

## 2 Stocks to Buy if Precious Metals Surge

### Description

Equity markets are finally starting to realize that all is not right in the world today. Greece has closed its banks, China is battling a property bubble, and most of the Middle East is on the verge of total chaos.

These events are not coming out of the blue, but the market has built up an amazing ability to shrug off threats. Now, the scope of the risks might finally be hitting home.

### As an investor, how can you profit?

When markets go into fear mode, precious metals tend to regain their shine as safe-haven investments. Some analysts suggest buying the ETFs that give you direct exposure to the commodity, but I think mining companies have sold off so much that the bigger upside probably lies with the mining stocks rather than the actual precious metals.

Here's why **Goldcorp Inc.** (TSX:G)(NYSE:GG) and **Silver Wheaton Corp.** (TSX:SLW)(NYSE:SLW) are top stocks to put in your portfolio if you think the tide is turning in the precious metals markets.

### Goldcorp Inc.

Goldcorp is often cited as the best pick among the gold miners. The stock's recent performance certainly doesn't indicate this, but things are starting to look a lot better.

Goldcorp has a number of assets that are moving from development to production. This means less money will have to be spent on capital projects and more revenue should be coming in as a result of higher production and sales. Shareholders should benefit because Goldcorp can use the extra cash flow to pay down debt and possibly increase the dividend.

Last year Goldcorp spent US\$2.2 billion on capital projects. That number should drop by about \$800 million in 2015. Production in 2014 was 2.9 million ounces. The guidance for this year is as high as 3.6 million.

Goldcorp pays a dividend of US\$0.60 per share that yields 3.6%.

### Silver Wheaton

If you are a gold-and-silver bull, but don't want to own the actual miners, you can buy a streaming company like Silver Wheaton and just sit back and wait for commodity prices to rise.

The company signs deals with miners for the gold-and-silver by-product produced at facilities set up to mine other products, such as copper. By making a significant upfront payment, Silver Wheaton secures long-term rights to acquire gold and silver at very reasonable prices. In fact, it normally pays about US\$4 per ounce for silver and US\$400 per ounce for gold.

The miners agree to this because they need the capital to develop the projects, and money is often hard to come by at a reasonable price, especially when precious metals markets are weak and stock prices are languishing.

The prolonged downturn in the mining sector has given Silver Wheaton a chance to negotiate some very favourable deals. This means production is set to grow significantly in the next few years and that should put a tailwind behind the stock. If gold and silver are headed higher at the same time, investors could see a huge rally.

Silver Wheaton is currently trading near the lows of a very consistent pattern that has seen the stock jump by as much as 50% four times in the past two years.

## CATEGORY

1. Investing
2. Metals and Mining Stocks

## POST TAG

1. Editor's Choice

## TICKERS GLOBAL

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

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## Tags

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