



Could Cameco Corporation Be a Top Stock in 2016?

Description

For investors who have held **Cameco Corporation** ([TSX:CCO](#))([NYSE:CCJ](#)), things have certainly not been that rewarding. Other than a small dividend, the stock has remained depressed, held down by the fact that there was more uranium than demand due to many countries being concerned about nuclear disasters.

Fortunately, I believe that 2016 will be the year that Cameco finally starts to turn around. Further, the potential is there for the company to become a top stock in 2016. There are a few reasons to support this decision.

The first has to do with its legal battles with the Canadian Revenue Agency (CRA). The CRA is arguing that Cameco tried to get around paying taxes in Canada by opening a Swiss-based office. Cameco Canada would then sell uranium for cheap to Cameco Europe, which would then sell uranium to the world. Since taxes are lower in Switzerland, this resulted in Cameco saving money.

Cameco finally has a court date for this, which will provide some transparency. While a complete resolution is still a couple of years off, a negative outcome is already factored in to the present-day price. If it looks like Cameco is going to win, investors will react positively.

The second reason Cameco will be a top stock in 2016 is because of India. For years, Canadian companies could not sell uranium to India. However, in September 2013 the two countries signed the Canada-India Nuclear Co-operation Agreement. Two years later, India and Cameco signed a deal whereby the Department of Atomic Energy of India would buy 7.1 million pounds of uranium concentrate through 2020.

This is a big move because it could result in a long-term supplier relationship. Right now India generates 6,000 megawatts of power from 21 nuclear reactors. It hopes to generate 45,000 megawatts by 2032. That will require it to buy increasing amounts of uranium. Since Cameco is already an approved supplier for the Department of Atomic Energy, it will be one of the first choices to supply this increase in wattage.

The third reason that Cameco could be a top stock is because nuclear energy is growing in favour.

Countries around the world are realizing that if they are actually going to reduce their fossil-fuel reliance, they will need to utilize other sources. China, for example, generates 2% of its electricity from nuclear energy. By 2030, it wants that to be 30%. Other countries are realizing that they need to act if they are going to reduce pollution.

Finally, production is up. Despite early problems the company was able to get its Cigar Lake project, which it owns 50.025% of, operational in 2015. Last year it generated over 10 million pounds of uranium concentrate, which Cameco gets half of.

All told, Cameco is in a good position. The legal problems are factored in to the price now, but the court case should provide some transparency. I believe that if things go badly, the price won't falter; but if things go well, the price will rise.

Further, demand is going to increase due to India, China, and many other countries as they realize they need to go nuclear. And finally, the company has its supply squared away. All told, 2016 might be an amazing year for Cameco. It could wind up being a top stock.

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

2025/09/30

Date Created

2016/01/22

Author

jaycodon

default watermark