



Buck the Trend: Buy Cameco Corporation

Description

Investors are displeased with **Cameco Corporation** ([TSX:CCO](#))([NYSE:CCJ](#)) because the company reported a loss of \$10 million in the fourth quarter. This brought the total year's earnings to \$65 million, which was a large slide from the \$185 million it earned the year prior.

With most stocks getting beaten up in the markets, investors are not likely to support a stock that is losing money. However, I believe that the investors who get rich are those that buck the trend. In other words, while others are selling their Cameco shares, I believe investors should be buying shares. As Warren Buffett says, "When there is greed, be fearful, and when there is fear, be greedy."

Cameco is one of the most efficient uranium miners on the market today. Because it is a low cost miner, it is able to produce tremendous amounts of uranium without costing too much money. As other miners have to close shop, Cameco can continue to operate, giving it the ability to wait out the depressed prices of uranium.

This is important because the market for uranium is going to change over the next few years. India and China are going to be the primary countries that push the price of uranium up significantly as both nations realize they need to produce energy without polluting their cities.

In September 2013 Canada and India signed the Canada-India Nuclear Co-operation Agreement, which legalized the sale of uranium from Canada to India. In 2015 the Department of Atomic Energy of India and Cameco signed a deal in which Cameco would sell 7.1 million pounds of uranium concentrate to the country through 2020.

While this deal alone is a coup for Cameco, it sets up the potential for further deals that could be even greater. Presently, the country generates 6,000 megawatts from 21 reactors. While that is significant, the country wants to grow that to 45,000 megawatts by 2032. Since Cameco is an approved supplier to the Department of Atomic Energy, it'll be relatively easy to set up an even greater deal.

China also has the potential to send prices of uranium skyrocketing. Right now, the country generates 2% of its electricity from nuclear power. The thing is, that still makes it one of the top countries for nuclear power generation. By 2030 it expects that it will be producing 30% of its electricity with nuclear

power. To achieve that, it'll need to buy incredible amounts of uranium.

Japan is turning on its reactors again, albeit slowly. Saudi Arabia has reactors in production. The truth is, while there is hesitation about nuclear due to the Fukushima disaster, countries realize that if they are going to get cleaner energy, they need to invest in nuclear power. That puts Cameco in a prime position to grow.

Therefore, buy Cameco Corporation with the understanding that you are going to hold it for at least the next three to five years. While things look bad now with blood in the water, remember that this is the prime time to be greedy. Buck the trend and buy Cameco.

CATEGORY

1. Investing
2. Metals and Mining Stocks

TICKERS GLOBAL

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2. TSX:CCO (Cameco Corporation)

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Date

2025/07/28

Date Created

2016/02/11

Author

jaycodon

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