



2 Reasons Gold and Silver Stocks May Be a Bargain Today

Description

Gold and silver prices have suffered since tensions [eased on the Korean Peninsula](#) in late April. U.S. secretary of state Mike Pompeo arrived in North Korea on May 9 with the aim of finalizing a planned meeting between President Trump and North Korean leader Kim Jong-un. Relations between North Korea and South Korea have warmed dramatically over the past month. South Korea has indicated that North Korea is open to denuclearization.

The spot price of gold was hovering around the \$1,310 mark in early morning hours on May 9. Silver dropped below \$17 per ounce in mid-April and has hovered around the \$16.50 mark since then. What about some of the top gold and silver equities?

Yamana Gold Inc. ([TSX:YRI](#))([NYSE:AUY](#)) stock rose 1.33% on May 8, the same day President Trump announced that he would seek to re-impose sanctions and [exit the landmark Iranian nuclear deal](#). Shares have dropped 2.8% in 2018 so far. **Silvercorp Metals Inc.** ([TSX:SVM](#))([NYSE:SVM](#)) jumped 2.23% on the same day. The stock has increased 11.9% in 2018 thus far. **Wheaton Precious Metals Corp.** ([TSX:WPM](#))([NYSE:WPM](#)) also climbed 1.16% on May 8.

Here are two reasons gold and silver could continue to build momentum in the latter half of 2018.

A hawkish Federal Reserve may not be enough to bury precious metals

The spot prices of gold and silver have been sensitive to decisions and statements from the U.S. Federal Reserve in recent years. Conventional wisdom has driven anxiety over precious metals prices, as the Fed has laid out a program of gradual rate hikes in an attempt to shrink its balance sheet. However, recent history has shown that the prices of gold and silver have not responded poorly to hawkish policy.

The U.S. dollar was battered throughout 2017, but gold and silver experienced continued volatility. A hawkish Fed puts a cap on gold in the medium term, but other factors could carry precious metals higher as we look forward.

Seismic shifts in the geopolitical arena

With all the good news coming out of the Korean Peninsula, it is important to stress that no deal has been reached. President Trump's scrapping of the Iran deal could also complicate negotiations this spring and summer. Some geopolitical analysts have pointed out that the failure of the U.S. to uphold its commitments in the Iranian nuclear deal may sow distrust on the North Korean side. Iran appeared to be in full compliance of the agreement in question.

Tensions in the Middle East may be a more pressing concern going forward. The geopolitical struggle between Iran and U.S. allies Israel and Saudi Arabia has the potential to erupt into a wider war. This could lead to a direct confrontation between a nuclear-armed Russia, which backs both the Syrian and Iranian government, and the U.S. and its allies.

For now, the U.S. and its allies will attempt to strangle Iran through economic sanctions in order to achieve an outcome that is to their liking. Whether that is a new deal or even outright regime change remains to be seen. European powers lobbied against the decision from Trump, but they may be forced capitulate to U.S. pressure and wind down business operations in Iran. There is no way to predict how the Iranian government will respond to this aggressive strategy.

Investors should look to gold and silver as viable safe havens with the risk of a wider conflagration in the Middle East increasing substantially after this decision.

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Date

2025/07/03

Date Created

2018/05/09
Author
aocallaghan

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