



## Cameco Corporation: Is a Recovery on the Horizon?

### Description

**Cameco Corporation** ([TSX:CCO](#))([NYSE:CCJ](#)) is trading near its lowest point in more than a decade, and investors are wondering when the situation will finally improve.

Let's take a look at Canada's top uranium miner to see if it deserves to be in your portfolio.

### Fallout from Fukushima

Uranium traded for US\$70 per pound in early 2011. That was before the tsunami hit Japan and caused the planet's worst nuclear disaster since Chernobyl.

In the wake of the accident, Japan shut down its entire fleet of nuclear reactors, and that decision sparked a five-year slump in the global uranium market. Today uranium trades for about US\$28 per pound in the spot market, and there is little indication things will improve in the near term.

### Effects on producers

Cameco and its peers continue to adjust to the difficult situation. New uranium developments have been delayed or cancelled and companies are reducing output.

Cameco is a low-cost producer, but the current price recently forced the company to close its longest-running mine, Rabbit Lake. The facility is the world's second-largest uranium mill and has been in operation since 1975. Cameco will also reduce output at its McArthur River facility, the world's largest mine, but it will continue to ramp up production at its Cigar Lake mine, which is a lower-cost site.

### Supply situation

Primary output is actually not enough to meet current demand, but secondary supplies are filling the gap, and that is why uranium prices remain under pressure. Stockpiles are slowly being reduced, and the time will come when the market could shift to a shortage position.

This is why contrarian investors are interested in Cameco.

A new uranium mine takes up to 10 years to go from the planning stage to production, so producers won't be able to increase output very quickly when demand starts to pick up.

### **Demand dynamics**

Japan has only restarted two of its nuclear reactors, but the country has more than 40 facilities that could eventually go back online.

At the same time, the rest of the world is moving ahead with new projects. In fact, more than 60 new reactors are currently under construction, and Cameco estimates annual uranium demand will rise from today's level of 160 million pounds to 220 million pounds over the next 10 years.

### **Should you buy?**

A near-term catalyst is probably not in the cards, so there isn't a rush to pick up the stock, but contrarian investors should keep a close eye on the market. At some point, the cycle will turn, and Cameco is poised to surge when that happens.

### **CATEGORY**

1. Investing
2. Metals and Mining Stocks

### **TICKERS GLOBAL**

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

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