



Could Trump Be Good for Cameco Corp.?

Description

It's not every day you write the words *Trump* and *good* in the same sentence, but last week, President Trump announced the country's dedication to nuclear energy. "We will begin to revive and expand our nuclear energy sector ... A complete review of U.S. nuclear energy policy will help us find new ways to revitalize this crucial energy resource."

For suppliers like **Cameco Corp.** ([TSX:CCO](#))([NYSE:CCJ](#)), this should be music to their ears. The United States has been slowly moving away from nuclear power; 20% of its power comes from nuclear power today, but a drop is expected to 11% by 2050. Therefore, any such reversal could have a material impact on the company.

The first big move will be for the United States and India to focus on getting six Westinghouse Electric AP1000 nuclear reactors built in Andhra Pradesh, India. When those are completed, they're going to need significant quantities of uranium.

And that's where Cameco comes in. In April 2015, Cameco and the Department of Atomic Energy of India signed an agreement to provide 7.1 million pounds of uranium under a contract through 2020. Although we don't yet know when those AP1000 nuclear reactors will come online, because Cameco is already an approved supplier for the Department of Atomic Energy, it's probable that Cameco will be the supplier for those reactors as well.

India is just the start. There are quite a few other countries that are investing heavily in nuclear power. Back in 2015, *Bloomberg* wrote that there was close to US\$800 billion in new reactors being developed. With so many of these reactors coming online, power companies will need suppliers, and Cameco is one of the cheapest suppliers on the market.

Then there's the fact that there is a supply shortage. According to Eight Capital mining analyst David Talbot, there is 20% of supply that is not covered for this year and next for the 437 nuclear reactors around the world. He has predicted that the price of uranium will double by 2018 because of these market dynamics.

And it makes sense...

Nuclear power is dealing with an image problem. First there was Chernobyl, a catastrophic nuclear accident. And then there was Fukushima, which also caused serious damage to human life. And there have been others as well. People are afraid of nuclear power because of this.

However, once that fear goes away and investors begin to realize there is a lot of demand for uranium, I expect the price to appreciate quite significantly. And when that happens, the price of Cameco will follow.

Does that mean you should buy? There are two catalysts that will help you decide. The first is when the Canadian Revenue Agency lawsuit is complete. Although this is likely factored into the price, a \$2 billion tax bill is hanging over the company. The final decision is due in 2018 or 2019. The other catalyst is when those power companies realize they need to buy more uranium and the price starts rising.

However, with shares trading as low as they are, it's not a bad idea to begin a position now. You can always average up if the stock begins to take off. Cameco is one of those companies that requires a lot of antacid to keep the heartburn down, but when the stock finally starts to rise, it'll be a long increase.

CATEGORY

1. Energy Stocks
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