



Why Silver Is Shaping Up to Be the Best Precious Metals Play of the Decade

Description

Silver has been trapped in a severe bear market for some time, declining in value for the last three successive years. I believe this has left silver sharply undervalued and poised for a massive rally with a number of catalysts set to drive prices higher.

Now what?

In fact, many of these catalysts highlight that not only will silver appreciate in value, but it is a superior investment to other precious metals, including gold.

First, the gold-to-silver ratio in the last year has widened considerably, going from requiring 68 ounces of silver to purchase one ounce of gold to 73 ounces. This not only indicates that silver is inexpensive in comparison to gold, but it is poised to rally because this ratio is well above the historical average, which has required between 50-60 ounces of silver to purchase one ounce of gold.

Second, unlike gold, silver has a wide range of industrial applications. It is an important component in the manufacture of flexible touchscreens, semi-conductor stackers, LEDs, and photovoltaic cells because of its conductive properties. It is also widely used in the fabrication of jewellery and batteries as well as having a range of medical applications.

Demand for silver for use in photovoltaic cells that are used in solar panels is expected to grow by 42% between now and 2018. In conjunction with flourishing demand for products that include flexible touchscreens and other high tech components in their manufacture, industrial demand for silver is expected grow fivefold between now and 2018.

Third, the output of silver from mining continues to decline because mining companies have been slashing investments in exploration and mine development because of significantly soft silver prices. This, in conjunction with the long lead times required to develop mines and bring commercially viable production online, is expected to have a significant impact on global supplies, helping to drive silver prices higher.

Finally, Wall Street has bet big on silver. A number of hedge fund managers have invested in silver

ETF **iShares Silver Trust** (NYSE:SLV), precious metals streamer **Silver Wheaton Corp.** (TSX:SLW)(NYSE:SLV) and beaten down silver miner **Pan American Silver Corp.** (TSX:PAA)([NYSE:PAAS](#)).

Clearly, they can see something many smaller investors can't—that there is a mammoth rally ahead.

So what?

Not all investments in silver are created equal. While the iShares Silver Trust provides investors with a far more liquid alternative to bullion, it does not offer the same leveraged exposure that silver miners do.

However, this potentially great upside comes with considerably great risk, yet there is a way to minimize this risk, while still gaining leveraged exposure to silver prices; it is by investing in precious metals streamer Silver Wheaton.

You see, Silver Wheaton does not engage in mining activities but rather finances silver miners in exchange for the right to purchase a proportion of their silver production at a substantial discount to the spot price. In the first quarter 2015, this amounted to an average of US\$4.46 per ounce, or roughly a quarter of the spot price. This allows it to generate higher margins than the miners with substantially lower risk.

CATEGORY

1. Investing
2. Metals and Mining Stocks

POST TAG

1. Editor's Choice

TICKERS GLOBAL

1. NYSE:PAAS (Pan American Silver)
2. NYSEMKT:SLV (iShares Silver Trust)
3. TSX:WPM (Wheaton Precious Metals Corp.)

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