



## Why Silver Is the Only Precious Metal You Should Even Consider Buying

### Description

The precious metals have been hammered recently as a rapid climb in the U.S. dollar has overshadowed any safe haven demand for gold, silver, platinum, and palladium. A higher greenback is a negative for precious metals because they are U.S. dollar denominated commodities. What this means is that when the U.S. dollar appreciates it makes these commodities more expensive for holders of international currencies, and thereby reduces their demand.

We know that history repeats itself and everything is cyclical. This means eventually the price of these metals will rebound, but right now given the climate, there is one metal that is best positioned to rally, and that is silver. Here is why.

### The gold/silver ratio

Even though all the precious metals are suffering right now, gold is currently at its highest price point relative to silver in five years. The comparison of gold and silver prices is called the gold/silver ratio and is a favoured analytic tool among many analysts to gauge if the metals are fairly priced. There are two things you could take from this high ratio: Either gold is overpriced or silver is underpriced.

There are two major pieces of evidence that suggest silver is undervalued. The first is the gold/crude ratio. Gold is currently seen as overpriced to crude, just like it is to silver, a fact that the gold bears say means that gold is due to fall further.

I see the evidence more in support of an appreciation of crude rather than a fall in gold. Crude oil has to appreciate, it is simply market supply/demand fundamentals. At the current selling price of oil, many U.S. shale producers, the same ones accused of creating a market surplus, are going to start to curtail production. That is because the current selling price of oil is right around the cost of production. When production is idled, the market supply/demand fundamentals will adjust, and crude prices will climb on the basis of scarcity.

### Physical silver demand already heating up

The other big piece of evidence supporting the theory that silver is undervalued is that the recent slide

has caused a run on silver coins. Retailers in Asia and the U.S. have reported that they were struggling to get their hands on certain silver coins after the recent drop in silver prices dramatically increased demand.

While coin purchases are a small piece of silver market demand, the current price drop shows that investors feel prices have fallen enough to increase demand. There has not been a similar run on gold coins; therefore investors are clearly more convinced that silver is a bargain at its current price.

### **How to profit on silver's bottom**

During the last silver rally one company, **Silver Wheaton Corp.** (TSX: SLW)(NYSE: SLW), really stood out, and I think it will once again in the net rally. During silver's last bull run, from 2005-2011, Silver Wheaton Corp. enjoyed a 1228% rally in its stock.

Silver Wheaton is a silver-focused metals streaming company, and during the last bull run the company dramatically outperformed silver miners. The company has suffered over the past 52 weeks with the stock declining 14%, but with the evidence lining up to suggest silver could be undervalued, this could be a good time to buy in.

While I am not convinced that there isn't more downside for silver, I think we are very near the bottom, and compared to the other precious metals silver seems most likely to appreciate, and will take Silver Wheaton's stock with it.

### **CATEGORY**

1. Investing
2. Metals and Mining Stocks

### **TICKERS GLOBAL**

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

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