



Should You Invest in Uranium Miners?

Description

Cameco Corp. ([TSX:CCO](#))([NYSE:CCJ](#)) has long been viewed as a great long-term investment with plenty of potential, assuming that uranium prices finally recover from their multi-year lows.

That hope is beginning to gain support with investors and pundits alike, so let's take another look at whether Cameco is worthy of an investment.

What happened to uranium prices?

Uranium is primarily used as a fuel for nuclear power plants. The metal is traded on the market, where it currently fetches a price of US\$24 per pound. That current price is only a fraction of what uranium traded at prior to 2011, when an earthquake and subsequent tsunami damaged the Fukushima reactor in Japan. That event effectively put a halt to worldwide demand for uranium, resulting in the price drop that exists today.

In terms of just how far the price of uranium has fallen, the current spot price for uranium today is nearly a third of the price it fetched on the market prior to the Fukushima disaster.

As can be expected, when the price and demand for uranium fell, the impact on miners such as Cameco was severe. Over the past few years, Cameco has made the difficult decisions to cut production and slash staffing levels to rein in costs to survive the current environment.

Fortunately, there appears to finally be an end in sight to the current stagnant uranium market.

Here's why uranium markets are recovering

While it may be premature to call for a complete recovery of uranium markets, there are several factors that investors should take into consideration.

First, Cameco is one of the largest uranium miners on the planet, which has given the company an advantage over its smaller peers in attempting to traverse the current weakened uranium market. In other words, Cameco had multiple facilities that could be shuttered and could find savings in other

areas, such as slashing its dividend and cutting staffing costs that other smaller peers could not. Cameco has since closed both the McArthur River and Key Lake facilities.

Another contributing factor to the current pricing problem has to do with supply. When demand for uranium dropped, Cameco's production estimates were not altered, leading to the miner continuing to mine uranium that was dropping in value and that nobody, apart from existing clients of Cameco, wanted.

While there were small cuts to production, the single biggest attempt to end the supply glut came late last year, as both Cameco and KazAtomProm, which is the world's largest uranium miner, announced a [series of deep production cuts](#) to jolt the uranium market back. Those efforts were, at the time, predicted to take upwards of six months or longer to have an impact; we are starting to see the impact as secondary supplies start to fill gaps.

There's also a steadily increasing demand for uranium, as nuclear power begins to make a resurgence. This is coming in the form of both [renewable energy](#) facilities that are replacing fossil fuel-burning plants and an infrastructure boom taking place in parts of the world such as India and China that see nuclear power as a clean, inexpensive way to generate massive amounts of power. There are currently nearly 60 plants under construction around the world, with over 150 others in various stages of planning and approval.

Is Cameco a good buy?

Despite a recent surge in Cameco's share price, the stock is still flat over the long term. While an investment in Cameco is an intriguing investment, the company is not a suitable investment for those investors who cannot tolerate risk. A recovery in uranium prices is firmly underway, but there could be more turbulence in the stock from other events, such as the ongoing CRA issue before the company begins to post large gains.

CATEGORY

1. Investing
2. Metals and Mining Stocks

TICKERS GLOBAL

1. NYSE:CCJ (Cameco Corporation)
2. TSX:CCO (Cameco Corporation)

PARTNER-FEEDS

1. Msn
2. Newscred
3. Sharewise
4. Yahoo CA

Category

1. Investing
2. Metals and Mining Stocks

Date

2025/07/25

Date Created

2018/06/07

Author

dafxentiou

default watermark

default watermark