



2017 Will Be a Rebound Year for Uranium Stocks in Canada

Description

Large uranium producers in Canada have something to cheer about. The major state-owned uranium production company in Kazakhstan, Kazatomprom, has committed to reduce production levels in 2017 to approximately 90% of its 2016 production.

The power of this one uranium producer was felt by the market; uranium prices surged 10% following the announcement. This news couldn't come at a better time for Canadian uranium companies; market capitalizations are surging amid speculation the ride will continue further into 2017.

Companies such as **Nexgen Energy Ltd.** ([TSX:NXE](#)) have been on a fantastic ride thus far. Its market capitalization is up to \$1.2 billion. The company has gone from a small uranium-exploration company in the Athabasca region of Alberta with a market capitalization of \$150 million in mid-2015 to a major player in Canadian uranium exploration.

Nexgen currently holds a number of properties, including Rook 1 and Arrow, which have reported very high grades of uranium. The company has continued drilling these properties to further understand the scale of deposits, and how the deposits are distributed across the properties. Where Nexgen decides to go from here (whether it becomes a production company or spins off the rights to a large producer) remains to be seen. What is clear is that if the price of uranium continues to climb, Nexgen stands to reap a significant pay day.

In [this article](#), I laid out many of the key contributing factors that have led to Nexgen's continued appreciation, besides the current uranium commodity-price environment. The company's stock price has increased nearly 60% since that article was released, partially due to the increase in uranium prices.

That said, the uranium market has not been friendly over the past 10 years; prices for the commodity have fallen from about \$140 per pound to a low last year about \$20 per pound. At these levels, only the largest and most cost-efficient producers have survived, and a period of consolidation and exit have plagued the industry. What we're left with today are a few large players in a market that may be very favourable for Canadian producers after the recent announcement.

Whether or not new entrants decide to join in on the fun if uranium prices continue to rise remains to be seen, but as of right now, uranium companies such as Nexgen appear to have carved out a nice little niche that may turn out to be quite profitable in the coming years. For the long-term investor expecting prices for uranium to continue to rise in the long term due to the increase in demand for clean energy, Canadian uranium plays are not a bad idea.

Stay Foolish, my friends.

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TICKERS GLOBAL

1. TSX:NXE (NexGen Energy Ltd.)

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