# Why I Remain Bullish on Uranium and Cameco Corporation

## Description

Every time I look at **Cameco Corporation** (TSX:CCO)(NYSE:CCJ), I can't help but feel like the bottom has been found and that the company will begin to turn around. And then another month or two goes by, I look at the company again, and it's even lower.



Despite all of this, I remain bullish on the company for a multitude of reasons. But, unfortunately, to be bullish on Cameco is to be bullish on uranium, which has experienced tremendous lows ever since the Fukushima disaster back in March 2011. For reference, the spot price of uranium that month was a little over US$60. Fast forward to September and the spot price is only US$23. Naturally, if the price of the resource is down, Cameco has to be down as well.

But there are far too many market conditions that point to the price of uranium going far higher, and that leads me to believe that this will be an incredible investment. The question is, should you invest now or put your money in other places while you wait?

Here's what the future looks like…

There are currently 61 nuclear reactors in construction. There are another 170 reactors that have started the planning process or are nearing construction. As these reactors come online, management will have to buy multiple years' worth of uranium to ensure that operations run smoothly. That is going to have a serious impact on demand.

China and India (which recently signed deals with Cameco) will determine whether uranium skyrockets or not. India currently generates 6,000 megawatts of electricity from nuclear power, but it wants to increase that to 45,000 by 2035. And China is even better. It currently generates about 2% of its power from nuclear, yet it's one of the six-largest nuclear countries in the world. By 2030, it wants to generate 30% of power from nuclear.

So as the demand continues to improve, we should expect the price of uranium to follow.

But supply still needs to be managed better. First, the secondary market is still rather robust. So when a nuclear reactor needs uranium, rather than signing a long-term deal with a producer, it just buys from a stockpile. But as these stockpiles dwindle, the reactors will have no choice but to buy from the producers in long-term deals.

The other supply concern is that there are a lot of producers. Fortunately, because it has remained so unprofitable to mine uranium (save, of course, for Cameco, which is a low cost miner), many of these suppliers will just slow down. And when demand becomes even greater, these suppliers won’t be in a position to help. It can take years to get a new uranium mine up and running, so if demand moves quicker than new supply, we might see a supply squeeze, thus sending the price of uranium far higher.

All in all, I am very bullish on both uranium and Cameco. The only problem is we don’t know when the bad news will turn good. Therefore, it might be better to put your money into other companies and let it grow before buying Cameco. But if you don’t want to time the market, these prices are really quite low.

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1. Editor's Choice



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