



Bullish on Silver? 1 Stock to Buy Ahead of the Rush

Description

In the rush to add safe-haven assets to their portfolios, investors have long favoured gold over silver. However, silver may be about to break out, offering another way for stockholders to get some steep upside, despite trying times on the economic front. Today, we'll take a look at why silver may be about to go on a tear and see whether a key stock is worth buying and holding through a potentially serious market correction.

Time to break out the big guns

Unlike gold, which can boast [at least two obvious behemoth outfits](#), silver is a smaller operation, generally speaking. Multi-billion-dollar market caps being rare, then, the attention falls on the \$2 billion-valued **First Majestic Silver** ([TSX:FR](#))([NYSE:AG](#)). First Majestic gives investors direct access to abundant Mexican silver, boasts an acceptable balance sheet, and has moderate growth prospects.

If you'd bought this stock a year ago, you'd have doubled your money by now, beating the metal industry as a whole, which would have paid you back only a fifth of what you'd put down. The stock isn't the best value for money compared with its peers, however, so you'd be looking at a fairly expensive play, though it brings with it considerably higher returns than the standard silver miner. Its defensive size and huge North American assets also make it a buy.

And now the science bit

Fans of gold stocks may not know too much about the gold-to-silver ratio. Newcomers don't need to have a doctor's degree in mathematics to figure it out, though. The ratio is up in the low 90s at the moment, hitting a 20-year high. With silver at its weakest against gold in two decades, pundits with a pattern-based system are pointing out that [a silver bull run is imminent](#), as this kind of wild difference between the metals has ushered in similar markets before.

There are other factors behind the potential for a bull run, which might have gone unnoticed by the casual investor because of their technical nature. For example, annual silver demand is in the billion-

ounce range, with 80% of this demand satisfied by mining. Interestingly, over the past 10 years, only half of this demand is being met by miners, with some of the shortfall getting picked up by silver recyclers.

The key fact here, though, is that such recycling efforts just hit lows not seen in a quarter of a century. This means that prices in silver are likely to rise exponentially, with miners like First Majestic being first in line to reap the rewards — along with their shareholders. First Majestic is on a winning streak at the moment, with year-on-year production up by 25% and a nearly 40% improvement in its share price since the start of 2019.

The bottom line

A silver bull run has been on the cards for some time now. In fact, a silver investor might even expect to see silver outperform gold in the mid to long term. Portfolios light on precious metals stocks would benefit from adding shares in First Majestic at its current valuation, as its price could skyrocket in the coming months.

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