



Why I'm Not Buying Uranium Participation Corp. (TSX:U) Ahead of a Uranium Boom

Description

There's no doubt about it. Uranium prices are set to soar.

After almost a decade, news has been bubbling up all over the place the uranium is headed out of the bust and into the boom stage of this century.

We all know about the tragic Fukushima accident and its resulting shock across the uranium industry with prices crumbling across the board.

That all looks to change, however, with [new reactors being built](#) across the world and countries finally believing its time to start going nuclear again.

But while there are a number of companies I would consider buying, I won't be buying **Uranium Participation Corp.** (TSX:U). But I'm getting ahead of myself. Let's first look at what's going on with uranium as a whole to understand what's really going on.

When uranium prices fell after Fukushima, it wasn't the only part of the uranium industry that suffered. Long-term contracts were no longer renewed as regulatory uncertainty made investors put their money elsewhere. But recently, uranium prices have finally started to rise, but there are a few reasons for this.

First off, with 445 nuclear reactors currently operable in 30 countries, and 57 under construction in 15 countries, with another 126 planned, there is going to be a *lot* of uranium needed. So this alone sent the price of uranium higher.

However, the rise also comes from another source. Some nuclear utilities have been trying to take advantage of a lower price of uranium available in the market and have increased the transaction volume. But this isn't "new" uranium, its previously mined uranium, as production has been severely scaled back after Fukushima. In fact, spot market transactions broke a record this year, with 88 million pounds of uranium being purchased.

Now market participants want more, 400 million pounds more, and soon. As in, the next five years

soon, entering into long-term contracts to get it.

So all this sounds like great news, right? Buy uranium now? Not so fast.

A few things act as a slight hiccup. First off, a Section 232 trade petition in the United States recently brought up uncertainty to the market. The petition from uranium producers **Energy Fuels Inc.** and **UR Energy Inc.** requested that uranium imports into the United States are detrimental to national security and proposed a 25% domestic purchase quota as a remedy. This has directly affected trade, especially those in the U.S. who are now retreating from the market until the petition is better understood.

So before uranium even gets off the ground, there's this petition now to contend with. These shortfalls should affect the price negotiations in 2019.

How does this affect Uranium Participation Corp.? Fool Ryan Vanzo said the situation is simple: if uranium prices go up, so does this stock. But it isn't *quite* that simple.

While other companies find their footing, start-up mines, and figure out what's going to happen with this petition, UPC will be left waiting. And waiting. And waiting. It won't be for a few years when uranium is strong and stable that this company will see some growth.

In the meantime, there's not a lot for investors to be excited about. Its most recent quarter reported a few net losses, both from the spot price of uranium and the decrease of the Canadian dollar.

There aren't going to be many opportunities for a while for this company, not until big companies [like Cameco Corp.](#) prove to investors there is money to be made.

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