This Forgotten Commodity Could Triple Your Money

Description

Over the past few months, a number of hedge funds have quietly accumulated massive positions in a forgotten part of the Canadian resource sector.

According to industry insiders, a shortage of this essential commodity is almost inevitable. Many analysts project that prices will double or triple within two years.

Now their bets are paying off. Supplies are beginning to tighten and investors who appreciate the scope of this opportunity could make triple-digit gains over the next 24 to 36 months.

Let me explain…

Uranium stocks have been left for dead. Following the Fukushima Daiichi disaster in 2011, a number of countries announced plans to cut or eliminate their nuclear power programs and uranium prices have been in the dumps ever since.

Here's the problem: prices are so low that producers are losing money hand over fist. It costs about $90 to mine one pound of uranium. Once you add in overhead and other expenses, the numbers look even worse. However, spot prices today are less than $30 per pound. The industry is losing about $60 on every pound of uranium it pulls out of the ground.

That's a great way to go out of business. And that's exactly why the current situation can't last. Small miners are destined to go bust. Big producers will cut back output. And no one will invest in future production.

At the same moment supplies are coming offline, demand is surging. Emerging economies like China and India see nuclear power as an important part of their energy strategies. According to industry consultant UxC, 430 reactors are expected to come online over the next decade (nearly doubling the total number of reactors in service today).

This is a classic example of cyclically in the resource market. When commodity prices soar, producers flood the market with supplies and consumers cut back demand. After prices collapse, miners go out of business and customers increase their orders. The cycle repeats… over and over again.

That's exactly what happened in the last uranium bear market. In 2003, uranium was trading for about $12 per pound and miners were going out of business left and right. As resource investing expert Rick Rule explained to me in an interview earlier this year, "It was pretty certain to anyone who bothered to watch that uranium prices had to go up or the lights will go out." By the time the market peaked in mid-2007, uranium was trading over $130 a pound.

Based on the positions of some smart money hedge fund managers, we are at the beginning of a similar move right now. Supplies are tightening and prices should rise to meet the cost of production. That means uranium and related investment vehicles like **Uranium Participation Corp.** (TSX: U) could rally almost 200% from today's levels.

Over the past few months, a number of hedge funds have built positions in uranium miner **Denison Mines** (TSX: DML)(NYSEMKT: DNN). According to the latest filing from the SEC, famed value fund Third Avenue Management initiated a new position in the company last quarter. Billionaire investor Eric Sprott also purchased a giant position in Denison late last year.

And as I wrote about earlier this week, other smart money managers are building stakes in the industry's top player **Cameco** (TSX: CCO)(NYSE: CCJ). Billionaire George Soros has purchased over $160 million in common shares and call options. Other hedge fund titans including Stanley Druckenmiller, Joe Huber and others also initiated positions in the mining giant last quarter.

Now I have to ask you…what would make the smartest minds on Wall Street take notice of this industry? I'd say it could only mean one thing: they see a giant rally ahead.

CATEGORY

1. Investing

TICKERS GLOBAL

1. NYSE:CCJ (Cameco Corporation)
2. NYSEMKT:DNN (Denison Mines Corp.)
3. TSX:CCO (Cameco Corporation)
4. TSX:DML (Denison Mines Corp.)

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Date
2025/08/15
Date Created
2014/07/09
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