



Silver Looks Dirt Cheap: Here's 1 Stock I'm Watching

Description

How cheap is silver?

Well, if you're measuring it against gold, silver has *never* been this cheap. The gold/silver ratio recently exploded past 120. Theoretically, that means you could buy 120 ounces of silver for one ounce of gold.

An average gold/silver ratio is about 70, and it has been as low as 15.

120 is unheard of. This has never happened in all of human history.

If silver prices rise, I believe one Canadian miner, **Pan American Silver** ([TSX:PAAS](#))(NASDAQ:PAAS), could be well positioned for the spoils.

Admittedly, the gold/silver ratio is *not* foolproof

You could argue that gold is too expensive, and that's why silver looks cheap.

However, in U.S. dollars, gold is still well below its 2011 high. Now, it looks like we're heading into a similar financial crisis. Central banks are printing trillions *more* currency than during the last recession.

If anything, I believe gold is also cheap.

It's just that silver is really, *really* cheap.

You could also argue that silver is an industrial metal and won't be in high demand through a recession.

But like gold, silver has been used as money since the ancient times. When gold rises, silver tends to play catch-up with parabolic moves.

During the last financial crisis, silver shot up nearly 400%.

Meanwhile, silver is capitalizing on many growing trends. It's the most conductive metal, making it vital

for electric technologies. Solar panels also account for its largest industrial demand.

If you want to buy physical silver, good luck

You can't find it anywhere.

From what I can see, dealers haven't a single ounce to sell. And because of the coronavirus, many of the major mints are closing, too.

With such desperate silver shortages, you might be wondering: "Why are prices so low?"

I believe silver's spot price was pushed down by paper-traders who needed cash as stocks plunged. They weren't selling physical silver but paper *claims* to silver.

If you want the real thing, you can expect to pay *double* the spot price — if you're lucky.

As more people demand genuine silver, prices must surely rise.

Silver miners are digging up real, hold-in-your-hands silver

When prices move, even a little, it has a dramatic impact on silver miner's profits.

Suppose it costs a miner \$8 to dig up one ounce of silver. They can sell that ounce for \$10. That's a \$2-per-ounce profit.

Now, what if that price went up 100% to \$20?

The miner's margin would jump to \$12 — a profit boost of 500%!

This is why, if you believe precious metals are going up, miners are so compelling. You get even more leverage on the price.

Why I'm watching Pan American Silver

Mining companies are notoriously volatile.

You want to own large, well-run companies, with solid balance sheets and low mining costs. That way, you shouldn't need high silver prices. You can hold onto your shares while they're cheap.

Pan American Silver is the second-largest primary silver producer, with a \$5 billion market cap and well-diversified assets across Mexico, Canada, Peru, Argentina, and Bolivia.

Its Escobal mine is one of the largest silver deposits in the world, with an estimated 264 million ounces of reserves.

[And it doesn't just mine silver.](#) Extra revenue is generated from gold, zinc, lead, and copper.

Its balance sheet looks strong. Debts are a conservative 0.12 of assets, with \$282 million in operating cash flow.

At 1.44 times book value, shares aren't exactly at bargain-basement levels. However, it's a solid, well-run company that I'd be happy to hold long term.

CATEGORY

1. Investing
2. Metals and Mining Stocks

POST TAG

1. Editor's Choice

TICKERS GLOBAL

1. NYSE:PAAS (Pan American Silver)
2. TSX:PAAS (Pan American Silver Corp.)

PARTNER-FEEDS

1. Business Insider
2. Msn
3. Newscred
4. Sharewise
5. Yahoo CA

Category

1. Investing
2. Metals and Mining Stocks

Tags

1. Editor's Choice

Date

2025/07/21

Date Created

2020/03/27

Author

abusson

default watermark

default watermark