



1 Top Silver Stock That's Getting Way Too Cheap

Description

Silver prices have been slipping of late alongside almost everything else (with the exception of oil) these days. Indeed, silver is a great alternative asset to own to further diversify your portfolio. That said, it's not one without risk, as silver tends to be quite volatile in nature, especially versus gold.

While gold or cryptocurrencies may get more of the limelight, I think that there's a strong case for injecting your portfolio with a bit of silver exposure as well. Unlike gold, silver has practical applications (think EV components, solar panels, and jewelry) that can fuel demand over the long run. And although silver prices can be choppy, the recent nearly 22% slide in the precious metal seems overdone, given inflation is still running hot while the economy could be at risk of a nasty slide.

The case for buying silver stocks on the dip

Silver has been viewed by some investors as an intriguing hedge against inflation. With rates on the rise, it's hard to tell when inflation will finally back away. In any case, top Canadian silver mining stocks may be worth a second look for those looking to hedge their bets against what could be a rocky year that could see things become more stagflationary.

Though silver bullion and ETFs are a less-volatile way to directly play the price of silver, I favour the well-run silver miners. Undoubtedly, the miners tend to be a choppy ride, but if you can [get in at the right price](#), there's also a lot more money to be made.

First Majestic Silver

Consider **First Majestic Silver** ([TSX:FR](#))([NYSE:AG](#)), a \$2.72 billion silver miner with operations in Mexico and the U.S. Shares have lost around 55% of their value since peaking at \$23 and change per share in early 2021. Undoubtedly, shares of FR have amplified the pain experienced by silver. At around \$10 per share, the stock is starting to get too cheap for its own good, as it looks to touchdown with a long-term level of support. At writing, shares trade at 3.4 times sales and 16 times cash flow.

More recently, the company reached an agreement to sell its La Guitarra mine in the Mexican region in a deal worth just shy of \$45 million. The deal will see First Majestic owning nearly half of the outstanding shares of the acquiree Sierra Madre.

This big announcement came just weeks after the firm clocked in a slim \$0.02 per-share loss versus expectations that called for a \$0.08 EPS gain. Though First Majestic has its hands full as the price of silver looks to dip further, I think FR stock has considerable upside once silver has a chance to heat up again. For those who think the U.S. Federal Reserve and Bank of Canada will struggle to put the inflation genie back in its bottle, silver plays seem like a great alternative asset to hedge your bets at this juncture.

Bottom line

Though it's no guarantee that silver will rise in the face of hotter inflation (it's been quite disappointing thus far), First Majestic strikes me as one of the better operators in the space. It has the stewardship to navigate through both good times and bad.

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Author

joefrenette

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