# Cameco Corporation: Should You Buy This Stock?

## Description

**Cameco Corporation** (TSX:CCO)(NYSE:CCJ) is down 70% in the past 10 years and is still falling.

That doesn't sound very appealing, but contrarian investors are always searching for the unloved stock that is about to turn into a rising star.



Let's take a look at Canada's top uranium producer to see if brighter days are on the way.

### Tough times

Cameco has been on the slide for the better part of a decade, but the real pain kicked in when the tsunami hit Japan five years ago.

What happened?

The tidal wave hit the country's Fukushima nuclear plant and caused the worst nuclear accident the planet has seen since Chernobyl.

In the wake of the disaster, Japan shut down its entire nuclear fleet and countries around the world began to reassess their need for nuclear energy. This led to a steep drop in the price of uranium as well as the shares of producers.

The initial plunge was substantial, but the sector has continued to trend lower ever since.

How bad has it been?

Uranium traded for more than US$70 per pound and Cameco's stock was worth $40 per share before the disaster. Today, uranium is close to US$26 per pound and investors can pick up a share of Cameco for about $12.50.

### Recovery hopes

Japan has begun the process of putting its nuclear reactors back into service, but the pace of the restarts has been slow. Public opposition, legal hold-ups, and operational challenges are all having an impact, and the country only has two of its 43 operable facilities back online.

Another could be up and running this week, but that isn't likely to make much of a difference in the market.

Cameco says the Brexit vote and a decision by the U.S. to retire some reactors early have put additional pressure on prices in recent months.

**Good news?**

Countries with huge energy demand, such as India and China, are moving ahead with new plants. In fact, more than 60 new facilities are currently under construction around the world.

Additional sites are expected and annual uranium demand should rise by 50% through 2030.

At the moment, the market is oversupplied with ample secondary sources filling demand gaps. Eventually, the secondary stockpiles will get used up and that could trigger a shortage, as primary supply is not expected to increase enough to meet future demand.

**Should you buy?**



The long-term outlook for the uranium market is actually quite positive, and Cameco is positioned well to benefit when a recovery occurs. The company is a low-cost producer and controls some of the richest deposits on the planet.

For the moment though, there is little evidence a turnaround is imminent, so contrarian investors might want to stay on the sidelines and wait for a better entry point.

**CATEGORY**

1. Investing
2. Metals and Mining Stocks

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