



Why Lithium Americas Corp (LAC) Stock Is Surging Over 11%

Description

Shares in **Lithium Americas** ([TSX:LAC](#))([NYSE:LAC](#)) gained more than 11% by mid-day in Wednesday's trading. Investors in the development-stage lithium miner will welcome LAC stock's rebound after a sharp 9.4% drop in shares was recorded during Tuesday's trading session.

Why is LAC stock price rising today?

Lithium Americas's stock has been extremely volatile lately. Wednesday's surge is a welcome recovery after Tuesday's drop, which could not be tied to any stock-specific event or news item. Trade in the junior miner's shares is extremely volatile lately.

LAC stock rallied by over 41% in just seven trading days between August 4 and August 13 to hit a three-month high before closing 6% lower at \$22.40 on Friday last week. Shares continued their slide on Monday before a marked 9.4% fall on Tuesday marked a total decline of 18.5% in three trading days.

Tuesday's drop followed Monday's negative analyst report from **Bank of America**, which rated leading lithium mining stocks **Albemarle** and **Livent** at *underperform*. Bank of America analyst Matthew DeYoe argued that the long-term outlook for the lithium market makes it difficult to justify stretched valuations for the two leading lithium mining giants after their recent share price surges.

Although there's a strong case for an ongoing rise in demand for battery-grade lithium, the bank noted a significant near-term increase in supply from miners and softening battery demand from consumer electronics and power tool applications post the coronavirus pandemic.

Is Lithium Americas stock a good buy right now?

Lithium Americas is an advanced-stage junior miner that could start earning some serious revenue as soon as next year.

The company reported second-quarter earnings results on August 5, which triggered a 41% rally in its shares, as investors noted that construction at its well-funded Cauchari-Olaroz project in Argentina is at an advanced stage and progress remains on track for the first production by mid-year 2022.

The Argentine project could produce 40,000 tonnes of lithium carbonate per annum. Annual production could increase by 50% after the company entered a partnership with Chinese lithium industry leader **Ganfeng Lithium** to develop a second stage expansion to increase lithium carbonate production capacity by 20,000 tonnes per annum.

LAC is adequately financed with over \$505 million in cash and cash equivalence on its balance sheet by June 30 this year. Shares remain a good long-term buy, [especially for their electric vehicle upside](#).

That said, the company has faced legal challenges regarding its Thacker Pass project in Nevada, which was licensed by the government in January. Indigenous groups have joined other activists and filed against any excavation works, as digging could disturb their ancestors' buried remains.

The U.S. District Court for Nevada is reportedly considering whether the Trump administration erred when it approved the project in January. A ruling is expected in early 2022.

We could see a much stronger surge in LAC stock price early in 2022 should the Nevada court ruling come in favour of the company. The Thacker Pass project could be the U.S.'s largest producer of the key electric vehicle battery metal.

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