



## Silver Wheaton Corp.: Will 2017 Be a Golden Year for Investors?

### Description

**Silver Wheaton Corp.** (TSX:SLW)(NYSE:SLW) is up 37% in 2016, but any investor who bought after June 1 is currently in the red.

Let's take a look at what happened this year and try to figure out if better times might be ahead in 2017.

### Gold and silver volatility

Silver Wheaton traded as low as \$15 per share in January. By the middle of August, it hit \$40.

What happened?

Gold and silver surged on the back of reduced expectations for rate hikes in the United States.

Coming into the year, most analysts expected the Fed to increase its target rate of four times, but financial uncertainty in global markets and mixed U.S. economic data kept the Fed on the sidelines.

Why is this important?

The precious metals often come under pressure in a rising-rate environment because higher interest rates increase the opportunity cost of holding non-yielding assets. Rising U.S. rates also tend to drive up the value of the American dollar, in which gold and silver are priced, making the metals more expensive for holders of other currencies.

As the Fed lowered its aggressive tone, the dollar pulled back, and gold and silver caught a tailwind.

### A downward slide

In the wake of the Brexit vote in June, most pundits expected the strong rally in gold and silver to continue, but the opposite has happened.

Renewed concern about rising U.S. rates outweighed Brexit fears, and that put pressure on the market in the late summer and early fall. The Trump election win has since added to the pain.

How bad is it?

Gold topped out near US\$1,380 per ounce in early July. At the time of writing, the metal is trading at US\$1,130 per ounce. Silver peaked at US\$20 per ounce a few weeks later. Today you can buy it for \$16 per ounce.

Silver Wheaton's stock price has gone along for the ride and is now back down to \$23.50 per share on the TSX.

### **Will 2017 be better?**

The negative momentum looks set to continue in the near term, but a reversal could be in the cards next year.

Why?

Trump's plan to cancel or renegotiate trade deals could destabilize global markets, as would further aggressiveness towards China.

On top of that, the Brexit is still capable of upsetting financial market, especially if the E.U. decides to make the process painful. Elections in France and Germany might also trigger a flight to safe-haven assets.

Finally, Italy could be 2017's Greece. Several of the country's banks are in serious trouble, and the recent "no" vote in the referendum has thrown the G8-member into a precarious political situation.

Markets have shrugged off turmoil in 2016, and the same could happen again next year, but it's important to acknowledge there are risks on the horizon that could drive renewed buying in the gold and silver market.

### **Should you buy?**

Silver Wheaton is a great way to play rising gold and silver prices. If you are a long-term bull, this stock should be in your portfolio.

At the moment, however, the trend appears to be negative, so I would be inclined to keep the position small and wait for a confirmed rebound before committing new money.

### **CATEGORY**

1. Investing
2. Metals and Mining Stocks

### **TICKERS GLOBAL**

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

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