



## Reddit Effect: Why Silver Stocks Are Hot Today

### Description

Last week, the investing world was enamoured with the **GameStop** stock craze. The spike in GameStop stock was fueled by [frenzied retail investors](#) on the subreddit r/WallStreetBets. Reddit users also targeted stocks like **AMC Entertainment**, **Nokia**, and **BlackBerry**. Today, Reddit has taken aim at silver. Should Fool investors be eager to jump on another retail investor powered rally?

The **S&P/TSX Composite Index** was up triple digits in early morning trading on February 1. Canadian stocks were powered by the metals and mining sector. The spot price of silver was up nearly 10% at the time of this writing. This put the spot price just under US\$30.

### Reddit has turned its eyes on silver

**Goldman Sachs** said that the amount of position covering last week by U.S. hedge funds was the [highest since the financial crisis](#) in the late 2000s and early 2010s. Last week, the gains for GameStop, AMC, and others were stunted after Robinhood and other brokerage apps stopped or limited trading on these equities. Posts on Reddit suggested that higher silver prices could draw the ire of big banks and large short positions.

Retail investors put a record \$40 million into the Australian ETF Physical Silver fund. Meanwhile, other silver equities and ETFs have also enjoyed huge momentum. Inventory for physical silver has been hit hard at major online brokers for precious metals.

### Should investors follow this frenzy?

At the Fool, we are committed to a long-term investing strategy. Retail investors, especially those new to the game, should be extremely careful as this craze draws more attention. We do not have to look very far back to see the consequences of plunging into this mania. GameStop's surge drew international attention by the middle of last week. Retail investors poured into these shares and others like AMC and BlackBerry.

A week later, and a lot of retail investors are likely sitting on a loss. GameStop, AMC, and BlackBerry are all down significantly after surging to 52-week highs last week. Retail investors risk holding the bag in these short, frenzied rallies.

## Three TSX stocks to watch in the silver space

**Sierra Metals** ([TSX:SMT](#))(NYSE:SMTS) is a Toronto-based company focused on the production, exploration, and development of precious and base metals in Peru and Mexico. Its shares were up 9.75% in mid-morning trading on February 1. The stock is still in negative territory in 2021 so far.

Unlike gold equities, silver miners have not benefited from higher spot prices over the past year. If this momentum can hold, the industry may enjoy a similar bump that gold did in 2020. In mid-January, Sierra announced EBITDA guidance for 2021 between \$155 million and \$170 million.

**Silvercorp Metals** ([TSX:SVM](#))(NYSE:SVM) has been one of my favourite silver producers on the TSX for years. This Vancouver-based miner is engaged in operations for its properties in China. Shares of Silvercorp were up 14% on February 1 at the time of this writing. The stock is up over 20% year over year.

In January, the company revealed that it was on track to meet 2021 fiscal output guidance. The company is also a producer of gold. This means it has benefited from higher spot prices for the yellow metal since the beginning of 2020.

To reiterate, Foolish investors should be very careful in following this Reddit-fuelled frenzy.

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