



3 Reasons to Be Bullish on Uranium

Description

Ever since the Fukushima earthquake and tsunami disaster of 2011, investors in uranium stocks haven't been doing too well.

Before the disaster, the price of the mineral exceeded U.S.\$70 per pound. That was just the beginning of a long, painful decline to current levels, which are just a hair below \$30 per pound. What happened?

Both Germany and Japan announced major changes to their nuclear programs after Fukushima. Japan pledged to stop building nuclear plants, while Germany announced it was going to get out of nuclear power completely, abandoning it by 2022. Supply also came on the market, as both the U.S. and Russian governments continued to sell uranium that was previously in nuclear bombs. Additionally, supply from newly opened mines hit the market, further driving the price down.

However, it's not all bad news for the metal. Several prominent investors are using this opportunity to load up on shares in beleaguered producers. Billionaire investor George Soros has built up a position in **Cameco** ([TSX: CCO](#))([NYSE: CCJ](#)) worth nearly \$130 million, based on his last regulatory filings. What exactly does Soros see in the sector?

Here are three reasons you should join Soros and be a long-term bull on uranium.

1. Japan and Germany are bluffing

Remember how Germany had pledged to stop using nuclear power by 2022? There's little guarantee that's going to happen. After all, the country still gets nearly 20% of its power from nuclear sources, and it's a big bill to replace that.

Besides, once investors look a little closer at the German situation, it's a non-issue. Germany hasn't built a new reactor since the 1980s. By the time the country stops using nuclear power, the life of each plant will be pretty much finished. When you look at it from that perspective, Germany exiting the industry isn't that big of a deal.

Upon first glance, Japan's situation seems more dire. The country shut down most of its 50 nuclear

plants after the Fukushima disaster, and has only begun to reopen a few, even after experiencing electricity shortfalls.

However, the current government has retreated from this harsh stance. It has plans to reopen some of the country's shuttered plants, going as far as saying that nuclear was "the country's most important power source."

2. Growth in other markets

Potential growth for nuclear energy in other markets is strong, which should make up for any absence from Japan while its nuclear issues are being discussed in the country's courts.

China is currently building 90 gigawatts of nuclear capacity. By 2020, experts estimate that its plants will need 20% of the world's uranium supply.

Saudi Arabia is committing \$80 billion to its own nuclear program, and is planning on building 16 new reactors to be operational by 2030 at the latest.

Additionally, the UAE, Turkey, and Vietnam have announced plans to build new plants, all opening near the end of the decade.

Nuclear energy remains a terrific option for nations with little in the way of natural resources. The initial investment is greater than a coal or natural gas plant, but the country doesn't have to worry about importing large amounts of energy to run it. It can get by with a much smaller amount of uranium.

3. Safety improvements

It's tough to take anything positive out of such a terrible event, but at least the Fukushima disaster taught scientists some things about making reactors safer.

Over our history, nuclear reactors have been running for a combined 15,000 years. During that time, there have been only three incidents. If you look at it from that perspective, the safety record is pretty remarkable.

Besides, plant safety protocols are being improved all the time. The industry estimates that, based on the reactors that are currently in operation, it expects an incident every 20 to 50 years. New reactors are much safer, though, and won't likely see an incident for at least a century. Engineers are getting much better at building nuclear plants.

Investors looking to beat the market should get into solid companies that are beaten up, and uranium producers fit the bill. Cameco is the clear leader of the group, and should be a no-brainer for investors who think the sector is going to recover.

CATEGORY

1. Investing

TICKERS GLOBAL

1. NYSE:CCJ (Cameco Corporation)

2. TSX:CCO (Cameco Corporation)

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