



## 2 Gold and Silver Stocks to Play a Precious Metal Pop

### Description

Gold and silver stocks have been picking up in recent weeks. With the FTX blowup, sending shockwaves through the crypto markets, I wouldn't be shocked to see many investors ditching popular cryptos for good, old-fashioned precious metals. Indeed, gold and silver haven't shined brightly for investors, given the profound economic uncertainties and lingering inflation.

With a tiny hint of dovishness in the Fed's latest minutes, we could be closer to a "Fed pause," or pause in interest rate hikes, in the early innings of 2023. Such a pause could bode well for the precious metals and could help them climb higher, even as the broader equity markets continue to [fluctuate](#).

Gold and silver aren't the sexiest investments in the world. Silver hasn't done much over the past five years, rising just 36%. While precious metals are worthy portfolio diversifiers, investors shouldn't expect to strike it rich with such plays. At best, they're a means to move through difficult times, inflation, and market swoons.

Arguably, investors should expect no more than stability and modest results going into a recession year. Low expectations and protecting to the downside could be key to surprisingly good results in a year that many expect will be tempered by Federal Reserve rate hikes.

### Gold and silver stocks starting to shine!

Holding physical gold and silver bullion may be enticing to certain types of investors. However, I think it's far more convenient to hold onto the gold and silver miners, especially at these depressed valuations. That way, you'll be able to get the most out of a run-up in gold or silver prices while collecting juicy dividends.

Currently, **Agnico Eagle Mines** ([TSX:AEM](#)) and **First Majestic** ([TSX:FR](#)) are my favourite stock picks in the precious metal space.

### Agnico Eagle Mines

Agnico Eagle Mines is a gold miner that made headlines for its merger with Kirkland Lake a while back. Undoubtedly, the deal puts a literal gold mine of assets in the hands of what I view as a more capable leadership team. Despite the strong management and capital structure, miners like Agnico aren't immune to swings in the price of gold. As gold sinks, so too will the stock of AEM. As a levered play on gold, a rally may also mean amplified gains for [investors](#).

In any case, AEM stock seems cheap, given the new momentum experienced in the gold markets. The stock sports a 3.08% dividend yield. If the firm enjoys the windfall from higher gold going into 2023, expect the dividend to be raised modestly.

At 14.9 times price to cash flow, AEM stock is a deal that's too good to pass up for investors seeking to lower their correlation (shares have a 0.74 beta, meaning ABX boasts a lower correlation to the TSX Index) and maximize their risk/reward scenario.

## First Majestic

First Majestic is a pretty big name in the silver-mining space. Unlike AEM, FR stock sports a mere 0.26% dividend yield. As silver prices rebound, First could move from quarterly per-share losses to gains, granting the firm the financial flexibility to raise its payout by a considerable magnitude.

In any case, FR stock is incredibly cheap at 3.7 times price to sales. Silver is a more volatile asset than gold, with more ties to the world economy.

That's thanks to the many applications of silver than go beyond just jewelry. With a higher beta (0.99) and a tiny dividend, FR stock may seem like an easy pass. Still, the depressed valuations make it a worthy addition to any portfolio for 2023.

### CATEGORY

1. Investing
2. Metals and Mining Stocks

### TICKERS GLOBAL

1. TSX:AEM (Agnico Eagle Mines Limited)
2. TSX:FR (First Majestic Silver)

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