



## Why Goldcorp Inc. Is a Contrarian Pick to Play the Rally in Silver

### Description

Despite recent weakness, which has seen the price of silver slide to its lowest point since March 2010, I remain bullish on the lustrous white metal and [believe a rally](#) is imminent. One of the best ways to play this rally is one that may not be so obvious to investors and that is the world's largest gold miner, **Goldcorp Inc.** (TSX: G)(NYSE: GG).

Let me explain why.

### Silver makes up a considerable portion of its precious metals reserves and production

Goldcorp, although primarily a gold miner, possesses considerable silver reserves, totaling 818 million ounces and this is significantly higher than any of the primary silver miners. It is more than double **Pan American Silver Corp.**'s (TSX: PAA)([NYSE: PAAS](#)) 324 million ounces and eight times **First Majestic Silver Corp.**'s ([TSX: FR](#))([NYSE: AG](#)) 109 million ounces.

Silver sales also generate a significant portion of Goldcorp's revenue, with it producing almost 9 million ounces of silver during the second quarter 2014, which is a 25% increase over the same quarter in 2013. I expect to see silver production to continue growing with ore grades and efficiencies at its Peñasquito mines in Mexico continuing to improve.

Goldcorp's silver production for the second quarter is also significantly higher than Pan American's 6.6 million and First Majestic's 3.1 million ounces.

This highlights the increased exposure Goldcorp has to the price of silver and the positive impact this will have on Goldcorp's revenues and bottom line as silver prices rebound.

But the good news doesn't stop there for investors.

### Provides diversification across both gold and silver

Goldcorp is the world's largest gold producer, and with the price of gold and silver closely correlated, any rebound in the price of silver will be on the back of a rally in gold.

Any investment in Goldcorp gives investors the opportunity to benefit from a sustained rally in the price of both precious metals, while accessing the considerably higher upside potential offered by silver. This is because silver has proportionately declined further in value than gold, with it down by 24% over the last year, whereas the price of gold has only softened by 9% over that period.

This higher volatility can be attributed to a range of factors, including its role as a store of value coupled with it being an important component in a range of industrial processes. These attributes endow it with the ability to provide investors with far higher potential gains than gold.

### **Remains a low-cost producer**

Goldcorp is also a low-cost producer with second-quarter 2014 cash costs of \$9.85 per ounce of silver produced. This is significantly lower than Pan American's \$12.06 per ounce for the same period but marginally higher than First Majestic's \$9.63 per ounce. As a low cost producer even a slight increase in the price of silver will translate into firmer margins and improved profitability, which should translate into a higher share price.

While gold mining may be Goldcorp's primary business, it is fast shaping up as a solid contrarian play on the price of silver, being superior in many respects to the primary silver miners. It also has the added boon of providing investors with leveraged exposure to both precious metals. This would see them benefit from any broad-based rally in the price of precious metals, where both gold and silver appreciate in value.

### **CATEGORY**

1. Investing
2. Metals and Mining Stocks

### **TICKERS GLOBAL**

1. NYSE:AG (First Majestic Silver)
2. NYSE:PAAS (Pan American Silver)
3. TSX:FR (First Majestic Silver)

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### **Date**

2025/08/15

### **Date Created**

2014/10/29

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