



Here's Why Silver Could Be the Best-Performing Asset in 2020

Description

When investors buy a gold miner, it's usually to gain exposure to gold, but it's also to gain some leverage. This way, you have to only use a small portion of your portfolio to gain exposure, but you can expect a big gain from a rally in gold's price.

If you are the type of investor that is looking for extra downside protection and wants higher leverage when the price of gold is rallying due to fear in financial markets, I'd advise you to consider an investment in silver.

When the movement in precious metals is sparked by fear and not something fundamental, the price of silver tends to move in tandem with gold, albeit with more volatility.

Silver, although it's not as popular as gold, can actually offer you higher returns since it's quite a bit more volatile.

In the summer, when gold started its rally, the metal gained roughly 18.5% from June 1 to September 1. Meanwhile, at the exact same time, silver's price jumped roughly 33% — almost double that of gold.

This can create major opportunities and be especially rewarding for investors who buy silver miners ahead of a rally in the metal's underlying price.

Plus, [silver](#) has a large variety of industrial applications that only seem to grow as new technology comes online.

The argument for an investment in silver seems to get stronger by the day, so for investors wanting to get in on a piece of the action, you'll want to buy the best silver miner there is that's available: **First Majestic Silver** ([TSX:FR](#))([NYSE:AG](#)).

First Majestic is the top stock for those seeking silver exposure in part because it's well managed and has profitable operations, but also because it has the largest portion of its revenues generated from silver, out of all the other producers, at roughly 67% of its estimated 2020 revenue.

When companies mine for specific metals, it's impossible to control what you're pulling out of the ground, which is why many silver miners also produce gold and other base metals, such as copper and nickel.

First Majestic has worked hard to maximize its silver yields, though, and operates exclusively in Mexico, the world's largest silver reserve country.

In the third quarter, after silver's simultaneous jump in the summer months with gold, First Majestic reported an operating margin of 15.5% and a profit margin of 8.8%. This is compared to the quarter previous, where it had a negative operating and profit margin.

It's clear First Majestic has taken advantage of the rising metals prices, and going forward it should offer investors great exposure to a rapidly increasing silver price.

It has an impressive track record of not just great business and operations growth, but also translating that to the market in the form of shareholder returns, which isn't always so easy to do.

As of the end of November, over the past five years, its stock is up roughly 160%, and over the last decade, it's up more than 200%.

Though silver has historically always moved alongside gold, I would still own a gold miner first, unless you really want the increased risk and increased volatility.

Though you could justify an investment in silver if you believe a fundamental issue such as supply or demand is getting out of whack, but if your thesis is to try and expose yourself to more volatility when gold is rising on recession fears, and don't want to take on all the risk of a silver miner, a [top gold stock](#) may be the perfect fit.

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