



Is 2018 the Year Cameco Corp. Will Recover?

Description

Cameco Corp. ([TSX:CCO](#))([NYSE:CCJ](#)) is stuck in a multi-year slump, and [contrarian](#) investors are wondering if the stock is on the verge of a big rebound.

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

Fukushima fallout

In early 2011, uranium spot prices traded for US\$70 per pound, and investors paid \$40 per share for Cameco's stock. Then the tsunami hit Japan, and everything changed. The Fukushima nuclear disaster forced Japan to shut down its entire fleet of nuclear reactors, and the globe as a whole took a step back to evaluate its use of nuclear energy.

Uranium went into a tailspin, eventually bottoming out below US\$20 per pound, and aside from couple of head fakes, the market has not managed to stage much of a recovery.

At the time of writing, uranium spot prices are about US\$24 per pound.

And what about Cameco?

The stock bottomed out below \$10 per share and currently trades for less than \$12.

Ongoing challenges

Japan is working hard to get its reactors back online, but the process continues to drag, as legal battles and operational challenges hinder the country's efforts.

A November 30th report said only five of the country's 48 reactors have returned to commercial operations. According to the Japan Atomic Industrial Forum, an additional 12 reactors have received approval for restart.

Cameco remains cautious about the outlook for the market. In November, the company slashed its dividend and announced the shutdown of operations at the McArthur River mine and Key Lake milling

operations.

CEO Tim Gitzel said the market remains oversupplied, and Cameco sees no improvement on the horizon in the near term.

In addition, Cameco is caught up in a nasty fight with the Canada Revenue Agency (CRA) over taxes owed on earnings generated through a foreign subsidiary. A decision on the first round of the case could come in 2018.

Should you buy?

Bulls say the long-term outlook for the uranium industry should be attractive. Japan hopes to get most of its nuclear fleet back in service, and more than 50 new reactors are under construction around the world.

In addition, uranium mining companies have scrapped investment in new production facilities, so there could be a supply squeeze at some point down the road.

For the moment, however, there is little reason to hit the buy button. Contrarian investors should at least wait for a decision on the CRA case before starting a new position in the stock.

Other [opportunities](#) likely offer a better shot at gains in 2018.

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