



## 4 Reasons to Consider Cameco Corporation Right Now

### Description

Shares of **Cameco Corporation** ([TSX:CCO](#))([NYSE:CCJ](#)) have risen sharply in the past few trading sessions and investors are wondering if the bottom is finally in for Canada's top uranium miner.

We have seen this before. The stock gets a bit of a tailwind for a week and then reverses course to even lower lows. In the past 12 months the stock is down more than 20% and the company has lost more than half its value in the last four years.

Investors can be forgiven for being skeptical, but there are a few reasons to consider putting the stock on your watchlist right now.

#### 1. Price rebound

Uranium prices have been trending higher after plunging below the \$30 per pound mark last summer. The market got excited when the price spiked above \$40, but that enthusiasm waned as the big rally failed to materialize and prices pulled back to \$35.

The important thing for investors to consider right now is that uranium prices can move significantly in a very short period of time, and the producers tend to track those spikes.

**Deutsche Bank** and **Goldman Sachs** decided to exit the uranium market last year and that decision has reduced liquidity in the market. Traders and utilities know the situation is precarious and have been active in the market in the past few months to secure supply at the current low prices. Any positive news on demand could have an outsized impact given the current situation.

#### 2. Supply concerns

The global uranium market is still oversupplied. The main reason is the ample availability of secondary supplies that utilities have been able to buy on the spot market to fill small demand gaps.

Utilities normally sign long-term supply contracts with producers. Many energy companies have been delaying the renewal of contracts because uranium has been readily available in the spot market.

The market is beginning to shift. Secondary supplies are dwindling and new production is almost non-existent because most producers are unprofitable at current prices. Uranium production can't be ramped up as fast as oil or gas. In fact, it can take more than five years to get a project up and running.

### 3. Momentum shift

It doesn't take long for momentum to shift in the uranium space. Japan is expected to restart two of its nuclear reactors this year. As soon as it officially flips the switch on the first reactor, money will start to flow into the sector.

This should provide a short-term boost to Cameco, but the longer-term outlook is also important to consider.

Cameco expects demand for uranium to increase from 170 million pounds to 240 million pounds in the next 10 years as countries like India and China move new projects into operation. In fact, there should be about 90 net new nuclear reactors around the globe by 2024.

### 4. Low-cost producer

Cameco is probably your best bet in the uranium space. The company operates the world's largest uranium mine and has some of the highest-grade deposits on the planet.

Should you buy?

Cameco is in the middle of a nasty spat with the Canada Revenue Agency (CRA). The company says its exposure is as high as \$650 million if it loses the case. The market has probably priced in most of the risk at this point, but a big decision against the company could send the stock significantly lower.

Cameco is certainly a contrarian bet, but the bottom in the uranium cycle is probably in sight. The stock should rally on news of a Japan restart, or a less-than-diastrous decision on the CRA case.

Buying a good turnaround stock can bring substantial long-term rewards. The Motley Fool team is always hard at work looking for top companies that have battled through hard times and are finally ready to rocket higher.

Our analysts recently identified one such stock and we are now offering the full company report *for free* to all of our readers.

### CATEGORY

1. Investing
2. Metals and Mining Stocks

### TICKERS GLOBAL

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**Date**

2025/07/29

**Date Created**

2015/02/03

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