Sell Signals: 2 Precious Metals Stocks Hitting 52-Week Lows

Description

As **Guyana Goldfields** (TSX:GUY) hits a 52-week low, we take a look at its stats, alongside those of some its peers. Do solid gold buying opportunities abound, or are knives falling in the precious metals section of the TSX index? Let's find out.

Down 7.07% in the last five days, it's too early to call Guyana Goldfields a falling knife, since its share price is unchanged at present. However, looking back over the data since mid-2016, it's possible to see that Guyana Goldfields has a pretty distinct downhill trend, which shows no immediate sign of reversal.

Should value investors buy Guyana Goldfields on the dip?

Its five-year average past earnings growth of 40.2% beats the Canadian mining industry's 34.9% average for the same period, however, while its debt level of 10.3% of net worth is well within the safety zone and shows a sturdy balance sheet; even better, that low debt is well covered by Guyana Goldfields's operating cash flow.

A P/E of 22.3 times earnings, showing overvaluation compared to the rest of the sector, goes hand in glove with a high 89.2% expected annual growth in earnings; however, a P/B of 0.3 times book seems closer to an intrinsic valuation, while the current share price is less than a third of the future cash flow value.

Or how about some cheap lithium to go with your cut price gold investment? Another stock trading at a 52-week low is **Nemaska Lithium** (TSX:NMX). Down 12.9% over the last five days at the time of writing, it looked as though momentum investors were ahead of the curve on this one last Friday, when its share price shot up by 3.7% on the day.

Not so much a falling knife as a bouncing ball, this desirable lithium stock is keenly watched, as its share price behaviour over the past few days clearly shows. However, the overall trend is downward, and with negative one- and five-year past earnings-growth rates, it might be best to stay away unless you're a hardcore lithium bull.

From value traps to value opportunities

Another falling metals stock, though not down as low as the last two, is **Fortuna Silver Mines** (TSX:FVI)(NYSE:FSM). Down 3.73% over the last five days, Fortune Silver Mines saw negative one-year past earnings; unlike a lot of stocks, it's pulled in a five-year average past earnings growth of 58.9%. Never mind that a P/E of 14.3 times earnings is a shade higher than the Canadian mining average of 13.5, this stock is undervalued.

Look at some other market ratios for Fortuna Silver Mines: a P/B of 0.8 times book and PEG of 0.7 times growth make it clear that there is a value opportunity here, rather than a value trap. A healthy ticker with just 13% debt on its balance sheet, this frontline TSX index silver stock is looking forward to a 20.9% expected annual growth in earnings.

The bottom line

Should TSX index investors go with the consensus opinion and ditch their shares in Guayana Goldmines and Nemaska Lithium? In the case of the former stock, it would seem the wise thing to do, as this particular ticker looks set to carry on falling. Meanwhile, Nemaska Lithium is probably worth holding on to, while if you have yet to get invested, there's a value opportunity here, as there is with Fortuna Silver Mines.

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