



Silver Could Double in 2020 — Buy This Mining Stock!

Description

Silver, gold's under-performing younger sibling, is on a tear and could [double in 2020](#). The price has outpaced gold over the past few weeks. If things keep heading in the precious metal's favour the price could soon exceed US\$20 an ounce. With the metal moving higher, should investors take a look at owning it today?

Bullish factors

Practically everything seems to be moving on silver's side at the moment. It is a traditional store of value, similar to gold. It has been used as a form of currency for thousands of years. Central bank money printing will continue to erode spending power over time. This fact is bullish for silver as investors try to preserve wealth.

Silver is also cheaper than gold. There is the possibility that people who can't afford to buy gold may begin to buy silver as currencies are further debased. Demand may drive up the price of silver as gold becomes more unattainable.

The metal is also used in manufacturing. About half of annual demand comes from various industrial uses. Among these uses is the demand for solar cells. As more countries move towards green energy, silver will continue to be in demand due to its sensitivity to light. It is also used in electricity and batteries. As cars move towards electric, silver will be in greater demand.

Silver mining companies

Of course, the [best way to own silver](#) is to buy the bullion. It makes sense to own a little in physical form if you are looking to use it as a hedge against inflation. Aside from owning physical silver, though, a way to make leveraged returns is from owning silver mining companies.

There are a number of companies in the space, but one of the best in my opinion to own at the moment is **First Majestic Silver Corp.** ([TSX:FR](#))([NYSE:AG](#)). The company is a leading silver producer. It also just reported its Q2 2020 results, which should give us a heads up about what's happening with silver going forward.

Remember, these results were from when silver was trading between well under its current price of over \$19 an ounce, so you can extrapolate what will likely happen with silver going forward.

At the moment, First Majestic earns about 60% of its revenues from silver. The remaining 40% of its production comes from gold, which helps to boot its revenues given the higher gold price. The company has \$145.2 million in cash on its balance sheet at the moment.

First Majestic has many prestigious and well-known investors making up its top investor spots as well. If you buy into the company, there are a number of long-term investors investing with you.

Downsides?

To be sure, the biggest potential downside comes in the form of lower silver prices. If silver collapses, that will be negative for the company. However, I have a hard time seeing that happening given currency debasement and rising industrial demand. It can happen, of course, but the odds are definitely in the metal's favour.

Another risk is geopolitical. First Majestic's mines are in Mexico. This location is positive, in my view, given that it is still on the North American continent. However, of all the locations in North America it is the riskiest. I don't think it will be an issue, but it is something to consider.

Finally, there is the fact that the mines could be shuttered due to the impact of the pandemic. Higher prices should help in this respect, but it is a risk when it comes to mining in the current situation. If mines are shut down, the share price could be brought down as well. Again, I don't think this will be a huge issue compared to the high potential upside in the long-run.

The bottom line

I think silver is a great opportunity right now. Silver is trading far below its all-time high, meaning there could be a lot of runways ahead of it. It is also a high-demand metal for future technologies.

First Majestic is a company that could capitalize on a bull run in silver. There is still time to get in on the investment and First Majestic is a great way to do it.

CATEGORY

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