



2 Precious Metals Stocks That Have Strong Upside

Description

Precious metals stocks have largely underperformed in 2017 and in the last few years. Gold and silver prices seem to have stabilized with gold prices looking a bit more bullish than silver.

Here are two precious metals stocks that will have strong upside if we see further recovery in gold and silver prices.

Wheaton Precious Metals Corp. ([TSX:WPM](#))([NYSE:WPM](#)) is [the world's biggest silver and gold streaming company](#). If there's only one stock you'd buy in the precious metals space, this would be it.

Wheaton Precious Metals employs a relatively safe business model, which gives investors exposure to the potential price increases of silver and gold, while reducing the downside risk.

Wheaton Precious Metals doesn't operate any mines. So, the costs of running its business remain relatively low and predictable compared to that of the precious metals miners.



Wheaton Precious Metals agrees to buy all or a portion of silver or gold production from quality mines from stable regions around the world.

Essentially, the company pays an upfront fee and an additional payment for when the precious metals are delivered. Currently, it streams from 20 mines; nine more mines are under development.

The stock traded in a symmetrical triangle for most of 2017. Near the end of the year, it began to break out. Higher precious metal prices and new streams going online will benefit the company and, ultimately, the stock.

The analysts at **Thomson Reuters** have a 12-month mean target of US\$26.10 per share on the stock, which represents ~17% upside potential in the near term.

Goldcorp Inc. (TSX:G)(NYSE:GG) operates in the stable regions of the Americas. It's estimated to produce ~2.5 million ounces of gold with an all-in sustaining cost of US\$825 per ounce.

Since 2012, the gold reserves, the production level, and the all-in sustaining costs of gold miners have been on a decline. This leads to a lower supply of gold and should push gold prices higher if the demand for gold even just stays the same.

What sets Goldcorp apart from the others is that it maintains the strongest balance sheet among the gold producers. Its recent adjusted net debt to EBITDA was 1.3. And management estimates that this ratio will further reduce to less than one by 2019. It's no wonder that Goldcorp is awarded an S&P credit rating of BBB+, which is better than investment grade.

Due to Goldcorp's low debt levels, it has the flexibility to increase production when gold prices increase. At such a time, its earnings and cash flow generation should improve.

The analysts at Reuters have a 12-month mean target of US\$17.40 per share on the stock, which represents ~31% upside potential in the near term.

Investor takeaway

Wheaton Precious Metals and [Goldcorp](#) are good companies to consider for exposure to precious metals. With the underperformance of the stocks in the last year or so, now is not a bad time to consider some shares for a diversified portfolio.

CATEGORY

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2. Investing
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