



2 Stocks to Gain Exposure to the Uranium Market

Description

There are differing opinions on whether uranium is ever going to see a revival. Some would argue that with wind and solar power becoming cheaper, the need for large-scale nuclear reactors is going to go away. And with disasters like Fukushima, perhaps that's the right choice.

But there are others who believe that to reach true energy scale, solar and wind have not yet proven themselves. And that's going to necessitate other forms of energy, with nuclear thrown in there.

I believe [nuclear energy has a future](#). But that future is going to be in India and China, which makes sense because their populations are far larger.

India is looking to have 14.6 GW of nuclear capacity online in 2024 that will grow to 63 GW by 2032. And by 2050, India wants a quarter of its energy to come from nuclear power. In China, the company expects to have 58 GW of capacity by 2020 and 150 GW by 2030.

With all that said, there are two companies worth investing in if you believe nuclear is going to have a bigger part of the energy economy in the coming years: **Cameco Corp.** ([TSX:CCO](#))([NYSE:CCJ](#)) and **Uranium Participation Corp.** (TSX:U).

Cameco

Cameco is a traditional uranium mining company that has been [dealing](#) with the uranium price glut for years now. When uranium was over US\$70 per pound, Cameco was trading at \$40. But with uranium trading around US\$21 per pound, it's obvious that shares can only be so high.

Above I'd mentioned that India is an important player in the growth of uranium. In April 2015, Cameco and the Department of Atomic Energy of India agreed to a 7.1 million pound deal through 2020. This effectively makes Cameco a preferred supplier. If India really does grow its nuclear energy capabilities, I expect Cameco to benefit.

Cameco is that it's dealing with tax issues, which have held the stock back. The Canada Revenue Agency (CRA) is suing Cameco for \$20 billion in unpaid taxes. Cameco says the case without merit.

The court is expected to make its decision this year or next, so if it comes out in favour of Cameco, that'll be a big catalyst for the company. However, if the court agrees with the CRA, Cameco will have to fork over a lot of money, which could crater shares.

Uranium Participation

The second company is one that we don't cover a lot, but it offers a unique opportunity to invest in uranium specifically as opposed to a miner. Essentially, UPC buys and stores uranium. Every month, it issues a report that shows how much uranium it actually has and therefore what the net asset value (NAV) is.

It hasn't reported February numbers yet, but at the end of January, it had a NAV of \$3.47 per share. With shares trading over \$4 on the open market, purchasing this stock now would be paying a premium.

I would wait until the next report is issued, learn what the NAV is, and then react from there.

Ultimately, you have to believe that uranium is going to return to far higher prices. Cameco is a mining company, so you're gaining exposure to that operating business. And UPC is the closest thing to betting on the spot price. Both are viable options.

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1. Energy Stocks
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Author

jaycodon

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