



Buy This Silver Stock! A Famous Investor Just Invested

Description

Considering the state of the world, governmental decisions, and the economic outlook, there is really only one major investment you should be making. Many famous investors, like Warren Buffett, are already buying into the sector. Everyone, no matter the portfolio, should be following these investors by purchasing shares of gold and silver stocks. Between those two choices, silver is probably the better bet.

An issue investors face, however, is the fact that there are so many stocks to choose from. For the average retail investor, the choices can be overwhelming. If you want to find a stock to buy, a good way to do so may be to look at what the experts are doing. One of the biggest experts to look at in the [precious metals sector](#) would be Eric Sprott.

What is Sprott buying?

Eric Sprott recently disclosed a purchase of 5,000,000 shares of silver producer **First Majestic Silver** ([TSX:FR](#))([NYSE:AG](#)) at an average price of \$15.60 a share. As of this writing, you could buy shares at a price of \$15.90 a share, only slightly higher than the great investor.

You can be quite sure that Sprott isn't going to trade out at this price. He isn't looking for a small move in the silver price. He is looking for a big move that he anticipates should silver prices shoot higher.

Central bank money printing is undermining confidence in currencies globally. This inflationary influence has already been evident in gold and silver prices so far this year. Silver, for example, is up far more than 100% from its March lows of around \$12 an ounce.

Furthermore, interest rates are now expected to remain lower for longer in the United States and most likely every other country. The Federal Reserve's recent announcement that the rates will remain at 0% until at least 2023 certainly is a bullish case for gold.

Why First Majestic?

First Majestic has a number of positive factors that likely drew the famous investor to the sector. For one thing, the company is focused on silver, a metal that has a huge industrial demand in addition to its monetary status. Green energy projects, such as solar panels for example, use an enormous amount of silver. The same is true for smart electronics and batteries.

It also sits at a historically low gold-to-[silver price](#) ratio, which currently sits at around 72. That means it takes about 72 ounces of silver at present to buy one ounce of silver. Historically, a fair price ratio is about 15. That means that it is still likely for silver to move up to get to its historical ratio.

First Majestic also benefits from the fact that it operates in the Americas. Its production areas are fairly stable geopolitical regions. Within these regions, it also has producing mines as well as many that are in the exploration and development stages. With silver prices increasing, it is likely that it will ramp up production and development on these new projects.

Financial considerations

First Majestic is a fairly pure play in silver, with about 60% of its revenues coming from the metal and the rest from gold. Revenues were down by 58% in the second quarter, although this reduction was primarily due to COVID-19 effects.

The company also reported a loss of \$0.10 a share in the second quarter, which, at first glance, appears to be negative. However, one main reason for the loss was the decision to stockpile metal instead of selling it in order to wait for higher prices. So far, the strategy appears to be working out for the company, with the current price of \$27 an ounce being much higher than the second-quarter price.

The company also has a strong balance sheet, with \$128 million in cash and cash equivalents as of August 4, 2020.

The bottom line

First Majestic is a great way to play a rise in the silver price. Don't take my word for it. Take the actions of billionaire investor Eric Sprott as your guide. Partner up with a long-term investor like him if you want to capitalize on a big move in silver going forward. Join the smart money today.

CATEGORY

1. Investing

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1. NYSE:AG (First Majestic Silver)
2. TSX:FR (First Majestic Silver)

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1. Business Insider
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