



## Silver Wheaton Corp.: Is it Time to Buy the Dip?

### Description

**Silver Wheaton Corp.** (TSX:SLW)(NYSE:SLW) is giving back some of its recent gains, and investors who missed the latest run are wondering if this is a good opportunity to buy the stock.

Let's take a look at the current situation to see if the streaming company deserves to be in your portfolio.

### Streaming appeal

Silver Wheaton isn't a miner, it (relatively) simply provides mining companies with upfront cash to help them move projects from development to production. In return, Silver Wheaton is given the right to purchase gold and silver produced at the mine for an agreed-upon, hopefully attractive price.

How attractive?

Silver Wheaton reported average silver and gold cash costs in 2016 of US\$4.42 and US\$391 per ounce.

The company sold its silver and gold for an average price of US\$16.96 and US\$1,246 per ounce, respectively, so the margins were pretty sweet.

Adjusted net earning for 2016 came in at US\$0.62 per share, compared to \$0.53 per share in 2015.

Mining companies agree to these deals because the silver and gold are often byproducts in the process at mines set up to produce other metals.

### Market outlook

Gold and silver are giving back some recent gains in the wake of the first round of the French election.

What's up?

Investors moved into safe-haven assets in recent weeks as fears mounted that far right candidate,

Marine Le Pen, and far left candidate, Jean-Luc Mélenchon, might make it through to be the finalists for the second round of voting.

In the end, Le Pen made it through, but she is widely expected to lose to centrist Emmanuel Macron, who is viewed as being market-friendly.

While the French disaster appears to be avoided, additional geo-political concerns remain in play.

For example, Brexit is underway and could get ugly, North Korea is threatening the U.S. again, and Italy's bank troubles are still a threat to the European financial system.

For the moment, the market is less concerned about these threats.

Headwinds are also coming from anticipated interest rate hike in the United States. The Fed increased its target rate in December and March, and investors expect two more moves before the end of the year.

Rising U.S. rates are generally negative for gold and silver because they tend to put upward pressure on the value of American dollar, in which the precious metals are priced.

This makes them more expensive for buyers holding other currencies.

### **Should you buy?**

Silver Wheaton is at the mercy of gold and silver prices. If you believe the precious metals are destined to move higher, the stock deserves to be on your buy list.

In the near term, it looks like the market could be taking a break, so I would keep any new position small at this point and look to add on further weakness.

### **CATEGORY**

1. Investing
2. Metals and Mining Stocks

### **TICKERS GLOBAL**

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

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