



Why Are Uranium Stocks Surging in 2021?

Description

Uranium stocks have been the big thing over the last few months. Many have doubled or more in a very short period of time. **Cameco** ([TSX:CCO](#))([NYSE:CCJ](#)), for example, is up 100% in the last year, and **Denison Mines** ([TSX:DML](#))(NYSE:DNN) is up an incredible 240% as of writing.

Yet this comes on the heels of a pretty substantial pullback, and it should have Motley Fool investors worried. But does that mean you should give up on uranium stocks all together? Let's dig in and take a look.

What happened?

Uranium stocks exploded this year due to two factors. First, there was the [announcement](#) from President Joe Biden back in January that billions would be put towards clean energy initiatives. This included using current clean energy assets, such as nuclear reactors. This sent uranium prices higher after a decade of almost no growth, as it was tied to the Fukushima disaster of 2011, which sent uranium prices tumbling.

But the recent explosion in uranium stocks also can be tied to WallStreetBets. If you're not familiar, this is a subreddit on social news media aggregate Reddit. Retail traders have been buying up companies in a "pump-and-dump" scheme, trying to raise shares higher before dumping the stock at top dollars.

In the case of uranium stocks, it's likely the scheme will be completely finished once uranium prices hit around US\$60 per pound, which has been identified as a turning point for uranium. What does this mean for investors?

So what?

On the one hand, there is a future for uranium stocks. Cameco stock and Denison stock are both solid companies that have an incredible future in the clean energy sector. In fact, around the world, countries are either firing up nuclear reactors or creating new ones. This includes major economic

centres such as China, India, and Russia.

But the problem today with uranium stocks is value. The fact that WallStreetBets has their hand in this sector puts these companies at high risk of being dumped. In fact, the recent market [pullback](#) has already shown how bad this could be. Cameco stock alone has fallen 12% since Sept. 15, and Denison stock has fallen by 15% since that same date. So, while growth has been great, it could all be lost quickly.

Now what?

As of writing, Cameco stock and Denison both remain overvalued. And, even worse, it remains unclear what the immediate future and indeed the distant future has in store for these stocks. While in the near term, it's quite likely nuclear reactors and uranium production will increase, there will eventually become a limit. This is what analysts fear will happen once that US\$60 per pound is reached. When that happens, uranium stocks are likely to eat through their storage and will need to mine for more. And this will lead investors likely towards other methods of clean energy solutions that don't depend on minerals.

So, while uranium stocks might have been a good investment and continue to surge in 2021, I'd hold off for now. There is a volatile situation that could make some rich, but, at these levels, investors are more likely to see losses. So, it's best to sit on the sidelines for now.

CATEGORY

1. Investing
2. Metals and Mining Stocks

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2. TSX:DML (Denison Mines Corp.)

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