



The Case for Uranium and Cameco Corporation

Description

What is one resource that can provide more electricity than any other that has a minimal impact on the environment? The answer is uranium. While many people argue that nuclear disasters are bad — and they are — if we were to analyze the effects of oil and coal burning on the environment, it might be worse than even Chernobyl.

Yet, when a nuclear disaster occurs, the price of uranium plummets, causing significant damage to any company in the business. This is exactly what happened to **Cameco Corporation** ([TSX: CCO](#))([NYSE: CCJ](#)) a few years ago. When the Fukushima Daiichi reactors had problems and released significant radiation, the entire world grew concerned about uranium and backed away from it. That sent the price of the resource down to the \$30-\$40 range.

But the price of uranium is starting to gain a little steam. It's off its high of US\$44 per pound, but it's still well above its low. For the next couple of years, this is probably the price point that we should expect for the resource. But there is a lot of demand coming.

That demand makes me long on Cameco

As of the publication of this article, there are 60 reactors in construction, many in Asia. Countries like China need to find economical ways to provide electricity for their people. And since China and the United States just agreed to try and curb greenhouse gases, the only way to do that is with nuclear. Solar is great, but it's just not economical.

China alone has 26 plants under production and have plans to launch even more. India is currently working on building another six power plants and will likely have to build even more. These two countries alone account for other 2 billion people; they're going to need a lot of electricity.

Don't listen to the media when it says that countries like Germany are closing their reactors down. These smaller countries can withstand not having giant nuclear reactors. A country like China either has to burn coal, which causes health problems for its people, or it can use nuclear. That's why it's building these new reactors.

These new reactors are going to need uranium to power the cores. That's where Cameco comes in and that's when the price of the resource will start to rise rapidly. Cameco supplies 14% of the uranium supply to the world. That means the stock follows the price of uranium closely. If uranium hits the US\$70 price mark it used to trade at, I imagine Cameco doubling in share price.

My belief is that Cameco will be trading at \$40 by 2018 because these reactors are going to *need* the resource. If you're looking for a company that pays a dividend — while waiting for the price of uranium to rise — and will also realize great returns on the sale of the stock, Cameco is where you want to be.

CATEGORY

1. Investing
2. Metals and Mining Stocks

TICKERS GLOBAL

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

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