



Why These Two Less-Known TSX Stocks Quadrupled in the Last Six Months

Description

Along with tech stocks, metals and mining stocks have also notably boosted Canadian stock markets this year. While the **TSX Index** has soared 40%, miner stocks have skyrocketed around 150% since the epic selloff in March.

Interestingly, that also falls short when we compare it with two Canadian metal names. Shares of Canadian miners **Fortuna Silver Mines** ([TSX:FVI](#)) and **New Gold** ([TSX:NGD](#)) have more than quadrupled since March. Let's see if there is any steam left in these names.

Fortuna Silver Mines

Vancouver-based Fortuna Silver is a \$1.8 billion company that operates two low-cost silver mines in Peru and Mexico. Higher production and realized prices have substantially boosted the company's revenues in the last few quarters. However, temporary operation suspensions due to the COVID-19 dented its earnings in the second quarter of 2020.

What's encouraging for Fortuna Silver investors is its under-development Lindero mine in Argentina. It is a gold mine that is expected to start commercial production in the first quarter of 2021. If that works out as planned, it could uplift the company's financials and its stock.

Management expects the Lindero mine to produce around 150,000 ounces of gold in the first year of production. Fortuna Silver produced 8.8 million ounces of silver while 50.5 thousand ounces of gold last year.

That could be one of the reasons why the Fortuna Silver stock stayed strong despite a relatively weaker quarterly performance in 2020. The stock has surged from \$2 levels in March to \$10 apiece currently.

Notably, the stock looks extremely overvalued at the moment after such a steep rally. Even if its operations [normalize post-pandemic](#) and its production at the new mine goes as intended, the stock seems to have gone too far. Fortuna Silver stock could exhibit above-average volatility and could be a

risky bet.

New Gold

The world's second-biggest mining company stock **Barrick Gold** rose 120% in the last six months. However, a relatively smaller New Gold stock managed to soar almost 400% in the same period.

New Gold is a \$1.8 billion gold miner that operates assets in Canada and Mexico. After some dedicated turnaround efforts, the company managed to achieve operational efficiency to some extent and lower the total debt in the last couple of years. Higher realized gold prices have notably [supported its top line](#), which could have otherwise taken a big hit due to the pandemic.

Notably, even if New Gold stock has soared in the last six months, it is trading close to multi-year lows against its historic highs. The company aims to achieve a consistent production growth and generate approximately \$1.5 billion of free cash flow from 2021 through 2025.

With interest rates stuck close to zero, gold will likely continue to trade strong, at least for the next few quarters. Thus, it might continue to benefit miners like New Gold.

However, New Gold stock looks expensive after its vertical rally in the last six months. The stock could have limited upside from its current levels of \$2.5 and might see it overreact to gold's potential weakness.

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TICKERS GLOBAL

1. NYSEMKT:NGD (New Gold Inc.)
2. TSX:FVI (Fortuna Silver Mines)
3. TSX:NGD (New Gold Inc.)

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