



Brighter Than Gold: Here Are the 3 Best Ways to Bet on Rallying Silver

Description

While gold has rallied more than 25%, silver has been shining bright with almost 35% gain this year. Government stimulus and lower interest rates have largely fueled the recent rally in precious metals.

Importantly, as volatility and uncertainty in global equity markets continue to increase, silver and gold will likely maintain the uptrend. Silver futures breached \$26 levels on July 28, hitting its eight-year high.

Let's look at how investors can bet on silver and be a part of the rally.

Physical silver

One can go to the bullion dealer and buy silver coins or bars physically. While that gives direct exposure to the metal, the storage and shipping costs will likely eat a big chunk of your returns. The strategy seems simple, but there are more convenient and lucrative options.

Exchange-traded funds

Instead of physically owning precious metals, investors can always consider taking exposure to exchange-traded funds (ETFs). ETFs fully replicate bullion prices and overcome the disadvantages of owning metal physically. These are traded on exchanges and can be stored in your investment account, just like stocks.

Canadian investors have the **Horizons Silver ETF**, which is up more than 35% this year. It gives a strong correlation with silver before expenses. Investors increasingly prefer bullion ETFs, mainly because of their convenience and transparency.

Mining stocks

Owning a silver mining company stock could be a relatively riskier but rewarding option. As we saw,

silver prices are up 35% this year, some silver miner stocks have shot up significantly higher than that.

For example, **Pan American Silver** ([TSX:PAAS](#))(NASDAQ:PAAS) stock is up almost 70% this year. [Pan American](#) is an \$11 billion company that engages in the production of silver, gold, and base metals like zinc, copper, and lead. It is the second-biggest silver producer and has the biggest silver reserves globally.

As prices of precious metals increase, the earnings of mining companies increase, which ultimately boosts their stock prices.

Gold and silver collectively contribute more than 80% of Pan American's revenues. Both these metals have been rallying for the last few months, which could bode well for its earnings in the next few quarters.

However, the stock has already become expensive after its recent rally. Higher expected earnings might continue to push it higher further, but a pullback in metal prices could see an augmented impact on the stock.

Investors can also consider streamers for a relatively safe bet. Compared to the traditional miners, streamers are low-risk, high-margin businesses. That's mainly because streamers don't own or operate mines. They provide an upfront payment to miners and buy all or a portion of the produce from the mines.

Wheaton Precious Metals is one of the biggest streamers that engages in the production of gold and silver. It generates more than 30% of its revenues from silver. The stock is up almost 95% this year, notably beating peer mining stocks.

A word of caution

While many market pundits are [positive on precious metals](#), silver could fall short against gold as a traditional safe haven. As silver is an industrial metal, it has a higher correlation with economic cycles, which makes it a riskier bet.

It has already outperformed gold and makes a case for a likely pullback. Investors can consider relatively safer options while betting on silver and can invest in portions.

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