



Is Now the Time to Buy Silver Wheaton Corp.?

Description

Over the next few years, you could make triple-digit gains in one of the world's most hated commodities: silver.

Some of the world's smartest money managers are accumulating positions in the grey metal. Now many experts believe silver prices could hit US\$35 per ounce.

You won't get rich quick, but as I'll show you today that higher silver prices are almost inevitable. And before the run is over, we could see spot rates double or more. Let me explain...

Is silver about to hit \$35?

The past few years have been hard for precious metal investors. Since their highs in 2011, gold prices are off more than 30%. The mining industry has been clobbered and many companies are struggling to keep the lights on.

But if you think that's bad, things are even worse in the silver space. The metal has been trapped in a bear market for the last three years and prices are still down 61% from their 2011 highs.

Here's the problem: this situation has left silver exceptionally cheap. For this reason, mining experts see a massive rally coming for silver, offering investors far better potential returns than gold or other precious metals.

One of the most important numbers in the mining business is the gold-to-silver ratio. This metric measures the correlation between silver and gold prices, allowing investors to determine which metal has the most upside.

In April 2011 one ounce of gold could buy you 32 ounces of silver. Today, that same ounce of gold will buy you 71 ounces of silver. And as you can see illustrated in the chart below, this ratio is completely out of whack with the long-term averages.

goldsilverratio

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Source: *Index Mundi*.

Based on a normal gold-to-silver ratio and with the price of gold around US\$1,200 per ounce, silver today should be trading for around US\$30 to US\$35 per ounce. But on Wednesday, spot prices closed the trading session at just US\$16.50 per ounce.

All of this means silver is cheap. To return the ratio back to normal, either gold prices will have to fall or silver prices will rise. But based on simple economics, it's far more likely the price of silver will increase.

Why? Once silver is consumed, it's usually gone forever. It's just too expensive to recycle the tiny bit of metal in each computer chip or cell phone.

Demand is also growing. Silver is useful given that the metal has more than 10,000 commercial applications. Any kind of economic rebound would quickly outstrip inventories.

The smart money is buying silver. Should you buy, too?

Of course, I'm not the first person who has spotted this opportunity. Some of the world's best investors are also betting big on silver.

As I wrote about earlier this month, billionaire investor Ray Dalio purchased a \$10.3 million stake in **Silver Wheaton Corp.** (TSX:SLW)(NYSE:SLW). SEC filings have also revealed noticeable buying activity in a number of other silver miners, namely **Endeavour Silver Corp.** ([TSX:EDR](#))([NYSE:EXK](#)), **First Majestic Silver Corp.** ([TSX:FR](#))([NYSE:AG](#)), and **Pan American Silver Corp.** (TSX:PAA)([NYSE:PAAS](#)).

What could have all of these Wall Street insiders so excited? I'd say it could only mean one thing: they see a giant rally ahead.

CATEGORY

1. Investing

2. Metals and Mining Stocks

TICKERS GLOBAL

1. NYSE:AG (First Majestic Silver)
2. NYSE:PAAS (Pan American Silver)
3. TSX:EDR (Endeavour Silver Corp.)
4. TSX:EDV (Endeavour Mining Corporation)
5. TSX:FR (First Majestic Silver)
6. TSX:WPM (Wheaton Precious Metals Corp.)

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