Is This Divisive Stock the Best Play on the TSX?

Description

Cameco (TSX:CCO)(NYSE:CCJ) got one over on its American cousins recently when uranium supply regulations there remained unchanged, despite some hope to the contrary in the sector.

Uranium stocks on the U.S. markets took a turn for the worse, while Cameco sat pretty on the **TSX**. Investor confidence aside, the benefits of buying Cameco range from high growth in an energy sector outside the finicky oil patch to a potentially growing dividend yield beyond the current 0.74%.

This entire industry could be explosive for shareholders

Whatever an investor's position on uranium, the fact is that if the clean energy alternative begins to find widespread favour – and it's already getting talked up as a potential industry game-changer – then stocks like Cameco could soar on higher prices in the silver stuff.

With a host of reactors slated to come online and a range of other uses for the alternative fuel source drawing renewed interest to the sector, investors could clean up.

Uranium stocks are in an unusual position which could end up protecting them from the worst effects of a recession. Because the generation of nuclear energy relies on pre-existing stockpiles, prices of uranium won't have much of an effect on mining companies' bottom lines.

With overheads largely accounted for already, uranium miners will be able to out-maneuver operators in the energy sector that rely on daily fluctuating commodity costs – and all of this against the high turbidity of a downturn.

Cameco is in a unique position to reward investors

The Saskatoon-based uranium miner is one of the world's largest to trade publicly, and while its dividend doesn't make it a strong buy for income investors, growth investors may want to add it to a long-range portfolio focused on capital gains.

Uranium prices are starting to pick up, and if embattled governments do indeed start to turn en masse to nuclear energy as a low cost alternative to fossil fuels, shareholders could win big.

After Fukushima, long-term contracts went the way of the dodo, and prices in uranium fell to match demand. It's little wonder that Cameco and its peers have been left out in the cold, given the public's distaste for disaster.

Pure-play stocks like **Uranium Participation** and Cameco could be about to soar, however, and a recession could actually make this area hot again, as the powers that be switch tracks and invest in nuclear infrastructure.

While it may not be an overly significant leap, it should be noted that Cameco is trading higher at the time of writing, up by almost a percentage point against a truly dismal backdrop of recession worries, trade war concerns, and a whole slew of dismal data from around the world.

It's still a great play for value in a hard and potentially defensive asset, given the probability of recession and the mounting pressure of the climate crisis, and is trading below its book price.

The bottom line

Investing in Cameco, or indeed in uranium in general, is basically the same as taking a gamble on change. Economic and environmental issues are likely to make nuclear energy look a lot more appealing in the coming months and years, and anybody sitting on uranium stocks is likely to have a sizeable nest egg to retire with, cash in, or reinvest in this potentially high-energy industry.

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vhetherington