



This Stock Is up 18%: Is it a Perfect Time to Sell?

Description

The COVID-19 pandemic has introduced market volatility like no other time in history. Some industries, like airlines, have been completely decimated. Many airlines are now flying with a 10% capacity, as passengers continue to avoid traveling. Restaurants and entertainment businesses also saw their revenue streams evaporate. Interestingly enough, there is one stock that is up over 18% year to date, despite the pandemic. Incredibly, that stock has endured a decade of anemic growth and losses, which makes this the perfect time to sell.

That stock is **Cameco** ([TSX:CCO](#))([NYSE:CCJ](#)).

What happened to Cameco?

Cameco is one of the largest uranium miners on the planet. The uranium that is extracted from its mines is sold to nuclear power operators around the globe, becoming fuel for reactors. The price of that uranium fluctuates on the open market, and long-term contracts set out Cameco's compensation. As a power source, nuclear power is clean and can provide a massive power output when compared to its fossil fuel-burning peers. The problem with nuclear power is that when there is an accident, the radiation could be lethal.

That's exactly what happened in 2011, when an earthquake and subsequent tsunami damaged the Fukushima reactor in Japan. The meltdown was the worst nuclear disaster since Chernobyl, resulting in nearly all demand for nuclear power evaporating overnight.

The price of uranium, which traded near US\$60 per pound prior to the Fukushima incident, dropped to the mid-US\$20s per pound. This left Cameco mining a product that was decreasing in value and that nobody wanted. As a result, Cameco slashed costs and its dividend, shuttered facilities, and fulfilled contracts from its massive supply glut and the open market.

The market never really went nuclear

Despite the inherent risks in using nuclear power, it remains a viable option to countries with large power gaps. Additionally, in recent years we've seen a growing demand for nuclear power, particularly in markets with ambitious infrastructure demands such as China, India, Russia, and the U.A.E. There are currently over 50 reactors under construction around the world. Beyond that, a further 100 reactors are planned, and another 300 are being proposed.

Now, you might be thinking that it sounds more like a [case to invest](#) in Cameco instead of selling. And, you're right. There very well could be a significant long-term potential to be found by investing in Cameco. Adding to this, the price of uranium has also shot up this year, breaking into the US\$30s per pound for the first time in four years. That hardly sounds like it would be a perfect time to sell, right?

So, why should you sell?

Long-term existing investors of Cameco have already weathered losses for years. So far in 2020, Cameco is up over 18%, while the market as a whole is down nearly 10%. Considering the past performance of Cameco and the long-term recovery plans the company has in place, this could be the perfect time to sell and [invest elsewhere](#).

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