



## CAUTION: Don't Buy These 2 Rallying Metal Stocks Right Now

### Description

The **S&P/TSX Composite Index** started this week on a mixed note after posting gains for the previous three weeks in a row. This morning, the Canadian stock market benchmark was trading with a minor 0.1% gains. As investors continue to remain focused on updates related to the COVID-19 vaccines, the broader market is expected to trade with heightened volatility.

The [ongoing pandemic](#) is continuing to make Bay Street analysts raise concerns about the future growth of most of the businesses. However, some businesses remain largely unaffected by the pandemic, and analysts are turning positive on these companies. Let's take a closer look at two such Canadian companies and discuss whether you should buy these stocks.

### Bay Street analysts on Silvercorp Metals

This morning the shares of **Silvercorp Metals** ([TSX:SVM](#))(NYSE:SVM) rose by 5.4%. It's a Vancouver-based precious metals company with a market cap of \$1.56 billion. On July 16, the company [released](#) its first quarter of fiscal 2021 production results. In the quarter ended June 30, Silvercorp's coal mining activity dropped by 1% year over year (YoY), while its silver production fell by 10% to 1.8 million ounces. On the positive side, Silvercorp Metals Q1 lead and zinc production witnessed a rise of 1% and 4% YoY, respectively.

It's important to note that the company is primarily focused on China. Henan and Guangdong — the two Chinese provinces — made up about 83% and 17% of its total fiscal 2020 revenue, respectively.

Earlier today, analysts at Eight Capital raised their target price on Silvercorp stock to \$9.25 from \$7.1. Eight Capital's new target price reflected about 2.7% upside potential in silver crop stock from its Friday closing price of \$9.01.

### Silvercrest Metals rallies by over 10%

The shares of **Silvercrest Metals** ([TSX:SIL](#)) — another Canadian metals exploration firm — rallied on

Monday. Its stock was up by 10.4% at 12:11 PM ET today — as compared to a 0.3% rise in the TSX Composite benchmark. Eight Capital also raised its price target on Silvercrest's stock to \$14.75 from \$10, triggering a buying spree. The investment firm's new target price on the company reflected about 20% upside potential from its Friday settlement price of \$12.28.

## Should you buy these stocks?

I find metals stocks to be a safe bet amid the ongoing pandemic. However, the shares of these two companies seem to be in the overbought territory right now. While Silvercorp Metals has risen by 90.9%, Silvercrest Metals has seen a 55.4% rise in the last three months. By comparison, the TSX Composite Index has risen by only 12.3% during the same period.

As the ongoing pandemic gradually subsides in the coming months, investors might divert their attention from metal stocks to other cheap stocks based on valuation. This could make these metal stocks shed some of their gains. These are some of the reasons why I would highly recommend that you be cautious and follow strict risk-management rules if you plan to buy these stocks at current levels.

### CATEGORY

1. Coronavirus
2. Investing
3. Metals and Mining Stocks

### TICKERS GLOBAL

1. TSX:SVM (Silvercorp Metals Inc.)

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