



Escaping From Oil Investment? Try These Uranium Stocks Instead

Description

While the public image of nuclear energy is still marred by incidents such as the one at Fukushima, the fact remains that nuclear power currently produces around 10% of the world's electricity. As a tool for reducing the impacts of climate change, mixing nuclear with other alternative energy sources could make the production of non-carbon electricity 62% cheaper than if the nuclear option was left off the table.

Growing positive sentiment suggests that nuclear energy as a potentially critical, low-cost energy source could gain momentum in the coming years, backed by new international initiatives to boost development of nuclear reactor technologies. Add to this scenario reduced uranium production and declining inventories, and investors in the following two stocks could also find themselves looking at a lucrative bottleneck in supplies.

Cameco ([TSX:CCO](#))([NYSE:CCJ](#))

The uranium producer's share price shot up at the end of last September in the first of several dramatic peaks before plunging at the end of April. Most recently, [Cameco](#) jumped to \$14.25 last Thursday – altogether an interesting day for North American markets – before slumping to the \$13.5 zone; since then it has failed to break the \$14 mark.

However, this jump in the share price mirrored the **TSX**, meaning that, while Cameco's 36-month beta of 0.33 indicates low volatility, uranium stocks still move in line with the market, rather than counter to it; as such, uranium stocks could be seen as a less risky play than oil, while still profiting from gains in the energy sector.

A dividend yield of 0.59% would count this stock out as a pick for a passive income portfolio, though an acceptable debt level of 32% of net worth represents a healthy balance sheet, while an estimated 42% earnings growth is on the way over the next three years, with a positive current and subsequent quarter predicted.

Uranium Participation (TSX:U)

This stolid uranium stock has been climbing slowly since the middle of May, spending most of the last two weeks wavering around the \$4.34 mark. Similarly to the previous stock, a low 36-month beta of 0.47 goes some way to suggest that uranium may provide a moderate safe haven during periods of uncertainty.

This does depend on share prices of the radioactive metal, though they have been far less volatile than oil historically. Still, stocks like Cameco and [Uranium Participation](#) are likely to be fairly stable investments so long as nuclear power continues to be promoted by high-profile figures as a frontrunner in the clean energy space.

Strong estimated earnings growth over the next couple of quarters could be reason enough to get invested in Uranium Participation; indeed, an average analyst rating puts this stock as a moderate buy, verging on strong. Additionally, its superior balance sheet and proven track record may make it the better stock in the uranium space.

The bottom line

Both stocks listed here could be worth holding onto until uranium prices peak, which could be a ways off given how slowly changes can occur in energy legislation. As such, and given their low betas, they should be fairly low maintenance compared to other types of fuel stocks, such as oil producers, though still bringing the potential for significant upside.

CATEGORY

1. Dividend Stocks
2. Energy Stocks
3. Investing
4. Metals and Mining Stocks

TICKERS GLOBAL

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

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