



## Time to Buy Silver Wheaton Corp.

### Description

**Silver Wheaton Corp.** (TSX:SLW)(NYSE:SLW) is a precious metals streamer that has plenty of long-term potential for investors.

Unlike the traditional miners who typically carry a larger debt load due to the costs associated with setting up a mine, streamers operate under a slightly different business model that has lower risks but many of the same rewards.

Streamers differ from miners in that they don't own or operate the mines directly. Streamers provide an upfront financial infusion to the miner, who then proceeds to set up operations. In return for that initial investment, streamers negotiate discounted rates with miners for the precious metals produced from the mine.

Typically, that discount can be over 60% of the market rate of the metal. Streaming contracts for gold can have a rate as low as US\$450 per ounce, and silver can be streamed for as little as US\$4 per ounce.

In short, streaming deals can be lucrative for all parties, and especially if the price of gold is expected to rise.

### What's in store for gold this year?

Gold prices rallied last year — their first rally in over half a decade. As gold prices shot up, so did the stock price of gold producers (and, by extension, Silver Wheaton). Unfortunately for producers, the rally was short-lived, and prices cooled towards the end of the year. Gold producers still managed to finish the year on a high with many up over 40%.

Several unprecedented events, ranging from the ongoing uncertainty over rising interest rates, the surprise Brexit vote, the fallout of markets, and the unexpected election of Donald Trump, all played a part in gold price fluctuations last year.

This year could be just as tumultuous, if not more. The U.S. Fed has already decided to keep interest

rates unchanged for now, and the growing uncertainty over longtime policy shifts by the new administration in Washington will only fuel uncertainty and push investors back into the perceived safety of metals.

Some industry pundits late last year speculated gold could hit US\$1,400 per ounce this year, and given the growing number of uncertainties in the market, that now seems likely.

### **Where does this leave Silver Wheaton?**

I'm optimistic about Silver Wheaton this year for a few reasons.

First, Silver Wheaton's existing contract base is estimated to yield 330,000 ounces of gold and 30 million ounces of silver annually over the next few years. Keep in mind that over the lean years that preceded last year's rally, producers became accustomed to streamlining costs and improving efficiency. That alone screams potential in the form of stable costs and increased productivity.

Second, if gold prices continue to rise as speculated, the margins for Silver Wheaton selling precious metals will produce even more revenue for the company. Renewed demand for gold in both China and India over recent months should boost demand and, by extension, push prices up even further.

In my opinion, Silver Wheaton remains a great long-term investment for those looking to diversify their portfolios with a precious metals stock.

### **CATEGORY**

1. Investing
2. Metals and Mining Stocks

### **TICKERS GLOBAL**

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

### **PARTNER-FEEDS**

1. Msn
2. Yahoo CA

### **Category**

1. Investing
2. Metals and Mining Stocks

### **Date**

2025/08/25

### **Date Created**

2017/02/07

### **Author**

dafxentiou

default watermark