



## Should Investors Consider Cameco Corporation a Long-Term Hold?

### Description

Ever since the Fukushima Daiichi nuclear disaster in March 2011, uranium prices have been beaten down. Considering the price per pound of uranium was around \$70 before the disaster and now trades below \$40 is indicative of the fact that many countries were nervous about deploying new nuclear reactors.

However, the reality is that for some countries, there is no more efficient way to generate the amount of electricity needed than with nuclear energy. Take, for example, China and India, which have a combined 2.3 billion people. How can they generate sufficient electricity while also being told by the world that they need to be energy efficient?

At this time the answer is uranium.

**Cameco Corporation** ([TSX:CCO](#))([NYSE:CCJ](#)) is one of the largest uranium miners in the world. It accounts for approximately 16% of the world's supply. Unfortunately for the company, because demand has been so depressed, that supply has not resulted in as much profit as the company used to get. That being said, things are changing.

In April, Cameco announced that it had signed a deal with India's Department of Atomic Energy to be a supplier of uranium to the country over the next five years for a total of 7.1 million pounds. This is a good first step for Cameco because India intends to increase its nuclear power by four times over the next 17 years.

In China, things are even better. Right now, nuclear power accounts for 2% of China's total electricity generation. With that 2%, it is one of the sixth-largest countries to generate electricity via nuclear energy. By 2030, China wants to have increased its nuclear generation to 30% of its total power.

By and far, China will be the single greatest nuclear power country in the world, followed closely by India. Both of these nations have significant relationships with Cameco, and the demand is only starting to heat up. Cameco believes that global demand for uranium will increase to 240 million pounds from the current 170 million pounds over the next 10 years. Indeed, it's the following decade that could see that demand increase even more.

### Should you buy?

I am very bullish on uranium. Solar energy, hydroelectric energy, and wind energy all have their place in electricity generation, and any good 21st century country should deploy these techniques. However, for bulk generation of electricity, nuclear energy seems, by and far, the most efficient.

Therefore, I believe investors should consider acquiring shares in Cameco. In the short term, it'll hurt because the company is suffering from low demand. However, over the coming years I expect the price of uranium to increase, and with it, the long-term viability of the company will increase, too. And along the way, investors can enjoy a small but consistent \$0.40 dividend.

### CATEGORY

1. Investing
2. Metals and Mining Stocks

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1. Editor's Choice

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