



## George Soros Bought \$42 Million of Cameco Corporation; Should You Buy, Too?

### Description

One of the last cheap stocks in the country is finally moving higher... and triple-digit gains could be on the way.

It won't happen overnight. But as I'm about to show you, a bull market in one of the world's most hated commodities is almost inevitable.

As a result, this company's share price is likely to rally soon. And before the run is over, investors could double their money or more. Let me explain...

### If you don't buy Cameco now, you'll kick yourself later

It's one of my favourite ways to invest in the mining sector — and apparently legendary investor George Soros agrees with me.

The company is **Cameco Corporation** ([TSX:CCO](#))([NYSE:CCJ](#)), the world's largest uranium producer. The company's key asset, McArthur River, is one of the largest and highest-grade mines in the world. It alone accounts for more than 10% of the industry's total production.

However, the company has not been popular with investors in recent years. Cameco is battling tax authorities, where both the Internal Revenue Service and the Canada Revenue Agency is claiming the company owes billions of dollars. Low uranium prices have also ripped a hole through the miner's income statement.

Yet George Soros has not been deterred by the negative sentiment. According to recent SEC filings, the billionaire investor beefed up his stake in the company last quarter. His total investment now totals nearly 2.6 million shares, valued at US\$42 million.

What could he see in Cameco? Here's the thing: uranium prices are so low right now, miners cannot recoup their cost of capital. Today, spot rates are hovering around US\$38 per pound, well below the average \$75 per pound price the industry needs to breakeven.

Needless to say, that's a problem. Miners are losing nearly US\$40 on every pound of uranium they haul out of the ground. You don't need a Ph.D. in finance to figure out that this is a great way to go out of business.

And that's exactly why the current situation can't last. Small miners are going bust. Large outfits are scaling back operations. Eventually, prices must rise to meet the cost of production — that's more than 100% over today's levels.

We're already seeing supplies tighten. Inventories are being depleted and demand is picking up. Since prices bottomed last June, uranium spot rates have already rallied 35%.

If uranium continues its move higher as experts expect, share prices for miners like Cameco could rise even faster. As the largest producer in the world, the company has the size and scale needed to ride out the industry's current doldrums. But because of the leverage inherent in Cameco's business model, the firm's profits could soar much faster than the underlying commodity.

### **Hedge funds are ploughing millions into this commodity stock**

Of course, George Soros isn't the only one bullish on Cameco. Last quarter, a number of respected hedge fund managers — including Jim Simons, D. E. Shaw, and Israel Englander — initiated or increased the size of their positions in the mining giant. Famed value investor David Iben also owns a US\$51 million stake.

What could have these investors so excited about Cameco? I'd say it could only mean one thing: they see a huge rally ahead.

### **CATEGORY**

1. Investing
2. Metals and Mining Stocks

### **TICKERS GLOBAL**

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

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rbailieu

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