



## 3 of the Best Stocks to Play the Rally in Silver

### Description

Over the last month, silver has rallied quite strongly to be up by 7%. There are signs that this could be the beginning of a new bull market for silver as growing market volatility and uncertainty about the direction of the global economy has fueled renewed interest in precious metals.

In fact, there are a range of indicators that highlight the rally still has plenty of steam left. Key among them is the gold-to-silver ratio, which is still at a statistical extreme despite narrowing in recent weeks.

Currently, 73 ounces of silver are required to buy one ounce of gold—well above the average of 55-60 ounces over the last century, indicating that silver remains undervalued relative to gold. There is growing industrial demand for the white metal because it's a key component in a range of electronic products and solar panels due to its highly conductive nature.

All of these factors make now the time to invest in silver. Here are three top silver stocks that investors can use to cash in on the massive rally ahead.

### Now what?

My first choice is a perennial favourite among precious metals investors, silver and gold streamer **Silver Wheaton Corp.** (TSX:SLW)(NYSE:SLW).

It may be embroiled in a dispute with the Canada Revenue Agency, which has a potential impact of US\$575 million after factoring in additional taxes and penalties, but it still represents a solid option to play the rebound in silver.

You see, Silver Wheaton doesn't engage in mining activities. Instead, it makes an upfront payment to a miner for the rights to buy the silver it produces at a point in the future for a fixed price that is well below the spot price.

As a result, not only is it less risky than a miner, but it operates with substantially lower costs, reporting cash costs of a mere US\$4.58 per ounce for 2015—roughly half of those reported by silver miners. This, along with a solid balance sheet, a relatively low amount of debt, and a high degree of liquidity leaves it

well positioned to benefit from higher silver prices.

The second choice is primary silver miner **First Majestic Silver Corp.** ([TSX:FR](#))([NYSE:AG](#)).

Despite suffering a horrendous 2015 because of sharply weak silver, it is focused on reducing costs during 2016. It's forecasted cash costs of US\$7.11 to US\$7.60 per ounce. It has also slashed its forecast 2016 capital expenditures by 18% compared with 2015, and both of these factors leave it capable of generating solid margins as silver rises.

The final selection is small-cap miner **Great Panther Silver Ltd.** ([TSX:GPR](#))(NYSE:GPL), which owns and operates two mining complexes in Mexico.

What makes it appealing is the high quality of its silver ore, low operating costs (with 2016 forecast cash costs of US\$5-7 per ounce), and its lack of debt. With US\$14 million in cash and US\$26 million in working, it is highly liquid and capable of generating a solid financial performance as silver rises.

There is also some conjecture within the industry that it may become a takeover target at some point in the future because of its solid financial position, low market cap of \$261 million, and high-quality assets.

### So what?

It can be difficult to forecast the short-term outlook for silver because of its higher volatility than gold and the tremendous volume of paper contracts and recent allegations of major banks manipulating the price. Nonetheless, what is increasingly clear is that silver is set to rally over the course of 2016 and, while no investment is risk free, all three stocks discussed are well positioned to take advantage of this rally and deliver value for investors.

### CATEGORY

1. Investing
2. Metals and Mining Stocks

### POST TAG

1. Editor's Choice

### TICKERS GLOBAL

1. NYSE:AG (First Majestic Silver)
2. TSX:FR (First Majestic Silver)
3. TSX:WPM (Wheaton Precious Metals Corp.)

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mattsmith

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