author

jparashar

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