



If You'd Invested \$1,000 in Cameco in 2020, This Is How Much You'd Have Today

Description

The equity markets have staged an amazing turnaround in the last 18 months. Several markets plunged into bear market territory last March due to the COVID-19 pandemic. But, soon after, pandemic-proof tech stocks wiped off these losses and gained solid momentum on the back of federal benefits and a low interest rate environment.

Mining stocks such as **Cameco** ([TSX:CCO](#)) ([NYSE:CCJ](#)) have also posted impressive gains in this period due to rising commodity prices. Shares of Cameco have gained 130% since the start of 2020. However, the ongoing market volatility has also meant the stock is currently trading 16% below its 52-week high. So, if you invested \$1,000 in Cameco stock at the start of 2020, it would now be worth over \$2,300 today.

Cameco stock has gained on the back of rising uranium prices

Cameco mines, refines, and fabricates uranium for sale, as fuel for generating electricity in nuclear power reactors. A couple of analysts raised price targets for Cameco in the last month, allowing the stock to surge to multi-year highs.

RBC Capital increased its price target on Cameco from \$17 per share to \$26 per share on the back of higher uranium spot prices as well as improving investor sentiment surrounding the uranium industry.

GLJ Research also increased Cameco's price target from \$27 to \$38, as the investment firm believes the introduction of the **Sprott Physical Uranium Trust Fund** to be a major catalyst for uranium miners. The ETF is an actively managed fund that invests in physical uranium. The fund began trading on the TSX this July and has recently increased uranium purchases from the spot market.

In fact, the fund bought two million pounds of uranium in the last 10 days of August and another 1.2 million pounds at the start of September. According to [data from Trading Economics](#), the price of one pound of uranium rose from \$32 on Aug. 16 to a multi-year high of \$47.27 per pound on September 17. It's now priced at \$44.45 per pound.

Further, the world's largest producer of uranium Kazatomprom disclosed it would keep production flat in the next two years and would instead purchase the commodity from the spot market to meet upcoming commitments, which may push prices higher.

What's next for Cameco investors?

One reason for the increase in uranium prices is the uptick in [investment activity in nuclear reactors](#). In the last decade, governments all around the world were cautious of investing in nuclear reactors due to the disaster that occurred in Japan back in 2011. However, as the shift towards clean energy solutions gains pace, it's likely that demand for uranium will drive prices upwards.

Alternatively, it's possible that higher commodity prices are already reflected in the stock price of Cameco. Investors should note that Cameco carries significant risk at its current valuation, especially if uranium prices stabilize or move lower. Wall Street expects the stock to touch \$30.5 in the next year, indicating upside potential of 10% from its current trading price.

CATEGORY

1. Investing
2. Metals and Mining Stocks

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2. TSX:CCO (Cameco Corporation)

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