How to Profit From Uranium Going Nuclear

Description

After the Fukushima disaster, uranium was hammered below $20 per pound. It has been a long and brutal bear market. However, the tide might finally be turning. It recently hit a new four-year high. And **Uranium Participation** (TSX:U) offers a relatively safe way to profit from this opportunity.

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What makes uranium unique?

As you probably know, uranium is used to fuel nuclear power plants.

Utility companies know well in advance how much they'll need. So, producers can lock down higher prices with long-term contracts.

Even with rock-bottom spot prices, these contracts help miners like **Cameco** stay afloat. Meanwhile, utility companies enjoy predictable costs.

Now, here's where it gets interesting: most of these contracts either have expired or will expire soon. Due to low prices and, more recently, coronavirus, many mines have suspended.

Is a supply shock inevitable?

According to Swiss Resource Capital, only 90% of demand can be met from producing mines. This was written in 2019, *before* coronavirus. And it doesn't count the upcoming demand from emerging markets.

China is the biggest electricity consumer. Yet nuclear power only generates 4% of its demand. China wants to increase this to 28%. Over the next 15 years, it is expected to build +80 new reactors. And that's just one country.

India is also rapidly expanding into nuclear energy.

"Either prices go up or the lights go out"

Of course, the lockdowns might end. Miners could soon resume digging.

But why would they with prices this low?

Cameco has been *buying* uranium in the spot market to fulfill its contracts. Why? Because it's cheaper. Cameco suspended its McArthur River mine long before coronavirus. Above-ground supplies are dwindling.

And these mines are highly concentrated. Just four countries supply roughly 75% of the market.

Considering all this, it's hard to imagine how prices could possibly fall.

As commodities expert Rick Rule said on *Bloomberg* in 2018, "If prices don't go up, the lights go out."

Why Uranium Participation?

I don't know about you, but I'm tired of worrying about the impacts of coronavirus.

I just want a straightforward investment that I can buy, hold, and not think about.

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Uranium Participation holds physical uranium. It adjusts supplies based on its share price and net asset value (NAV). For example, if shares are trading a premium to NAV, Uranium Participation might issue new shares, then use the funds to buy more uranium. It's dead simple.

This lets you invest in physical uranium without the risks of mining or exploration.

Operating expenses account for less than 1% of working capital.

And you can often catch shares at a discount to NAV. Last month, it reported a fair asset value of $696 million. This works out to $5.04 per share.

Theoretically, if you can buy shares for less, you're getting a good deal. And if uranium prices rise, you could be getting a *very* good deal.

As for me, I bought a bunch of shares in my TFSA. I don't know when I'll sell. Maybe not for 20 or 30 years. Prices should be significantly higher by then. If they're not, then I guess we'll all be in the dark.

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