

# The \$2 Silver Stock Every Investor Should Own



# The \$2 Silver Stock Every Investor Should Own

Silver is on a winning streak but it's still undervalued. And I believe there is more upside coming.

All markets fluctuate in price; the key is to buy before the price rebounds. I've seen silver sell off many other times, only to come roaring back. Over the last few years, quantitative easing by the Federal Reserve suppressed commodity prices by artificially inflating the stock market. But the Fed scaled back and ultimately concluded its bond-buying program near the end of 2014.

From 2015 to 2017, the Fed raised interest rates five times. Most recently, in December 2017, the Fed raised its key lending rate by a quarter of a percentage point to a range of 1.25% to 1.5%.<sup>1</sup>

And most analysts expect the Fed to raise its key lending rate three more times in 2018.

Why does this matter? Many have concluded that artificially low interest rates were the fuel that propelled the stock-market indexes to record levels. Now that interest rates are on the rise, the stock market will soon have to stand on its own two feet. Many analysts are worried that investor confidence will crumble without the support of the central bank, leading to a massive sell-off.

## The Price of Silver

Silver traded in a tight, long-term sideways channel at around \$5.00 from 1988 to 2004, prior to breaking out. Speculation and added volatility now make the gray metal a good commodity for futures traders looking to play both the short and long ends.

As you can see on the following chart, the upward move in spot prices was robust. While it is true that silver sold off over the past few years, look at what happened in 2009 and 2010: after peaking in 2008, silver fell hard, and the bears emerged from their slumber. However, this was a great opportunity to buy silver as it blew past its peak in 2008 and more than doubled in price in just a few short years.

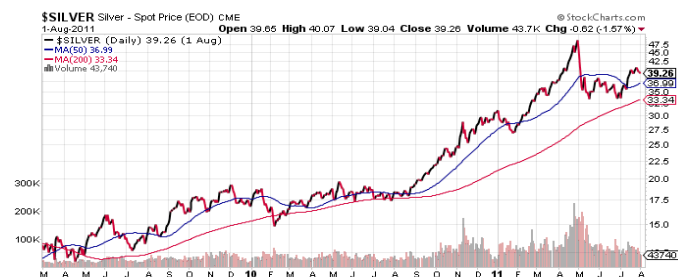


Chart courtesy of [www.StockCharts.com](http://www.StockCharts.com)

Going forward, there are three things investors must know, and they could really give a boost to silver prices. I will be bold here, but if these factors continue to materialize, we could see silver at \$50.00 an ounce sooner rather than later.

First, silver is used in numerous industrial and electronic applications. As it stands, we see demand increasing. Consider this small thing, for example: smartphone sales continue to rise. Global sales of smartphones to end users totaled 383 million units in the third quarter of 2017, a three percent increase over the third quarter of 2016. Four of the five top smartphone makers achieved double-digit growth.<sup>2</sup>

All those cell phones need silver!

Second, investor demand remains robust. For example: in 2017, the U.S. Mint sold 18 million ounces of silver in American Eagle coins.<sup>3</sup>

Looking at the demand on the other side of the world, in 2017, Australia's Perth Mint sold 9.63 million ounces of silver. In December 2017, silver sales surged 61% month-over-month to 874,437 ounces from 544,436 ounces in November.<sup>4</sup>

And here's the third factor investors should keep in mind: the fixed exchange rate between gold and silver was 15.5:1 in the nineteenth century, but it moved much higher to an average of 35:1 in the twentieth century.

The spot price for gold now is roughly \$1,343 an ounce, compared to \$17.00 an ounce for silver. This equates to a silver-to-gold ratio of 79:1. Based on this ratio, the gray metal appears to be significantly



Information contained herein, while believed to be correct, is not guaranteed as accurate. A time lag exists between publication date and distribution date; hence, numerical figures may become outdated. Contents © 2018, Lombardi Financial, a division of Lombardi Publishing Corporation; in the U.S.: 350 5th Avenue, 59th Floor, New York, NY 10118; in Canada: P.O. Box 428, Kleinburg, ON, L0J 1C0; phone: 1-866-744-3579; web site: [www.lombardipublishing.com](http://www.lombardipublishing.com). All rights reserved. No part of this document may be used or reproduced in any manner or means, including print, electronic, mechanical, or by any information storage and retrieval system whatsoever, without written permission from the copyright holder. Your privacy is important to us! Occasionally, we make our list of customers available to carefully screened companies, outside of Lombardi Publishing Corporation, whose products and services might be of interest to you. If you prefer not to receive this information, please write to us. Stock charts courtesy of [www.StockCharts.com](http://www.StockCharts.com). E-mail messages from [e-newsletter@lombardipublishing.com](mailto:e-newsletter@lombardipublishing.com) are only sent to paid subscribers and are not intended to be sent to those who do not want to receive them. If you wish to stop receiving e-mail messages as part of your service, kindly reply to this e-mail with "unsubscribe" in the subject line. Images courtesy of [Thinkstock.com](http://Thinkstock.com).

undervalued. Silver prices will have to increase big time to hit the historical average.

## **Great Panther Silver Limited: Profit Opportunity**

How can investors take advantage of this situation? Buying silver bullion is an option, but there's a play that has even more upside: Canada-based miner **Great Panther Silver Limited** (NYSE/GPL).

