



Billionaire Steve Cohen Bought 1.6 Million Shares of Cameco Corporation; Should You Buy, Too?

Description

Over the next few years, you could make triple-digit gains in one of the world's most beaten-down commodities: uranium.

It won't happen overnight. But as I'm about to show you, some of the world's smartest money managers are betting on a uranium turnaround. And before the move ends, we could see prices double or more. Let me explain.

Where to find 100% returns in the resource market

It's one of my favourite ways to invest in the resource sector — and apparently billionaire Steven Cohen agrees with me. The stock is **Cameco Corporation** ([TSX: CCO](#))([NYSE: CCJ](#)), the world's largest uranium producer.

Cameco is an odd bet because the business has been uglier than grandpa's toenail. Between 2007 and 2010, uranium prices fell as low as US\$40/lb. Spot rates took a second leg down after Japan's Fukushima nuclear disaster in early 2011.

Ever since, uranium has been the world's most hated commodity. Only a few months ago, prices bottomed at a mere US\$28/lb, a nine-year low. But that's about to change.

Demand is starting to pick up. The market received a big shot in the arm earlier this month when Japan gave the OK to restart two idled reactors. Europe may also halt plans to phase out atomic power. Its reliance on Russian natural gas is a major liability.

In addition, nuclear energy is desperately needed to power growth in emerging economies. China plans to build more than 50 new nuclear power plants by 2020, increasing the number of facilities in operation nearly fivefold. And just last week, India signed a trade deal to begin importing uranium from Australia.

At the exact same moment demand is picking up, supplies are tightening. Today, uranium trades at

US\$40/lb. However, the average cost to produce the commodity is more than twice that — about US\$75/lb.

Producers are losing money on almost every pound of uranium they mine. That isn't going to last. Large players will curb operations. Small miners will go bust. At some point, prices will rise to meet the cost of hauling it out of the ground.

It doesn't take a PhD to figure out the end game here: as supplies tighten and demand grows, uranium prices will go up. This process has already started given that spot rates are up 40% over the past few weeks. Yet a big gap between price and cost remains.

If you don't buy this stock now, you'll hate yourself later

Apparently, Cohen is also bullish on uranium miners. According to recent SEC filings, the billionaire investor disclosed that he owned 1.6 million Cameco shares. As of September, that represented a US\$27.7 million investment.

As the largest producer in the world, Cameco is like the **ExxonMobil Corporation** of the uranium business. Because of the leverage inherent in its business model, the company's profits could rise much faster than the underlying commodity. However, Cameco also has the size and scale needed to survive the industry's current doldrums.

What's interesting is that Cohen paid between \$21 and \$23 per share for his recent acquisitions, a little above Friday's closing price. If he's buying at even higher prices, then Cameco could have a lot of upside from here.

CATEGORY

1. Investing
2. Metals and Mining Stocks

TICKERS GLOBAL

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

Category

1. Investing
2. Metals and Mining Stocks

Date

2025/07/05

Date Created

2014/12/01

Author

rbailieul

default watermark