



## Is Cameco Corporation Finding a Bottom?

### Description

**Cameco Corporation** ([TSX:CCO](#))([NYSE:CCJ](#)) is hitting new 12-month lows, and investors want to know if more pain is on the way.

Let's take a look at Canada's largest uranium miner to see if there could be some light at the end of the tunnel.

### Lingering uranium slump

The Fukushima nuclear disaster in 2011 triggered a sell-off in the uranium market that continues to hammer global producers.

Before the tsunami hit Japan, uranium traded for US\$70 per pound. Today spot prices are hovering below US\$30 per pound and showing little signs of preparing for a rally.

Japan has only restarted two of the country's 43 operable reactors. Another facility could go back online by the end of July, but the overall progress is much slower than previously expected due to ongoing legal challenges and operational issues.

Miners have cut output to the point where global primary uranium production actually isn't high enough to meet current demand, but the gap is being filled by secondary stockpiles, and this is keeping a lid on prices.

### Future outlook

Japan is slowly restarting its fleet and the process is expected to continue. At the same time, other countries are ramping up their nuclear energy capacity. In fact, more than 60 new nuclear facilities are under construction.

As secondary sources get used up, the market will require additional production to meet growing demand. Mining companies have shelved plans to bring new output online, and it takes several years to move a facility through the development stage to production.

It's still early to tell how things will pan out, but a supply squeeze is a possibility at some point over the course of the next decade.

### **Cameco's situation**

Cameco has done a good job of controlling costs through the downturn.

The company recently closed its Rabbit Lake mine, which had been in operation since 1975. Cameco is also reducing output at its McArthur River facility and will increase production at the low-cost Cigar Lake site.

The company is sitting on some of the planet's richest reserves and has a cost structure that is lower than most of its competitors. Tough times are expected to continue, but the company is well positioned to benefit when the market finally recovers.

### **Should you buy?**

Uranium prices remain under pressure, and that situation isn't expected to change in the near term. Cameco is also fighting a nasty battle with the CRA over taxes owed on revenue generated by a foreign subsidiary. Until that situation is cleared up the stock will remain under pressure.

Having said that, the long-term prospects look good and there should be limited downside risk at this point. If you have a contrarian investing style with a buy-and-hold strategy, it might be worthwhile to start nibbling on further weakness in the stock.

### **CATEGORY**

1. Investing

### **TICKERS GLOBAL**

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

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### **Date**

2025/09/30

### **Date Created**

2016/06/21

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