



## Cameco Corp.: Should You Buy Today?

### Description

**Cameco Corp.** ([TSX:CCO](#))([NYSE:CCJ](#)) continues to struggle with low uranium prices, but some pundits see brighter days ahead.

Let's take a look at the current situation to determine if Cameco deserves to be in your portfolio.

### Long road down

A quick look at Cameco's stock chart makes long-term investors sick to their stomachs.

The shares traded for \$55 10 years ago, and aside from an occasional mini-rally, the stock has fallen ever since.

Today, investors can pick Cameco up for about \$12.50, which isn't far off the low of \$10 we saw last fall.

Why are things so bad?

The Great Recession was the first hit to the uranium sector, but the real pain came in the wake of the Fukushima nuclear disaster.

After the tsunami, Japan shut down its entire fleet of nuclear reactors, sending uranium prices and the stocks of producers into a tailspin.

Uranium traded for US\$70 per pound before the accident. Today, spot prices are trending close to US\$21.50 per pound, and long-term contracts are US\$30-35 per pound.

Japan is working hard to get its reactors back online, but operational difficulties and legal challenges are resulting in a much slower restart program than expected.

Fewer than five of the country's 43 operable reactors are back in service.

## Better days ahead?

Contrarian investors are looking at future demand and thinking this might be a good time to buy Cameco.

More than 50 new reactors are under construction around the globe, and many more are planned over the next decade.

As a result, uranium demand is expected to increase about 50% by 2030.

The rout has forced producers to delay or cancel new developments, so there is a possibility the market could see a supply shortage in the coming years.

At this point, however, secondary supplies are offsetting production cuts and keeping prices low.

## Other risks

Cameco is caught up in a nasty battle with the Canada Revenue Agency (CRA) over taxes owed on earnings generated through a foreign subsidiary. If Cameco loses the case it could be on the hook for more than \$2 billion in penalties and additional taxes.

The case is currently before the court, but a decision on the first few tax years under question isn't expected for some time.

## Should you buy?

Cameco is a low-cost producer with some of the highest-grade resources on the planet. When the tide finally turns, this stock should do very well.

At the moment, however, there is little reason to run out and buy the shares.

Investors should keep Cameco on their radars, but I would at least wait for some clarity on the CRA case before adding Cameco to your portfolio.

## CATEGORY

1. Investing
2. Metals and Mining Stocks

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