



## Will Cameco Corporation Continue to Skyrocket?

### Description

Late last week, shares of uranium miner **Cameco Corporation** ([TSX: CCO](#))([NYSE: CCJ](#)) surged by more than 11% in just one day. What happened to spark this rise? And is this only the beginning?

### Finally some movement from Japan

On Friday, two reactors at Japan's Sendai nuclear power plant received final local approval to be restarted by the governor. It will be the first such restart since the Fukushima disaster. As put by one analyst, "We've been waiting for this moment for a long time." And the uranium price reflected as much, jumping 4.3% in response.

This has continued a nice winning streak for uranium, which is up more than 40% since hitting a low in May. The main cause (before Friday) has been supply disruptions – for example, sanctions against Russia and strikes at Cameco have raised serious concerns. Now that Japan is restarting reactors, uranium demand could boost the price further.

So that leaves two all-important questions. First, will uranium continue its rise? And second, is Cameco the best way to make this bet?

### Some strong reasons to believe in uranium

Despite its current rise, uranium is still more than 40% cheaper than it was in early 2011. And there are plenty of reasons why the metal can recover all the way.

First, the demand fundamentals are very strong, with the two key countries being Japan and China. On the Japanese side, the nuclear shutdown is proving to be very costly. Cheaper uranium must be substituted with more expensive forms of power, such as liquefied natural gas. This must be imported, and Japan's weaker currency worsens the pain. One has to figure that a substantial restart is just a matter of time.

Over in China, electricity demand is growing at 8% per year, and nuclear power will carry a big part of the load. The world's most populous country still only has 21 nuclear units in operation, but 27 are

under construction, and many more are planned.

The supply fundamentals are another reason to believe in uranium. At less than US\$40 per pound, producers are having serious trouble making money – if prices stay this low, eventually some suppliers will have to shut down. Making matters worse, much of the world's supply comes from very unstable countries, such as Russia, Kazakhstan, and Niger.

### **Cameco: the best way to make that bet**

When Cameco surged on Friday, some smaller miners actually saw their shares rise even more. So is Cameco really the best way to bet on uranium?

I think the answer is yes. Cameco is arguably the world's best-in-class producer, and possesses the world's best assets – its flagship mine, McArthur River, has an average ore grade 100 times the world average. The vast majority of its production comes from stable jurisdictions. Tellingly, it has remained profitable even with uranium prices this depressed.

### **CATEGORY**

1. Energy Stocks
2. Investing
3. Metals and Mining Stocks

### **TICKERS GLOBAL**

1. NYSE:CCJ (Cameco Corporation)
2. TSX:CCO (Cameco Corporation)

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