Why Uranium Stocks Plummeted Over 10% Today

Description

Uranium stocks climbed higher and higher this past month, but the market correction put a stop to that. Across the board, uranium stocks started to fall — most by over 10%. So, let's take a look at what's happening to make uranium stocks drop and whether Motley Fool investors should see this as an opportunity or not.

What happened?

Uranium stocks tumbled at the recent market pullback on Monday. **Cameco** (TSX:CCO)(NYSE:CCJ), for example, fell by 5% in morning trading. But it wasn't alone. **Denison Mines** (TSX:DML)(NYSE:DNN) was also down by 9% Tuesday morning, and others were down anywhere between 10% and 15%.

The drop likely comes from the surge in buying over the past few months in uranium companies. The **TSX** today dropped by 347 points, as of writing. This was about 2% compared to where it was Friday evening. However, it's significantly lower than where it was in early September, by about 600 points as of writing.

This market correction, therefore, leads to many investors taking their returns and running. That would definitely include uranium stocks such as Cameco stock and others. Shares have surged over the past few months — it's much to do with WallStreetBets creating a buying frenzy on the TSX today and elsewhere.

So what?

Unfortunately, this is why the Motley Fool tends to recommend that investors don't get involved with companies involved with WallStreetBets schemes, because that's really all it is. These retail investors feed into companies, with plenty of money to spare. And unless you're a hedge fund manager watching it every minute, it's more likely that you're going to lose a lot of cash rather than make millions.

That seems to be the case with these uranium stocks. Some might be thinking it's a great time to buy in, with the hopes that your shares will rebound quickly. However, it's just that: hopes. While uranium stocks should do well in the next few years, right now, the market is far too volatile for investors to consider buying into these companies.

Now what?

The future looks good for uranium, but not at these prices. Cameco stock, for example, is trading above its one-year price estimate. This was already based on growth in the industry with nuclear reactors set to come back online during the Biden administration's run. Meanwhile, Denison mines has actually seen a year-over-year loss again and again, creating a risky situation for investors to get into at the best of times.

As for the other miners, they are incredibly small and therefore even more risky. Penny stocks like these are certainly not where long-term investor should look these days — especially during a market correction. That being said, there are plenty of cheap stocks investors should consider during today's pullback, but uranium stocks simply aren't one of them.

CATEGORY

1. Investing
2. Metals and Mining Stocks

TICKERS GLOBAL

1. NYSE:CCJ (Cameco Corporation)
2. NYSEMKT:DNN (Denison Mines Corp.)
3. TSX:CCO (Cameco Corporation)
4. TSX:DML (Denison Mines Corp.)

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Date
2025/06/29
Date Created
2021/09/20
Author
alegatewolfe