



Why Cameco Stock Rose 22% in January 2023: Should You Buy Now?

Description

Shares of **Cameco** ([TSX:CCO](#)) rose about 22% in January alone, with the start of the year doing quite well for the uranium company. After a year of volatility from retail traders pushing the stock higher before selling it off, investors are now hoping that it's safe to purchase Cameco stock once more.

But there's a lot to consider here. While an investment over the next few years could be a strong one, a long-term one isn't as certain. So, let's look at why Cameco stock is climbing and whether investors should continue picking up the stock.

Why investors are buying Cameco stock

There are a few reasons investors are considering Cameco stock on the TSX today. There is, of course, the most obvious reason: it's the world's largest publicly traded uranium producer. The world needs uranium, and not just in the future but *right now*. About 20% of the United States already depends on nuclear power. So, it's a very real necessity that the world demands.

That demand is only climbing higher, with countries around the world creating more and more reactors. After the Fukushima disaster had deadly consequences. Shares in the company collapsed. But over a decade later, the need for [clean power](#) remains in high demand. So, Cameco stock will need to keep up with it in the next few years.

But how long can that last?

Uranium forever?

Here's the problem: uranium isn't an infinite resource. Eventually, humans will have to come up with a [renewable energy](#) process — not just a clean one. This is why the price of uranium continues to climb higher and higher. Cameco stock may be pumping it out at all cylinders, but it's eventually going to have to go into its reserves. Because it's a finite resource, there is a point when we simply won't be able to mine enough to power the needs of the world.

Because of this, nuclear power is more of a bridge power. It will help bridge the gap between oil and gas power of the past, and the renewable energy of the future. So, while Cameco stock might do well for now, and especially with more investment announcements into nuclear power, it won't do well forever.

Does that matter if you're investing for the next few years then? That's where we have to identify whether this is a valuable buy or not.

An expensive play

Cameco stock is expensive no matter how you look at it on the TSX today. Shares are up 22% in the last month and 54% in the last year. Yet in that time, it's bounced around like a yo-yo. In fact, its ticker looks like the world's deadliest roller coaster.

It currently trades at a whopping 128 times earnings as of writing, and the company doesn't have much in terms of a dividend. Why would it when it needs the cash to continue meeting demand? Yet there's one area that doesn't really care if it's expensive, and that's through the investment of financial institutions.

These are the backers pushing shares higher, with about 63% of Cameco stock owned by financial institutions. They're looking to create returns in the short term but could just as easily put it somewhere else in the future. So, investors should seriously watch out and perhaps stay away from Cameco stock for now — at least until it gets back to value territory.

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