



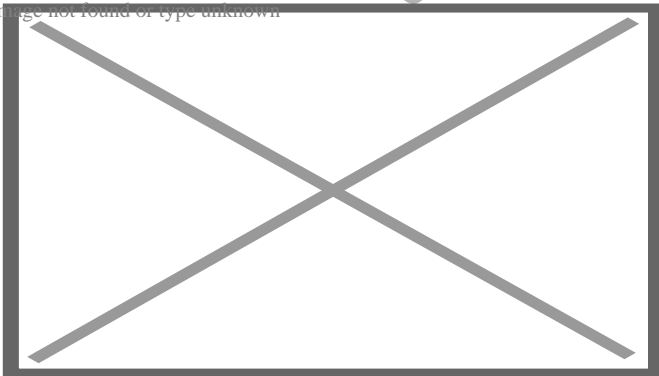
Should You Bet Your Money on Tahoe Resources Inc.?

Description

The plummet of **Tahoe Resources Inc.** (TSX:THO)(NYSE:TAHO) shares is a prime example of the risk investors take every day. If you invest in individual stocks, you should be ready that any single holding can fall 50% due to economic, industry, or company-specific issues. A publicly traded company going out of business is a possibility as well, even though it's rare.

If you have a properly diversified portfolio, and you have a long investment horizon, you should not worry. In the current market environment, some experts say to have 5-8% exposure to precious metals.

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Why Tahoe Resources shares have declined almost 43%

Tahoe Resources shares plummeted last Wednesday, and they have continued to be weak. In the last five trading days, they have declined nearly 43%.

The news came out that the operations of its Escobal mine in southern Guatemala were halted because the licence to run the mine was suspended. The temporary suspension resulted from an action brought by the anti-mining organization, CALAS, against Guatemala's Ministry of Energy and Mines.

The press release stated, "The action alleges that the ministry violated the Xinca Indigenous people's right of consultation in advance of granting the Escobal mining license to Tahoe."

Management believes that it could take six to 12 months for there to be progress on the reconsideration of the issue of the licence.

The impact of the Escobal mine

The impact of the Escobal mine is big for Tahoe Resources. Last year, the company produced 21.2 million ounces of silver from the mine and about 38.5 thousand ounces of gold from other mines. So, the longer Tahoe Resources cannot operate its Escobal mine, the bigger impact the issue will have on the company's sales, earnings, and cash flows.

Is Tahoe Resources a buy?

It is anyone's guess when Tahoe Resources will be able to restart the operations at the Escobal mine. So, the company is a speculative investment at this point, and it's unlikely that its shares will move materially higher until the licence issue is resolved. It's also questionable if Tahoe Resources will be able to maintain its monthly dividend.

Speculative investors may consider a small position in the stock today for a turnaround if the licence issue is eventually resolved in the future.

Investor takeaway

Investors looking for safer exposure in precious metals may consider precious metals streaming companies such as **Wheaton Precious Metals Corp.** ([TSX:WPM](#))([NYSE:WPM](#)), which do not own or operate any mines and so are less risky than Tahoe Resources.

Wheaton Precious Metals has long-term agreements (almost 20 years) with 21 operating mines to pay an upfront cost for a fixed percentage of the silver or gold by-product that they produce. Typically, Wheaton Precious Metals pays US\$4-6 per ounce of silver and about US\$400 per ounce of gold, which are much lower than the spot prices at about US\$15 per ounce and US\$1,200 per ounce, respectively.

CATEGORY

1. Investing
2. Metals and Mining Stocks

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