



Could Silver Wheaton Corp. Hit \$50 in 2017?

Description

Silver Wheaton Corp. (TSX:SLW)(NYSE:SLW) is up 12% in the past month, and investors are wondering if this is the beginning of an extended rally for the stock.

Let's take a look at the current situation to see if Silver Wheaton should be in your portfolio right now.

Precious metals strength

Silver Wheaton is as much a play on gold as it is on silver. In fact, gold has become such an important part of the company's revenue mix that it has applied to change its name to Wheaton Precious Metals.

Gold just hit a five-month high, regaining the majority of the losses incurred after the U.S. election, but it's still down significantly from the levels seen last summer.

The big headwind for the past nine months has been concerns about rising interest rates in the United States, and that remains the case.

Higher U.S. rates are normally negative for gold because they increase the opportunity cost of owning non-yielding assets, such as precious metals. Rising U.S. rates also tend to put upward pressure on the American dollar, in which gold is priced.

This makes the yellow metal more expensive for holders of other currencies.

The U.S. Federal Reserve increased its target rate in December and again in March.

Why is gold rising?

Gold sold off leading up to the March rate hike, as investors feared the Federal Reserve would take a more aggressive position through the rest of the year. The concerns turned out to be unwarranted, as the Fed simply reiterated plans to raise rates three times in 2017.

That's still not great for gold, but it eliminated Fed uncertainty, at least for the near term.

Since then, investors have turned their attention to geopolitical risks.

Brexit is officially underway, France's upcoming election could produce an anti-euro president, and Italy's banks are still in trouble.

Beyond Europe, the American airstrikes in Syria and a potential U.S. confrontation with North Korea are also driving investors into safe-haven assets.

So, there is ample opportunity for a significant shock to send precious metals soaring in the near term.

Could Silver Wheaton hit \$50?

The stock currently trades at \$29, so there would have to be a strong surge in gold and silver prices to send it to the \$50 mark.

A major geopolitical event could ignite an extended rally, but the Fed rate hikes are a strong headwind, and the market often shrugs off big news, as we saw in the wake of the Brexit vote last year.

As a result, \$50 by year-end is probably a stretch, but more upside from the current level is certainly possible, especially in the near term.

Should you buy Silver Wheaton?

The streaming company is a great way to get exposure to rising gold and silver prices without taking on the direct risks connected with owning the miners.

If you are a precious metals bull, Silver Wheaton deserves to be near the top of your buy list.

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2. Metals and Mining Stocks

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