



## Toronto Lockdown: Should You Buy Shopify or Amazon Stock Today?

### Description

When it comes to finding an edge, there's no need to reinvent the wheel. The lockdowns support an ecommerce growth thesis. Whatever an investor thinks of pandemic growth trends, they exist. And the Toronto lockdown just makes them stronger. That's why this week's two top picks for near-term capital growth are **Shopify** ([TSX:SHOP](#))([NYSE:SHOP](#)) and **Amazon** ([NASDAQ:AMZN](#)).

### The Toronto lockdown strengthens tech stocks

While holding both stocks does bring the risk of overexposure, growth trends tend to spread upside across multiple names. That's why healthcare stocks rise when a single pharma outfit blows its own trumpet, or why tech stocks get a lift from a single earnings smash.

I've written before about how detrimental vaccine breakthroughs have been to the tech stock growth uptrend. However, there's a note of vaccine bearishness creeping into the markets. Breakthrough rallies have been [fizzling out fairly rapidly](#). From the ongoing U.S. election stress to ratcheting coronavirus cases to the new Toronto lockdown, it's hard to see a light at the end of the pandemic.

That doesn't mean that investors aren't still buying stocks in their favourite companies, however. And it doesn't mean that the markets in general aren't expecting an eventual end to the health crisis, either. But the short-lived nature of the **Pfizer–Moderna** rallies highlights a newfound caution. Growth investors have been burned a couple of times in the last quarter as overvalued names tipped over and sold off *en masse*. But the trend could be stabilizing.

### Let's crunch some numbers

If investors weighing these two names this week have value in mind, Amazon is the better buy. Intrinsic value paints a similar picture. Amazon's price to book ratio is a flabby 18.9. Its price to earnings is even worse, with a ratio of 90. But that's small change compared to Shopify's market fundamentals. The two companies' P/Bs are similar, but check out Shopify's top-heavy P/E ratio of 614 times earnings.

There's also upside potential to bear in mind as the Toronto lockdown [dominates headlines](#). For instance, Amazon gained 77% in the past 12 months on average. Shopify, on the other hand, is still sitting on a year on year average of 200%. Estimated price targets show Amazon has downside potential of around 13% at its most pessimistic. Analysts estimate upside as varying between a moderate 20% and an optimistic 45%.

Now consider the Canadian option. Shopify is looking at an optimistic high target of \$1,876. That's an upside consensus of 44% – not much different from Amazon's. A more realistic estimate of around \$1,500, though, is actually only 15% above the current price tag of \$1,294. Meanwhile, a low target of \$980 works out as downside potential in the 25% region. However, the Toronto lockdown supports an upside thesis.

The industrial uptrend behind both stocks is strikingly similar, though. That said, Amazon is by far the more established player, and therefore theoretically makes for a lower-risk play. Investors in this space, though, are more focused on momentum. Shopify was up by more than 7% on average last week. Amazon investors, less concerned by Canadian news, let their star e-commerce stock slip by a percentage point, giving Shopify the edge for near-term upside.

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