



## Uranium Stocks: Ready for a Breakout?

### Description

Few sectors are trendier these days than uranium mining. The world is in the midst of an energy crisis, and nuclear energy seems like the perfect solution. On Tuesday, Germany reported a 46% increase in Producer Price Index inflation (inflation to businesses rather than consumers), and a lot of it was due to energy prices. In response to this crisis, the European Union has been loosening regulations. For example, last month, it passed a law that allowed energy companies to label nuclear plants as “green.”

All of this appears bullish for uranium miners. Uranium prices have been [steadily climbing](#) this year, driven by tight energy supplies and the renewed popularity of nuclear energy. If this continues, then investors could get wealthy. The question is, will it continue? And if so, what reasons do we have for thinking that it will?

## Why uranium is becoming more and more important

Uranium is becoming more and more important because other energy sources are in tight supply. Russia is withholding Europe’s supply of natural gas, which has led to energy price inflation. In the meantime, other countries are still dealing with supply chain issues, such as lockdowns in China that are disrupting shipping. Oil, as a commodity that has to be physically transported, is vulnerable to continued inflation as long as the global situation continues as it has been.

In the midst of all this, uranium is standing tall. It only takes a few tonnes of uranium to fuel an entire city, a supply that can be mined in a few days. On top of that, nuclear energy produces zero carbon dioxide emissions, so it’s [good for the environment](#). It certainly looks like nuclear is the fuel of the future, and some countries are embracing it. For example, Japan is ramping up its nuclear production, and Germany is even considering changing course on its nuclear power plant shutdowns.

## Why it might not be as great as some think

It’s definitely true that nuclear energy is going to be part of the grid of the future, but that doesn’t mean that uranium is a boon to investors. To the contrary, it may disappoint. The problem is that uranium’s

practical virtue is its business drawback: it takes so little of it to fuel a city that uranium will likely never be an enormous global market like oil is now. The amount needed to fuel an entire city can be mined in a few days. So, countries won't be buying more and more of it every year like they do with oil today.

## A uranium mining stock

Assuming the preceding paragraph doesn't deter you, **Cameco** ([TSX:CCO](#))([NYSE:CCJ](#)) stock is one you might want to take a look at. It's a Canadian uranium miner that supplies fuel for nuclear power plants. It is benefitting from this year's rise in uranium prices. For example, in its most recent quarter, it delivered \$557 million in revenue, up 55%, and \$84 million in earnings, up 328%. It was a solid showing, and as long as uranium prices keep going up, investors can expect more of the same.

Bear in mind the risks, though: uranium is a commodity that varies in price like any other. If the energy crisis gets solved, expect Cameco's earnings to dip.

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