



Top Canadian Silver Stocks of 2023

Description

Both stocks and bonds faced strong headwinds from high inflation and rising interest rates at the beginning of 2022. As a result, the prices of many precious metals, including silver, have soared.

Strained and snarled global supply chains have contributed to higher demand for silver. A variety of manufacturing and industrial applications use silver, especially in the technology sector. Silver is currently necessary in a wide range of electronics, most notably [semiconductors](#).

Here's everything you need to know about investing in top Canadian silver stocks.

What are Canadian silver stocks?

Silver stocks are simply the shares of companies that produce and refine silver. Often, these companies are miners that raise capital to explore, acquire, develop, and produce silver mineral deposits.

Like all stocks, silver stocks are affected by the overall stock market's movements. This is called market risk, measured by a stock's beta. Beta is a calculation of how volatile a stock is relative to the market.

However, silver stocks are also correlated to the spot price of silver bullion. Drastic changes in the silver price can cause large swings in the share prices of silver stocks, even if their current fundamentals (revenues, margins, profits, cashflow, earnings, etc.) remain unchanged and no other events take place.

For example, if the price of silver drops sharply, silver stocks will most likely drop along with it, because the market will price in anticipated future losses. In other words, the value of deposits the silver companies own and the silver they could sell would both be worth less.

Investing in Canadian silver stocks

If you wanted to invest in silver directly, you could do it in several ways, such as by buying:

1. Physical silver bullion (coins, bars) and storing it in a safe deposit box or at home in a fireproof safe
2. An [exchange-traded fund \(ETF\)](#) that holds deposits of physical silver bullion
3. An ETF that tracks silver futures derivatives
4. Shares of silver miner stocks

The first approach provides the best exposure to silver prices, but storage and transportation costs can be quite high. Bid/ask spreads when buying and selling silver can also eat into your profits.

The second and third approaches allow you to get silver exposure in a [TFSA or RRSP](#), but they also involve a management expense ratio (MER). This is a percentage fee that you must pay the ETF manager every year.

The last approach provides exposure to silver prices, but with additional benefits. Firstly, silver stocks can create value. An ounce of silver a decade later will still weigh an ounce, and an ETF holding silver will merely track whatever the current spot price is. A silver mining company, however, can produce many years of profits, earnings increases, balance sheet growth, cash flow, and perhaps even dividends for its investors.

Investors can therefore get the best of both worlds by investing in silver stocks. There's the lower correlation of silver compared to stocks and bonds (which provides your portfolio with diversification benefits and a slight hedge), and the compounding potential associated with investing in stocks.

How to value Canadian silver stocks

When investing in silver stocks, it is important to assess the following factors by examining the company's audited financial statements and earnings reports:

1. How many producing and/or exploration mines does the company currently have an interest in, and what is its percentage stake in each?
2. What guidance has the company provided on future silver production, and how does it compare to previous periods?
3. Does the company have a healthy and sustainable balance sheet (current ratio, total debt/equity ratio, total cash per share, etc.)?
4. Is the company profitable (adequate operating and profit margins)?
5. Is the company growing (quarterly revenue growth, earnings per share)?

With this in mind, let's zero in on the top three Canadian silver stocks in order of market capitalization. All three of these [stocks are dual-listed on U.S. exchanges](#) as well, making them accessible for investors holding U.S. dollars.

Top silver stocks in Canada

Here are some of the top Canadian silver stocks on the [Toronto Stock Exchange \(TSX\)](#):

Company	Description
Wheaton Precious Metals (TSX:WPM)	An international streamer of silver, gold, palladium, and cobalt deposits.
Pan American Silver Corp. (TSX:PAAS)	A silver exploration, development, extraction, processing, refining, and reclamation company.
Yamana Gold (TSX:YRI)	An international producer of silver and gold, also engaged in exploration and development.

Wheaton Precious Metals

Wheaton Precious Metals is best known for its precious metal streaming agreements. It has a portfolio of interests in 23 operating mines and 13 development projects internationally. The company primarily deals in silver, gold, palladium, and cobalt deposits.

This term “streaming agreement” refers to an arrangement where a company like Wheaton makes deals with other mining companies to acquire part or all their production, usually at a discounted price. In return, Wheaton provides the mining company with capital to finance their operations. You can think of streaming companies as somewhat like venture capital firms engaged exclusively in the mining sector.

This business model has made Wheaton a cash machine in recent years, with a very healthy balance sheet and income statement. The company even manages to pay a modest dividend.

Pan American Silver

Pan American Silver holds interest in or operates over 13 mines in Canada, Mexico, Peru, Argentina, and Bolivia. The company primarily engages in the exploration, development, extraction, processing, refining, and reclamation of silver, gold, zinc, lead, and copper minerals.

Incorporated in 1979, Pan American Silver was called Pan American Minerals until 1995. Currently, it is one of the world’s largest silver producers, having extracted a record 25 million ounces in 2017. It also has significant amounts of silver reserves still untapped sitting on its balance sheet.

Notable mines under operation by Pan American Silver include the La Colorada and Dolores mines in Mexico, the Huaron and Morococha mines in Peru, the San Vincente mine in Bolivia, and the Manantial Espejo mine in Argentina.

Yamana Gold

Yamana Gold operates and holds interest in various production, development, and exploration-stage mining properties in Canada, Brazil, Chile, and Argentina. The company primarily focuses on [gold](#) and silver production through five operational mines, and through interests in various exploration/development-level companies.

Incorporated in 1994, Yamana Gold took its current form after a series of mergers with seven other TSX-listed companies between 2003 and 2007. This spree of acquisitions allowed Yamana to obtain multiple producing mines or development projects that later entered into commercial production.

Yamana Gold's five currently operational mines include the Malartic gold-silver mine in Quebec, the El Peñón gold-silver mine and the Minera Florida gold-silver-zinc mine in Chile, the Jacobina gold mine in Brazil, and the Cerro Moro gold-silver mine in Argentina.

Are Canadian silver stocks right for you?

Before investing in silver stocks, it is worth looking over your investment thesis again. Investors should outline the reasons why they believe the silver segment will outperform and considering all the evidence supporting or debunking these reasons.

Good reasons to invest in silver stocks include wanting to hedge against geopolitical uncertainty, speculating on possible increases in silver prices, protecting against high inflation, or capitalizing on market momentum in the TSX mining sub-sector.

The market looks to remain volatile. There's the fear, uncertainty, and doubt raised by the ongoing Russia-Ukraine conflict as well as further anticipated Bank of Canada rate hikes. Canadian silver stocks could be an excellent defensive investment for your portfolio.

TICKERS GLOBAL

1. TSX:PAAS (Pan American Silver Corp.)
2. TSX:WPM (Wheaton Precious Metals Corp.)
3. TSX:YRI (Yamana Gold)

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