

2 Precious Metals Stock Poised to Rise in 2019

Description

In early December, I'd discussed [bullish signs](#) for gold heading into 2019. One of those was the hint at a potential pause in rate hikes for the United States Federal Reserve next year as well as for the Bank of Canada. The U.S. Fed moved forward on a December rate hike, but this only exacerbated the global stock market sell-off that has slid into its worst period since the financial crisis.

Global growth is also projected to slow in 2019. The sugar rush from tax reform in the United States has worn off and corporate earnings will be under renewed pressure after the new year. These factors have combined to shut the door on the longest bull market in history for U.S. markets. The S&P/TSX Composite Index was up over 250 points as of early afternoon trading on December 27, but the index is still down 13% in 2018. If this holds, it would represent its worst performance since 2008.

Gold prices and equities have been one of the few beneficiaries in late 2018. The spot price of gold was hovering around the \$1,280 mark during afternoon trading on December 27. Silver prices have also experienced a significant upsurge in the fall and early winter. The spot price of silver was up to \$15.30 as of this writing. This represents its highest levels since the middle of summer.

With this in mind, let's look at two precious metals stocks that are positioned to enter a bull run on the back of global economic headwinds.

Yamana Gold ([TSX:YRI](#))([NYSE:AUY](#))

Yamana Gold stock was down 2.13% in early afternoon trading on December 27. Shares have surged 18.3% over the past month. The stock is still down 18% in 2018, reflecting consistent weakness for the yellow metal throughout most of 2018.

The Bank of America's Merrill Lynch [recently projected](#) that the spot price of gold had momentum to reach \$1,400 in 2019. In the third quarter, Yamana increased its guidance for production to 920,000 ounces of gold in 2018. Its Cerro Morro mine in Mexico had its first full quarter of commercial production in Q3, which pushed up overall gold production. However, silver production guidance was reduced due to lower performance at Yamana's El Peñón mine.

Yamana will benefit from higher spot prices heading into 2019, but the yellow metal will need to carry its momentum to push the stock back to highs it reached in the short gold bull market in 2016.

Silvercorp Metals ([TSX:SVM](#))([NYSE:SVM](#))

Silvercorp is a Vancouver-based mineral mining company. Shares have climbed 11.2% over the past month. The stock is still down 15% in 2018.

In the second quarter of fiscal 2019, Silvercorp saw sales rise 1% from the prior quarter to \$48.1 million

while gross profit margin fell to 47% compared to 54% in Q2 fiscal 2018. The spot price of silver has encountered significant weakness since June on the back of dollar strength and surplus production. Silvercorp's fundamentals have remained strong, even in the face of price fluctuations.

Silver has tracked with gold as a safe-haven in previous pullbacks, and investors should expect similar action going forward. Silvercorp is a low-cost option for those looking for exposure to the silver market and also boasts a \$0.0125 dividend, which is paid semi-annually. This represents a modest 1.2% yield.

CATEGORY

1. Investing
2. Metals and Mining Stocks

TICKERS GLOBAL

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2. TSX:SVM (Silvercorp Metals Inc.)
3. TSX:YRI (Yamana Gold)

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