



Is the Time Right to Buy Silver Wheaton Corp.?

Description

As is usually the case, when the markets head down, commodities such as silver and gold start to rise. For companies that derive the majority of their revenue from those commodities, when silver goes up, the price of the stock goes up.

And **Silver Wheaton Corp.** (TSX:SLW)(NYSE:SLW) has definitely seen a significant increase over the past few weeks. Since the end of January Silver Wheaton shares have increased by 44%. The question is, Will the price of the stock continue to rise?

Over the short term the stock is probably going to pull back some, simply because investors are taking their profits where they can. The last time the stock was around this price was in July 2015; therefore, expect investors to take some profits.

However, over the long term I believe the price that the stock is presently at (\$21.50) is only the beginning for the company. There are a few reasons why I believe Silver Wheaton is a great buy over the long term.

The first has to do with its business model. Unlike other mining companies, Silver Wheaton doesn't actually own its mines. Instead, it acts as the financier to other mines to help them get into production. These mines might be for copper or zinc, but Silver Wheaton hopes those operations will also find silver and/or gold, which it will then buy.

The past couple of months have been the perfect scenario for Silver Wheaton. Copper and zinc, along with most commodities, are currently undervalued, which means the miners need Silver Wheaton's cash. On the other hand, gold and silver are up, which gives Silver Wheaton an incredible opportunity to get the commodities it is interested in for cheap. The deals are working so well, the company expects to hit 55 million ounces by 2019, up from 44.5 million.

Another reason why I think Silver Wheaton is a strong buy is because the markets are going to experience a squeeze over the coming years.

Demand for silver should continue to increase as solar power becomes more important. The silver acts

as a conducting agent in solar panels. Also, because the bulk of silver is found as a by-product to zinc, copper, and other metals, I expect to see many of these operations shut down. This will reduce supply for other companies significantly, thus sending the price even higher.

All of this leads me to believe that Silver Wheaton is a great buy for any investor who is thinking long term. If you're trying to find the right price to enter, you may want to wait to see if the stock is going to pull back or not. However, timing the market is oftentimes very difficult. In my opinion, the stock could easily rise another \$8 or \$9 per share over the next year, making it still a very lucrative opportunity. And you can expect a small but consistent 1.23% yield along the way.

CATEGORY

1. Investing
2. Metals and Mining Stocks

TICKERS GLOBAL

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

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