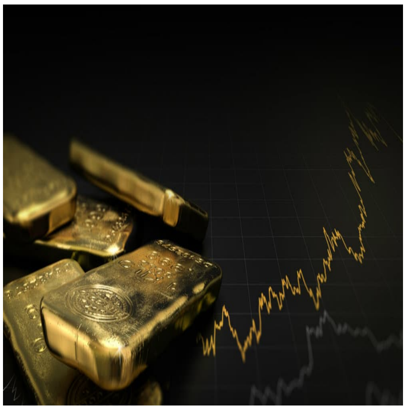

Why Wheaton Precious Metals (TSX:WPM) Stock Gained 13% in September

Description

Gold is largely perceived as a safe haven that stands tall in uncertain markets. However, despite major geopolitical tensions and inflationary environments, the yellow metal has been a laggard this year.

Gold and gold miner stocks took a breather last month and marginally recovered from their depressed levels. The recovery came in as the U.S. dollar, and Treasury yields calmed a little in late September. Gold miners and related stocks rallied as well, providing investors some respite after a long while.

Why is WPM stock down this year?

One of the biggest streamers, **Wheaton Precious Metals** (TSX:WPM) stock soared 13% last month. The stock broke below $40 levels late last month, levels last seen in March 2020. Year to date, WPM stock has lost 12%, which is in line with its peers. In comparison, the yellow metal dropped 5% in the same period.

Note that the recent recovery might not be the beginning of its long-term trend reversal. So, gold and gold miner stocks could continue to trade weakly amid the same set of challenges for the next few quarters.

As interest rates started to rise in April this year, the bullion began to drop. When interest rates increase, yields rise, making bonds more appealing than gold to income-seeking investors. The U.S. Fed has increased its benchmark interest rates to 3.25% so far, which has guided the 10-year Treasury yields close to 4%.

And, importantly, the Fed is not yet done raising rates. Inflation is still red hot, sitting at its multi-decade-highs levels. So, the policy tightening will likely continue. The rates are expected to rise for the next few quarters before we see a trend reversal. This will make bonds more attractive and non-yielding bullion — gold will likely be a laggard.

What's next for Wheaton Precious Metals stock?

Wheaton Precious Metals seems relatively well placed compared to miners for the longer-term horizon. It is a $21 billion streaming company that engages in the sale of gold, silver, palladium, and cobalt.

Streamers do not run or own mines. Instead, they pay upfront fees to third parties to dig mines for a portion of the output. So, streamers are relatively less-risky options because they have little or no exposure to operational or political risks. Plus, streamers are comparatively low-cost precious metal producers and are less capital-intensive businesses.

Wheaton Precious Metals grew its revenues and free cash flows by 4% and 17%, compounded annually in the last 10 years, respectively. That marks a decent growth compared to traditional miners. On returns front, WPM stock has returned 40% in the last 10 years, while **Barrick Gold** returned a negative 36%. Barrick Gold also falls short on the financial growth front when compared to WPM.

The Foolish takeaway

So, in a nutshell, gold and gold miner names marginally soared last month, but their sustained recovery could take time. The rate-hike pace and inflation must calm down notably to fuel a rally in the yellow metal. Investors can keep a close eye on streamer stocks like Wheaton Precious Metals to enter in the next few months at more attractive levels.

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