



## What Should Investors Do About Silver Wheaton Corp.?

### Description

Since the middle of January, shares of **Silver Wheaton Corp.** (TSX:SLW)(NYSE:SLW) have risen from under \$15 per share to nearly \$40 by the middle of August; shares have since pulled back to about \$36. The pullback has some investors questioning whether they should sell their shares now and take their well-earned returns or if they should wait for the stock to go higher instead.

The answer to that depends entirely on gold and silver prices.

The reason the run-up occurred in the first place is because the price of gold and silver skyrocketed. In January 2016, the spot price for an ounce of silver was US\$13.50. By July the spot price had increased to US\$20.71. And for gold, it went from US\$1,076 per ounce to US\$1,367 in the same time frame. In other words, Silver Wheaton's price skyrocketed because the assets it deals in also skyrocketed.

But since then the prices of gold and silver have stagnated. While it hasn't cratered, the past two months have been in a relatively tight trading pattern. If the price does continue to go higher, it'll be good for Silver Wheaton; however, if the price starts to drop, Silver Wheaton will follow.

That means we have to ask, Will gold and silver prices keep going up?

Rising gold prices have a lot to do with interest rates. When interest rates move up, that strengthens the U.S. dollar, which means investors aren't concerned about an economic collapse. Since gold is very much a store of value, there has to be fear for gold prices to go up.

Silver, on the other hand, has numerous industrial-use cases, such as computers, cell phones, and, most importantly, solar panels. As demand for electronics continues to rise, silver demand should follow. But will the demand be enough to support the price?

There's good news, though, for Silver Wheaton investors. Because of its business model, it doesn't carry the same inherent risks that a typical silver or gold miner does. Instead of mining itself, it acts as the financier. For example, a copper miner might go to Silver Wheaton and request financing to launch the new mine. In exchange, Silver Wheaton gets to buy any silver or gold for a discount.

In the second quarter, Silver Wheaton paid about US\$4.46 per ounce of silver and US\$401 per ounce of gold. Now compare that to the spot price and it's easy to see the margins.

### Should you buy?

That's really the ultimate question.

On one hand, if you believe that precious metals are going to continue going up, then holding this stock isn't a terrible idea. However, I believe that it's important to take money off the table when you've had a series of great hands. If you got in at the beginning of the year and you've more than doubled your money, take some profits and keep a small position. If it keeps going higher, you'll be happy to have the small position; however, if it goes lower, you'll be happy to have taken a profit.

### CATEGORY

1. Investing
2. Metals and Mining Stocks

### TICKERS GLOBAL

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

### Category

1. Investing
2. Metals and Mining Stocks

### Date

2025/08/18

### Date Created

2016/09/29

### Author

jaycodon

default watermark