



## Pattern Broken: Is it Time to Buy Silver Wheaton Corp.?

### Description

When investing it's important not to get hung up on advanced trading patterns because you're in this business for the long-term and fluctuations of price are not as important as researching companies and determining their true viability. However, when it comes to **Silver Wheaton Corp.** (TSX:SLW)(NYSE:SLW), there has been a blatant trading pattern to help investors determine if they can get a better price.

Between July 2013 and June 2015, the price of Silver Wheaton shares moved between \$20 and \$30 a share. By the end of June it had broken its support (the low price) and dipped to approximately \$15.50 a share. Over the past month the stock has finally broken resistance (the top price) and gone beyond \$30 a share.

Investors can't rely on this predictable pattern anymore to determine whether it's a good time to start buying or not. Fortunately, an analysis of the company can help make the decision a little bit easier.

Silver Wheaton is a silver-streaming company. I like to call it the silver financier, whereby it provides non-silver mines the capital they need to launch a new operation. Mines are expensive, and it can sometimes be hard to get traditional financing.

In exchange for providing this financing, Silver Wheaton is given the right to purchase silver and gold that is found in the mine at a seriously discounted rate. Essentially, if a company launches a new copper mine, they may find silver along the way. If they do, Silver Wheaton gets to buy it.

And business has been exceptional. In Q1 2016, the company reported that it had a cash cost of US\$4.44 per ounce of silver. Presently, silver trades at about US\$19.50, so the margins are absolutely spectacular. So long as the silver price stays up, Silver Wheaton can print money.

But there's a problem...

Silver Wheaton is dependent on commodity prices to stay high. And unfortunately, when it comes to gold and silver, one of the primary use cases has always been fear. If people are not feeling afraid, there's little reason to buy these stores of value. Part of the reason why the price has spiked up

recently is because of the Brexit. When there is uncertainty, people want to store their wealth.

Silver has numerous industrial applications. Primarily, it is an incredibly conductor in solar panels.

Consider that it takes approximately 20 grams of silver for every single solar panel. That number will drop as solar panels become more efficient, but there will always be a need for a conductive metal to convert electrons into an electric current. And as demand for solar panels increases, the demand for silver will follow.

Ultimately, I think Silver Wheaton is a fantastic business and I believe its model is lucrative. And because its product comes as a by-product to non-silver mines, if commodity prices stay low, there could be a squeeze where new silver is not as readily available. That would send the price much higher with Silver Wheaton following. Investing in Silver Wheaton is investing in the belief that silver will go up.

## **CATEGORY**

1. Investing
2. Metals and Mining Stocks

## **TICKERS GLOBAL**

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

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