



Cameco Corp. Stock Price Dips Below \$12: Time to Buy?

Description

Cameco Corp. ([TSX:CCO](#))([NYSE:CCJ](#)) is down 20% in the past three month amid ongoing weakness in the uranium market.

Let's take a look at Canada's largest uranium producer to see if it deserves to be in your portfolio at the current price.

Long road down

Cameco's 10-year stock chart is a nightmare.

A decade ago, the company traded for more than \$50 per share. That was just before the financial crisis got underway and hammered the commodity sector, including the uranium miners.

Things started to improve through the second half of 2010, and Cameco climbed back above \$40, but the nuclear disaster in Japan in early 2011 brought the rally to an abrupt end, and the industry has struggled ever since.

What happened?

The Fukushima accident forced Japan to shut down its entire fleet of nuclear reactors, sending uranium prices into a tailspin. Before the tsunami hit the Japanese coast, uranium spot prices were close to US\$70 per pound. Today, uranium is hovering around the US\$20 mark.

Japan is trying to get its reactors back in service, but operational problems and legal challenges are slowing the process down. As of June 22, just four of the country's 42 operable reactors had begun commercial operations again.

Long-term opportunity?

Fans of Cameco point to the long-term demand outlook and a possible supply shortage in the coming years.

What's the scoop?

Global electricity demand continues to increase, especially in countries such as India and China. To meet the power needs, at least 50 nuclear reactors are currently under construction around the world, and more are planned in the coming decade.

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

On the other side of the equation, producers have delayed or shelved expansion plans due to the long downturn in the market. Getting a new uranium mine up and running can take up to a decade, so there is a chance the market could see a supply squeeze at some point.

For the moment, secondary supplies are offsetting production cuts.

CRA issue

Cameco is caught in a 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 taxes and penalties.

Should you buy?

The stock continues to slide after a brief Trump-induced pop after the U.S. election late last year.

Uranium prices are not expected to improve much in the near term, and a decision on the CRA case isn't due before 2018 at the earliest on the first round of the reassessments.

At this point, there is little incentive to run out and buy the stock. I would at least wait for a decision on the CRA case before adding Cameco to your portfolio.

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1. Investing
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