Headquartered in Vancouver, Great Panther engages in the exploration, development, and acquisition of silver properties with a focus on Mexico. The company's current activities are focused on the mining of precious metals from three operating mines in Mexico: the Guanajuato Mine Complex, the San Ignacio Mine, and the Topia Mine. On June 30, 2017, the company completed its previously announced acquisition of the Coricancha Mine Complex in Peru. The company also continues to search for additional acquisitions in Latin America.<sup>5</sup>

Great Panther's Mexican mines have 10.16 million ounces of silver and 70,362 ounces of gold in measured and indicated resources. In addition to this, these mines have 10.33 million ounces of silver and 87,648 ounces of gold in inferred resources.<sup>6</sup>

Remember this: when you are looking to take advantage of silver prices, look at miners that can produce more for less, have low or no debt, and have solid cash flow. Why? If in the short term silver prices decline, they are still able to continue their operations.

Great Panther fits the criteria perfectly. This company has it all.

In fiscal year 2017, consolidated metal production increased two percent year-over-year to 3.97 million silver-equivalent ounces. The company's Topia silver-lead-zinc property in west-central Durango State achieved

a record 1.08 million silver-equivalent ounces in metal production, representing year-over-year growth of 21%.

In the fourth quarter of 2017, consolidated metal production increased 21% year-over-year to 1.06 million silver-equivalent ounces. More specifically, silver production increased 12% to 514,218 ounces while gold production advanced 14% to 5,931 ounces. Processed ore increased six percent with 98,396 tons milled.<sup>7</sup>

Looking at its balance sheet, Great Panther is very well capitalized. The company has \$55.5 million in cash, \$63.6 million in working capital, and no debt.

In 2018, Great Panther expects production to be in the range of four million to 4.1 million silver-equivalent ounces (at a 70:1 silver-to-gold ratio). Cash cost per silver ounce is projected to be \$5.00 to \$6.50 and all-in sustaining cost per payable silver ounce is projected to be \$12.50 to \$14.50.

The company's focus for 2018 will be to maintain steady and efficient operations in Mexico, while advancing its Coricancha Mine in Peru to set a platform for production growth in 2019 and 2020.

Coricancha has 24.2 million silver-equivalent ounces in measured and indicated resources and 28.3 million silver-equivalent ounces in inferred resources.

While still in the early stage of evaluation, based on historic production records, Coricancha has the potential to add three million silver-equivalent ounces of annual production. What this means is, expanding operations into Peru has the potential to increase Great Panther's production by 75%.<sup>8</sup>

Keeping all this in mind, Great Panther could be a great play on silver prices. As the precious metal trends higher, this company could provide investors with phenomenal returns.

**Dear Reader:** There is no magic formula to getting rich. Success in investment vehicles with the best prospects for price appreciation can only be achieved through proper and rigorous research and analysis. The opinions in this e-newsletter are just that, opinions of the authors. We are 100% independent in that we are not affiliated with any bank or brokerage house. Information contained herein, while believed to be correct, is not guaranteed as accurate. Warning: Investing often involves high risks and you can lose a lot of money. Please do not invest with money you cannot afford to lose. Nothing herein should be considered personalized investment advice. Before you make any investment, check with your investment professional (advisor). We urge our readers to review the financial statements and prospectus of any company they are interested in. We are not responsible for any damages or losses arising from the use of any information herein. We are a publishing company offering the opinions and commentary of our editors and analysts. Past performance is not a guarantee of future results. All trademarks and registered trademarks are the property of their respective owners.

## Sources

1. "Open Market Operations," Board of Governors of the Federal Reserve System web site; <https://www.federalreserve.gov/monetarypolicy/openmarket.htm>, last accessed January 17, 2018.
2. "Gartner Says Top Five Smartphone Vendors Achieved Growth in the Third Quarter of 2017," Gartner web site, November 30, 2017; <https://www.gartner.com/newsroom/id/3833964>.
3. "Bullion Sales," U.S. Mint web site; <https://www.usmint.gov/bullion-sales/>, last accessed January 17, 2018.
4. "Perth Mint's Dec gold sales up 13 pct, silver surges 61 pct," Reuters web site, January 7, 2018; <https://www.reuters.com/article/perthmint-sales/perth-mints-dec-gold-sales-up-13-pct-silver-surges-61-pct-idUSL4N1P31MB>.
5. "Operations," Great Panther Silver Limited web site; <http://www.greatpanther.com/English/Operations/Producing-Mines/Overview/default.aspx>, last accessed January 17, 2018.
6. "Corporate Presentation," Great Panther Silver Limited web site, January 12, 2018; <http://www.greatpanther.com/English/Investors/Corporate-Presentation/default.aspx>.
7. "Great Panther Silver Reports Fourth Quarter And Annual 2017 Production Results And Provides 2018 Outlook," Great Panther Silver Limited web site, January 11, 2018; <http://www.greatpanther.com/English/News/News-Details/2018/Great-Panther-Silver-Reports-Fourth-Quarter-and-Annual-2017-Production-Results-and-Provides-2018-Outlook/default.aspx>.
8. "Coricancha Mine Complex," Great Panther Silver Limited web site; <http://www.greatpanther.com/English/Operations/Advanced-Exploration/Coricancha-Mine-Complex/Overview/default.aspx>, last accessed January 17, 2018.

**NYSE:** New York Stock Exchange

**NASDAQ:** NASDAQ Stock Market

**NASDAQ/SC:** NASDAQ Small Cap Market

**OTCBB:** Over-The-Counter Bulletin Board

**TSX:** Toronto Stock Exchange

**TSXV:** Toronto Stock Exchange Venture Exchange