



Forget Gold Stocks! Silver Has Been Posting Explosive Gains in 2021

Description

The mining sector celebrated when Warren Buffett, for the first time, [took a position in a gold stock](#). **Berkshire Hathaway** bought shares of **Barrick Gold** in the second quarter of 2020 when COVID-19 was wreaking havoc in the financial markets. However, did the GOAT of investing make the right call?

In February 2021, silver is outshining gold. The price of the shiny white metal is surging of late due to rising demand and limited supply. Some mining analysts believe this year could be the year silver will outpace the world's most precious metal.

History could be repeating itself because back in the late 70s, the silver price soared due to rising inflation rates. Retail investors rushed to the safety of the lower-priced metal. Silver cost \$5 in 1978 before reaching \$49 in 1980.

Unexplained surge

According to **Pan American Silver Corp** CEO Michael Steinmann, one reason for the sudden surge of silver is the worry over [loose monetary policy](#) globally. He adds that there's a lot of pressure on the industrial demand. Steinmann is also amused as it could be the perfect storm for silver.

Endeavour Silver Corp CEO Brad Cooke said the rally could be brief. Still, shares of Pan American (+13%) and Endeavour (+21%) rose following silver prices ascent to eight-year highs.

A report from analysts at **RBC** Capital Markets points out that there was no normal reason to justify the increase in silver prices over the past few days. The same analysts warn the sharp move could be an offshoot of the commotion in various markets similar to the GameStop drama in the United States.

Flying under-the-radar

On the TSX, **First Majestic Silver Corp.** ([TSX:FR](#))([NYSE:AG](#)) could be the next hot mining stock. The \$4.75 billion Canadian firm owns three producing silver mines in Mexico. The silver stock's total return

in 2020 was 7%, and thus far, in 2021, the gain is 26%. When silver prices soared on February 1, 2021, First Majestic climbed 24%.

The company's website shows **Goldman Sachs'** Jeffrey Currie's tweet that reads, "Silver is the turbocharged version of gold." Currie is the investment bank's global head of commodities. He believes that silver has far more upside than gold. The metal is a key component for solar panels and should benefit from green energy spending soon.

First Majestic aims to be the world's purest silver producer. In Q3 2020 (quarter ended September 30, 2020), the company posted a record quarterly revenue of \$125.9 million, a 30% increase versus the Q3 2019.

According to President and CEO Keith Neumeyer, the new record quarterly revenues, cash flows and earnings was due to higher metal prices, improved production rates and good cost control management. The company has yet to report its full-year 2020 results, although Neumeyer is confident that last year would be one of the company's strongest in its 18-year history.

Pros and cons of silver

While many view silver as the poor man's gold, it could also be a safe haven and hedge against inflation. The price-performance and outlook hinge on its use as an industrial metal. Finally, it's cheaper than gold but more thinly traded. Hence, volatility is elevated, and liquidity is suspect.

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2. Metals and Mining Stocks

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