



Should You Buy Gold or Silver Stocks?

Description

People around the world purchase gold and silver stocks for a variety of reasons.

Some want protection against inflation. Others are looking to hedge their portfolio against a bear market.

Both gold and silver provide these benefits, but to different degrees.

Gold has a huge market that provides instant liquidity. While there is some demand from jewelry makers, gold is largely used as an investment vehicle. Meanwhile, silver is used in a wide variety of industrial applications, tying its price closer to economic activity versus market hedging.

Should you buy gold or silver stocks? Luckily, you don't need to choose—there are attractive options for both. There's even a stock on this list that's exposed to both metals.

Stick with the giants

Resource extraction is largely a game based on economies of scale. If a mining company can spread its investment cost across a greater volume of gold ounces, it stands a better chance of turning a profit.

That's why it makes sense to invest in \$34 billion behemoth **Barrick Gold Corp** ([TSX:ABX](#))(NYSE:GOLD).

Barrick has the ability to invest in projects that few other miners can afford.

Last year, it merged with Randgold Resources Limited, forming the greatest concentration of tier one gold assets in the industry. That gave it the firepower and cost advantages to pursue value-creating deals.

In April, Barrick essentially [forced](#) Newmont Goldcorp Corp into creating a joint venture in Nevada, which should strip \$500 million in annual costs from the project. In yet another joint venture with

Newmont, Barrick is moving forward with a \$1 billion upgrade plan to extend the life of the mine through 2030.

While all of these projects carry risk, Barrick investors are buying a best-in-breed business that should remain tightly correlated with gold prices.

For silver, go small

It's much more difficult to find mega-miners for silver projects. Fortunately, \$2 billion **First Majestic Silver Corp.** ([TSX:FR](#))([NYSE:AG](#)) looks promising regardless of its small size.

First Majestic earns the majority of its revenues from silver mined in the world's largest silver producing country: Mexico. With six producing mines and three advanced-stage growth projects, production should be on the rise for years to come, making this stock a perfect play on rising silver prices.

Today, annual silver consumption globally is roughly 1 billion ounces. Around 80% of this demand is met through mining, with the remainder supplied through recycling.

Notably, over the last decade, the market has been in a 500 million ounce deficit. Scrap recycling recently hit a 25-year low. All of the factors are in place to fuel a massive surge in prices, directly benefiting First Majestic shareholders.

Think different

Wheaton Precious Metals Corp ([TSX:WPM](#))([NYSE:WPM](#)) isn't your classic mining company. In fact, it has no mining operations period. Instead, it provides financing to mining companies in exchange for a set amount of future production.

This business model is called *metals streaming*. It's a great way to take advantage of rising metals prices while reducing downside and risk.

Around half of Wheaton's deals are with gold miners. The other half is with silver miners, although there is a bit of exposure to other precious metals like cobalt and palladium.

Due to its unique business model, Wheaton is able to buy gold and silver for discounts of up to 70%. As long as the mines it finances enter production in a timely manner, the company wins big.

If you want to jump into gold and silver stocks but wish to remain diversified and lower your risk, Wheaton is your top choice.

CATEGORY

1. Investing
2. Metals and Mining Stocks

TICKERS GLOBAL

1. NYSE:AG (First Majestic Silver)

2. NYSE:B (Barrick Mining)
3. NYSE:WPM (Wheaton Precious Metals Corp.)
4. TSX:ABX (Barrick Mining)
5. TSX:FR (First Majestic Silver)
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