



Get Ready for Higher Silver by Investing in MAG Silver Corp.

Description

Commonly known as poor man's gold, silver, unlike its lustrous yellow cousin, has failed to perform, falling by 7% over the last year. This is contrary to all expectations for the white metal over that period. While some pundits blame it on market manipulation, it is more likely symptomatic of changes in the industrial uses of silver. Photography is no longer a major consumer; its use in the fabrication of the photovoltaic cells that make up solar panels has proceeded at a more moderate pace than initially expected.

Silver's recent weakness has created an opportunity for investors because there are indications that [higher prices](#) are on the way.

Now what?

Unlike gold, silver possesses considerable utility and is used in a wide range of industrial applications, primarily because of its conductive qualities. These include electronic devices with it being a key element for the fabrication of touchscreens, circuit boards, and switches because of its conductive qualities. In a global economy that's in the midst of an [upswing](#), creating greater wealth, demand for electronic products that use those components will expand at a rapid rate.

Further, the push to renewable energy will lead to solar power making up a greater portion of the global energy mix, which will see the demand for photovoltaics cells explode. China alone, which recently surpassed its end of decade solar energy target, is aiming to build 55 gigawatts of large-scale solar projects by 2020, and there is every sign that Beijing will move to establish even more ambitious targets. That could cause the demand for silver used in solar applications to double from the 77 million ounces reported in 2016.

Such a marked increase in the volume of silver used in industrial applications, along with existing supply constraints that have caused a physical silver deficit in recent years, will cause the price of silver to skyrocket.

As a result, some analysts have predicted that it could rise to as high as US\$18 per ounce during the year.

When we look at the gold-to-silver ratio, there is every sign that higher silver is on the way. Because gold has remained firm, but silver has declined in value, the ratio has widened to requiring 80 ounces of silver to purchase one ounce of gold. That is over three ounces higher than at the start of 2018 and 29% higher than the 40-year average of 62 ounces. When the ratio moves to such extreme levels, it normally indicates that silver is heavily undervalued and that a rally is looming.

If the ratio were to move back to the historical average, then it would cause silver to appreciate to US\$21.33 per ounce, or 29% higher than its current spot price. The likelihood of such a large leap occurring over the course of 2018 is slim, but it does indicate just how undervalued silver is relative to gold.

So what?

Junior miners can offer investors greater leverage to the price of silver because of their speculative nature. One that stands out for all the right reasons is **MAG Silver Corp.** ([TSX:MAG](#))([NYSEMKT:MAG](#)). For the year to date, it is down by 19% because of weaker silver, which has left it attractively valued.

MAG Silver owns a 44% interest in the Juanicipio silver mining project in Mexico, with the remainder owned by **Fresnillo Plc**. It is a high quality advanced stage exploration and gives MAG Silver resources of 176 million ounces of silver with an average grade of 427 grams of silver per tonne of ore. That ranks it among some of the highest-grade silver projects under development globally.

The mine is expected to come online during the first half of 2020, and has projected all-in sustaining costs of US\$5.02 per ounce of silver produced, highlighting its considerable potential profitability. Aside from the strength of being involved in such a high-quality project with a major partner such as Fresnillo, MAG Silver is debt-free and has \$170 million of cash available to fund its share of the mines development.

Each of these characteristics, along with its 44% interest in a quality asset, makes MAG Silver an appealing bet on higher silver.

CATEGORY

1. Investing
2. Metals and Mining Stocks

TICKERS GLOBAL

1. NYSEMKT:MAG (MAG Silver Corp.)
2. TSX:MAG (MAG Silver Corp.)

PARTNER-FEEDS

1. Msn
2. Newscred
3. Sharewise

4. Yahoo CA

Category

1. Investing
2. Metals and Mining Stocks

Date

2025/08/17

Date Created

2018/02/10

Author

mattsmith

default watermark

default watermark