



Gold or Silver? Which One Holds the Best Value?

Description

I have to admit I like shiny things. More precisely, I like shiny things that hold value and have no counter-party risk, like gold and silver.

Detour Gold Corporation (TSX:DGC) is headquartered in Toronto, has a market capitalization of \$4.4 billion and is heavily invested in a mining project northeast of Timmins, Ontario. The company has a five-year return of 187% but has yet to pay a dividend.

I like this stock because the company's primary asset (singular) is in Canada. It would take a lot to rock a Canadian government to the point where the government confiscates gold mines. Detour Gold offers an opportunity to invest in Canada at a time when there aren't that many mining investment opportunities in the country. So much for sentimentality, let's look at some facts related to cold, hard gold.

The price of gold is US\$1,475 per ounce and is projected to increase to US \$1,750 through 2020. By 2021, the projected price is US\$1,925. You've heard the arguments about gold being a hedge against inflation and a store of wealth. I'll not bore you with details.

I do want you to consider the possibilities of investing in a company that has little debt, is Canadian-based, owns large tracts of land in and around [proven reserves of gold](#), and is entering a phase of high-demand for the commodity the company mines.

Detour Gold has a cost per ounce of gold of \$1,005. The cost per ounce is slightly higher than the cost per ounce for Barrick's, which is \$878m, but Barrick has higher debt and more exposure to geopolitical risks.

In 2018, central banks throughout the world bought a record-breaking US\$27.7 billion in gold. Smarter people than me know it's time to buy gold, and I think it's time we pay attention to their cues.

Consider Detour Gold for the company's zero exposure to foreign markets, next-to-nothing debt, and stock performance. Keep in mind, the stock doesn't pay a dividend.

Wheaton Precious Metals Corp ([TSX:WPM](#)) is headquartered in Vancouver, has a market capitalization of \$16.3 billion, and is one of the world's largest precious metals streaming companies. The company has agreements with 19 mines and nine development-stage projects. Wheaton has a five-year return of 53.34% and pays a [dividend of 0.99%](#).

Wheaton is a good buy for those looking to invest in silver and precious metals without having to decide which mine will be profitable that year. The company has interests in both gold and silver mines.

Unlike gold, silver is an industrial metal. Industrial demand accounts for 60% of all silver use. Silver demand hit a three-year high in 2018, and in the same year, demand for silver bars in India increased by 118%.

We're heading into a recession. Here's a strategy I'd like you to consider: Watch the price of this stock. Buy it when it dips.

Buy into Wheaton for dividends and a hedge against inflation in a recession. Because silver is an industrial metal, its price will fall. The trade war between the U.S. and China has dampened silver prices, and if the trade war continues, silver prices are expected to dip as well.

That's okay because you knew that going in. Buy more silver on the cheap during the recession (for however long it lasts) – a DRIP works nicely in this scenario – and you reap the rewards when the economy emerges out of the recession.

In the next phase of the economy, there will be more renewables. In other words, more voltaics which leads to an increase in the demand for silver. Silver is used in RFID chips. Last time I looked, the internet of things (IoT) was in full swing and a heavy user of RFID chips. Silver is also used in semiconductors and touch screens. I think both of those technologies will remain in demand.

Both of these companies offer a silver lining in a recession. If you need a steady dividend, take a closer look at Wheaton. If you're looking to make money on stock price increases, take a look at Detour. Just remember, all that shines isn't gold.

CATEGORY

1. Investing
2. Metals and Mining Stocks

POST TAG

1. dividend
2. Mining

TICKERS GLOBAL

1. TSX:WPM (Wheaton Precious Metals Corp.)

PARTNER-FEEDS

1. Business Insider

2. Msn
3. Newscred
4. Sharewise
5. Yahoo CA

Category

1. Investing
2. Metals and Mining Stocks

Tags

1. dividend
2. Mining

Date

2025/08/25

Date Created

2019/12/28

Author

rgendron

default watermark

default watermark