



Buy Silver Wheaton Corp. to Gain Exposure to Silver

Description

If you offered me \$10,000 worth of silver or gold, I would take the silver any day. One of my biggest complaints about gold is that it doesn't have a significant amount of utility in industrial use. For the most part, gold rises and drops in price based on how much fear there is about the global economy. Personally, I don't like to invest in assets based purely on fear.

Silver, on the hand, has a lot of utility in the industrial world. Silver is a very good conductive metal that is useful in electronic devices and solar panels. As you can likely see, electronics are in hot demand. Further, solar panels are becoming a more important type of electricity generator, so the silver needed for those panels is only going to rise.

Silver Wheaton Corp. (TSX:SLW)(NYSE:SLW) is the most efficient way to invest in this in-demand resource. Based on how the price is going, the stock is going to be a really attractive buy in a few weeks.

How Silver Wheaton makes money

When evaluating a company, it is important to understand how it makes money. Silver Wheaton doesn't run its own mines. Instead, when a new mine launches to mine platinum or copper, Silver Wheaton steps in and offers to finance the operation in exchange for all the gold and silver that it might find.

This is beneficial to both parties because these small mines can't afford to launch their operations, but Silver Wheaton funds a big part of it and gives the small mines a really low price per ounce of silver. According to its Q3 2014 earnings report, Silver Wheaton's cost for silver was \$4.16 per ounce. For gold, it was \$378. Both of those prices are significantly less than what the resource is currently valued at, so Silver Wheaton is getting a really good deal.

Because of its ability to generate significant cash flow, the company is able to afford a decent 1.02% dividend. It's nowhere near a dividend giant, but it's still consistent.

When to buy

Silver Wheaton has been undergoing a very similar chart pattern for quite some time now. The stock rises, hits the \$29-\$30 range, and then drops back down to the low \$20s. In the past year, it has done this three times, running into that upper resistance and lower support each time.

Therefore, I would suggest you start your position in Silver Wheaton in a few weeks, when the price has reached the low \$20s. It could end up around \$22 or it could drop down to \$20 per share. In some instances, it's even gone under \$20. If you can pick the price carefully, you'll wind up with a fantastic return.

CATEGORY

1. Investing
2. Metals and Mining Stocks

TICKERS GLOBAL

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

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