



## These Wall Street Gurus Have Bet Big on Silver Wheaton Corp. Should You?

### Description

Precious metals streaming company **Silver Wheaton Corp.** (TSX: SLW)(NYSE: SLW) continues to garner the interest of Wall Street, with many institutional investors betting big on a recovery in silver prices.

Hedge fund manager John Hussman, renowned for his monster contrarian bet on gold, has wagered over \$7 million on Silver Wheaton. While George Soros has bet over \$10 million and hedge fund manager Ray Dalio over \$7 million.

But the key question for investors is whether they should be following in the footsteps of these Wall Street legends, especially with silver continuing to fall despite the rally in gold.

### Why silver is set to rally

Over the last year, silver has come crashing to earth with its price down a massive 25% for that period and it is now trading at its lowest point since March 2010. Yet there are signs a rebound is well overdue and this explains the big contrarian bets being made by some of Wall Street's most famous money managers.

Growing global economic volatility and geopolitical uncertainty are hitting stock markets hard with investors facing the specter of a deep market correction. A potential triple-dip recession in the eurozone, coupled with a slowing Chinese economy and growing geopolitical instability in Eastern Europe and the Middle East are causing global economic growth to stall.

This will cause the value of growth assets like stocks to plunge and create further interest in a silver, which like gold has its value negatively correlated to growth assets and is seen as a safe-haven asset.

Global silver supplies are also unlikely to meet demand with analysts forecasting demand will exceed supply for 2014 through to 2016. This is because, unlike gold, silver is used in a wide range of industrial applications, one of the most rapidly growing being in the manufacture of photo-voltaic cells.

I also expect silver supplies to remain constrained for some time with the primary silver miners all

having cut down on their investment in exploration and mine development. Each of these factors indicates demand for silver is set to outstrip supply, particularly with growing investment demand as investors withdraw from global stock markets and seek out safe-haven investments.

### **But why Silver Wheaton?**

With silver set to rebound, I can hear investors asking why choose Silver Wheaton over bullion, a silver ETF, or one of the primary silver miners. Silver Wheaton shapes up a superior opportunity to these alternatives because it is superior to silver bullion or a silver ETF providing investors with leveraged exposure to the price of silver.

As a precious metals streaming company it is not involved in mining operations. This allows it to avoid the myriad of risks and high overheads associated with operating a silver mine. It also not required to make the same level of capital expenditures for mine exploration and development which are required to create sustainable silver production.

Silver Wheaton's portfolio of globally diversified assets composed of 20 long-term purchase agreements and 1 early deposit long-term purchase agreement across 24 different mining assets also mitigates many of the strategic risks associated with silver mining.

While Silver Wheaton has no control over production costs, its operating costs remain low because it is not involved in the operation of mines, allowing it to remain profitable even if silver prices soften further. More importantly, this will also see its margins significantly boosted, even if there is a slight increase in the price of silver, which would see both stronger financial results and a jump in its share price.

It is easy to see why Wall Street has bet big on a rally in silver and sees Silver Wheaton as the superior lower-risk way to play this rally. With silver prices plumbing their lowest point since March 2010, now is the time for investors to take the plunge and bet on this rally.

### **CATEGORY**

1. Investing
2. Metals and Mining Stocks

### **TICKERS GLOBAL**

1. TSX:WPM (Wheaton Precious Metals Corp.)

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### **Date**

2025/08/04

### **Date Created**

2014/10/28

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