



If You Don't Buy Silver Wheaton Corp Now, You'll Hate Yourself Later

Description

There's a rare opportunity shaping up in the silver market.

This set-up has happened only a few times over the past 20 years. But on each occasion, investors more than doubled their money within the next 24 to 36 months. In fact, the last time these conditions lined up, silver prices soared over 400%.

Let me explain.

Gold and silver prices tend to move together. When gold goes up, silver goes up. When gold goes down, silver goes down.

You can see this pattern in the silver-to-gold ratio. Simply put, this indicator measures how many ounces of silver you need to buy an ounce of gold. The higher the ratio is, the bigger the difference in prices between the two commodities.

These prices tend to trade within a well-defined band. Historically, the average silver-to-gold ratio has been around 60. That means you usually need about 60 ounces of silver to buy one ounce of gold.

But sometimes prices can get out of whack. We've seen this happen on three occasions over the past 20 years. And each time the ratio hit such an extreme level, silver prices soared to return rates back to normal.

To see what I'm talking about, take a look at the chart below...

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Source: *Index Mundi*

The silver-to-gold ratio hit extreme levels in 1995, 2003, and 2008. On each of those occasions, silver prices went on to soar 100%, 200%, and 420%, respectively, over the next two to three years.

Here's the interesting part: the silver-to-gold ratio is near an extreme again.

Today, you need more than 75 ounces of silver to buy one ounce of gold. For the ratio to return to normal, either gold prices will have to fall or silver prices will have to rise. And I'm convinced that silver prices are far more likely to rally.

Why? Once silver is used, it's gone forever. It's just too costly to recycle the tiny bit of metal in each microchip or cell phone. Not to mention that, unlike gold, silver has thousands of commercial uses.

Some of the world's smartest money managers are betting big on silver, too. According to recent SEC filings, there has been a big uptick of hedge fund activity in a number of miners like **Endeavour Silver Corp** ([TSX:EDR](#))([NYSE:EXK](#)) and **Pan American Silver Corp** ([TSX:PAA](#))([NYSE:PAAS](#)). Because their costs are mostly fixed, these companies serve as leveraged bets on higher metal prices.

Billionaire investor Jim Simons is also bullish. Last quarter, he disclosed a US\$28.8 million stake in streaming metals giant **Silver Wheaton Corp.** ([TSX:SLW](#))([NYSE:SLW](#)). That should be no surprise. The last time silver was this cheap, Silver Wheaton shares soared 1,000% over the next 24 months.

Of course, there's no guarantee prices will rally. However, on every occasion the silver-to-gold ratio has hit such extreme levels, grey metal investors have made off with triple-digit gains. If you're not buying silver stocks here, you could be kicking yourself later.

CATEGORY

1. Investing
2. Metals and Mining Stocks

TICKERS GLOBAL

1. NYSE:EXK (Endeavour Silver Corp.)
2. NYSE:PAAS (Pan American Silver)
3. TSX:EDR (Endeavour Silver Corp.)
4. TSX:WPM (Wheaton Precious Metals Corp.)

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