



3 Reasons to Invest in Silver

Description

It has been a great year for silver investors with the white metal surging by a massive 40% to be trading at its highest point in just over two years. Despite a number of naysayers claiming that silver is poised to pull back after such a tremendous rally, there are a range of indicators that it will continue to appreciate in value over the remainder of 2016.

Now what?

Firstly, there are a number of signs that industrial demand will grow.

Silver is both a precious metal and an industrial commodity because it is used in a wide range of industrial applications. Silver is the most conductive of the metals, coming in ahead of copper and gold, meaning that it is in high demand for use in an assortment of electrical applications.

As a result, it is a crucial ingredient used in the fabrication of electronic components in consumer electronics such as tablets, smartphones, and laptops. The importance of these devices in an information-dependent age can only drive the demand for silver higher.

Secondly, there is the secular trend to clean renewable sources of energy, which—because of its falling costs and relative ease of implementation—has caused solar energy to become a vital renewable energy solution.

As a result of the growing pressure to reduce carbon emissions and boost the amount of electricity produced by renewable sources of energy, an assortment of governments have implemented aggressive solar energy targets.

This is particularly important for silver. Because of its conductive properties, it is a key component used in the manufacture of the photovoltaic cells that make up solar panels.

You see, it takes 2.8 million ounces of silver to produce sufficient photovoltaic cells to generate one gigawatt of electricity. With global installed solar capacity forecast by SolarPower Europe to more than double to at least 490 gigawatts by 2020, the demand for photovoltaic cells, and hence silver, will be

tremendous.

The likelihood of these solar targets being scaled down because of an economic slump is highly unlikely because of the growing pressures to transition from carbon-emitting fossil fuels to cleaner sources of energy in order to slow global warming.

Finally, silver is a precious metal, which means that its price is closely correlated to that of gold.

Just like gold, silver is considered to be store of value and safe-haven asset that allows investors to hedge against market volatility. In times of magnified economic and political uncertainty, its investment demand can only increase.

So what?

It is easy to see that despite its short-term volatility, silver will continue to rise in value over the long term, particularly because it possesses the characteristics of an industrial metal as well as those of a precious metal. While silver ETFs such as the **iShares Silver Trust** (NYSE:SLV) offer direct exposure to the price of silver, along with the advantage of being far more liquid than bullion, there is a better way to invest in silver.

Invest in silver miners because they give investors leveraged exposure to the price of silver, which means that their stock price will appreciate at a greater rate than the value of silver. One of the most attractive primary silver miners is **First Majestic Silver Corp.** ([TSX:FR](#))([NYSE:AG](#)), which recently took the opportunity to strengthen its balance sheet and sharply reduced costs.

As a result, it now has some of the lowest costs in its industry. First-quarter 2016 all-in sustaining costs came in at US\$8.97 per ounce. These low costs in conjunction with its growing silver output, which was up by 23% year over year in the second quarter, means that its bottom line will receive a healthy boost that will translate into a higher share price.

CATEGORY

1. Investing
2. Metals and Mining Stocks

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1. Editor's Choice

TICKERS GLOBAL

1. NYSE:AG (First Majestic Silver)
2. NYSEMKT:SLV (iShares Silver Trust)
3. TSX:FR (First Majestic Silver)

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