



## Uranium Bulls Have a Solid Pick in Cameco (TSX:CCO) Stock Right Now

### Description

Investors looking for energy stocks outside the oil patch might want to take another look at **Cameco** ([TSX:CCO](#))([NYSE:CCJ](#)) today. One of the leading global uranium producers, Cameco commands a massive 467 million pounds of proven and probable reserves and resources spanning North America, Eurasia, and Australia, with tier-one operations in Canada and Kazakhstan licensed to produce over 53 million pounds annually.

### A powerful choice for pure-play uranium investment

A mixed Q1 back in early May showed an adjusted net loss of \$33 million. However, I don't see this as a reason to not get invested. In fact, I see a lot of growth ahead for Cameco, with [masses of upside potential](#).

Cameco's president and CEO Tim Gitzel, had this to say about the sector's outlook last month: "We see growing support for nuclear, and with more than 50 reactors under construction, demand is certain and predictable. However, supply is uncertain and declining. We have seen meaningful production cuts, and reductions in producer inventories, which has led to increased demand for uranium in the spot market from producers and financial players."

Gitzel went on to add, "customers ... recognizing the risk overreliance on finite sources of supply poses to security of supply longer term ... are increasingly looking for stable, commercial suppliers with long-lived assets and a proven operating track record."

Cameco insiders have every reason to be confident. Back in April, the Australian federal government gave the nod to Cameco's extensive Yeelirrie uranium project. In other news, Japan has started to go back on its vow to stop building domestic nuclear plants, following the Fukushima incident, adding to the [overall bullishness in the uranium space](#). While some mining pundits eye increased production as a price depressant, others are focused on this large counterweight of demand.

## A small prize and some big competition

A 0.59% dividend yield may not overly excite the passive-income investor, though Cameco could end up rewarding its shareholders with higher payments in the long term. For now, the majority of interest in this stock is for the upside potential.

This is likely to be boosted or torpedoed depending on a couple of potential game-changers. A positive development would see China adding new contracts later in the year, upping demand for uranium. On the flip side, any news of new supplies could puncture uranium prices.

An alternative investment in this space would be **Rio Tinto**. I like Cameco better as a pure-play uranium pick, though there is plenty to recommend about Rio Tinto to a metals investor mining the American markets for profit. Most importantly, perhaps, is its diversified nature across a range of commodities. It's also a healthy stock with a solid track record and pays a substantial yield of 4.88%.

## The bottom line

Cameco is uniquely placed to soar on rising uranium prices. While news of increased supplies may cause the price of uranium to grind lower, an increase in demand could outweigh this consideration. In short, Cameco is a solid choice for an investor looking for a crossover metals and energy stock with a lot of growth potential.

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