
Independent Speculator
Special Report
by Konstantin Ogurchenkov
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Uranium:
This Bull Market Has a Long Way to Run

For years, uranium was the third rail of resource investing.

Nuclear power was left for dead after the Fukushima accident in 2011.

Spot uranium prices went on a nightmare slide that took them well below the cost of production. The industry went into liquidation.

Even after prices bottomed in 2016, it took almost five years for them to recover enough for anyone to notice. And then they corrected and consolidated for two more years, turning newfound interest into deep, bitter hate among those who touched the rail and realized losses.

That, of course, created terrific opportunities for disciplined speculators to swoop in, buy some great bargains among the best uranium stocks, and profit enormously when the big breakout happened in 2023.

With spot uranium more than doubling in that year and then—utterly unsurprisingly—correcting in early 2024, the key question now is…

Where does uranium go from here?

We see the recovery in the uranium sector as still in its infancy, though more advanced than just a year ago.

The sector is going through major changes in its fundamentals after over a decade of almost literal nuclear winter.

This report provides our research on this vital energy mineral's past and our outlook on its future.

To do so, we have to discuss some of the significant companies working in the industry, but **these should not be seen as recommendations.**

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Now, let's dig in...

Nuclear Winter

People who've followed the industry long enough know about the prolonged nuclear winter it's just come through. But if you are new to the story, it's crucial to understand why nuclear fuel prices collapsed and why we're seeing signs of long-term recovery.

Nuclear power is not new; it's been around since the late 1960s. The surge in oil prices in 1973 led to a big shift into new energy sources, including nuclear.

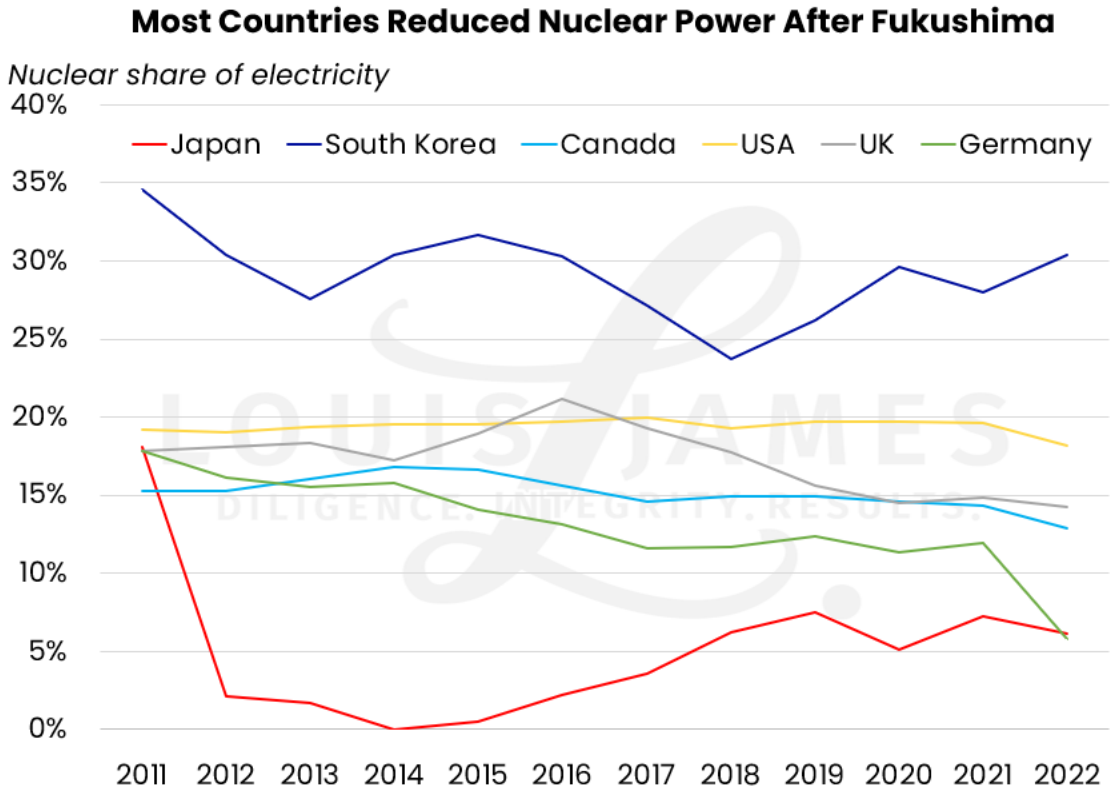
Uranium has proven to be a highly efficient source of clean energy (yes, despite fearful and ignorant claims, there really is almost no pollution from the boiled water and steam it generates). However, two major disasters prevented nuclear energy from becoming the leading power source it once seemed destined to be.

The first took place in 1986 in Chernobyl, when human mistakes and the stubbornness of the Soviet regime led to a catastrophic event.

The second event was caused by a tsunami in Japan in 2011, damaging the Fukushima Daiichi nuclear power plant. Japan completely shut down all nuclear power generation. Other countries paused expansion plans, watching for fallout—figurative and literal.

Many say there was another major nuclear incident: the accident at the Three Mile Island nuclear power plant in Pennsylvania. That certainly was a sensational event that changed the trajectory of nuclear energy in the US for decades. But no one died. Nor does it seem that anyone was even hurt (the radiation received by people in the area has been estimated to average about what a chest X-ray would deliver). In fact, the plant was so safe, its other reactor remained online for decades—until just a few months ago.

This chart shows the worldwide impact of the Fukushima disaster on the nuclear industry.



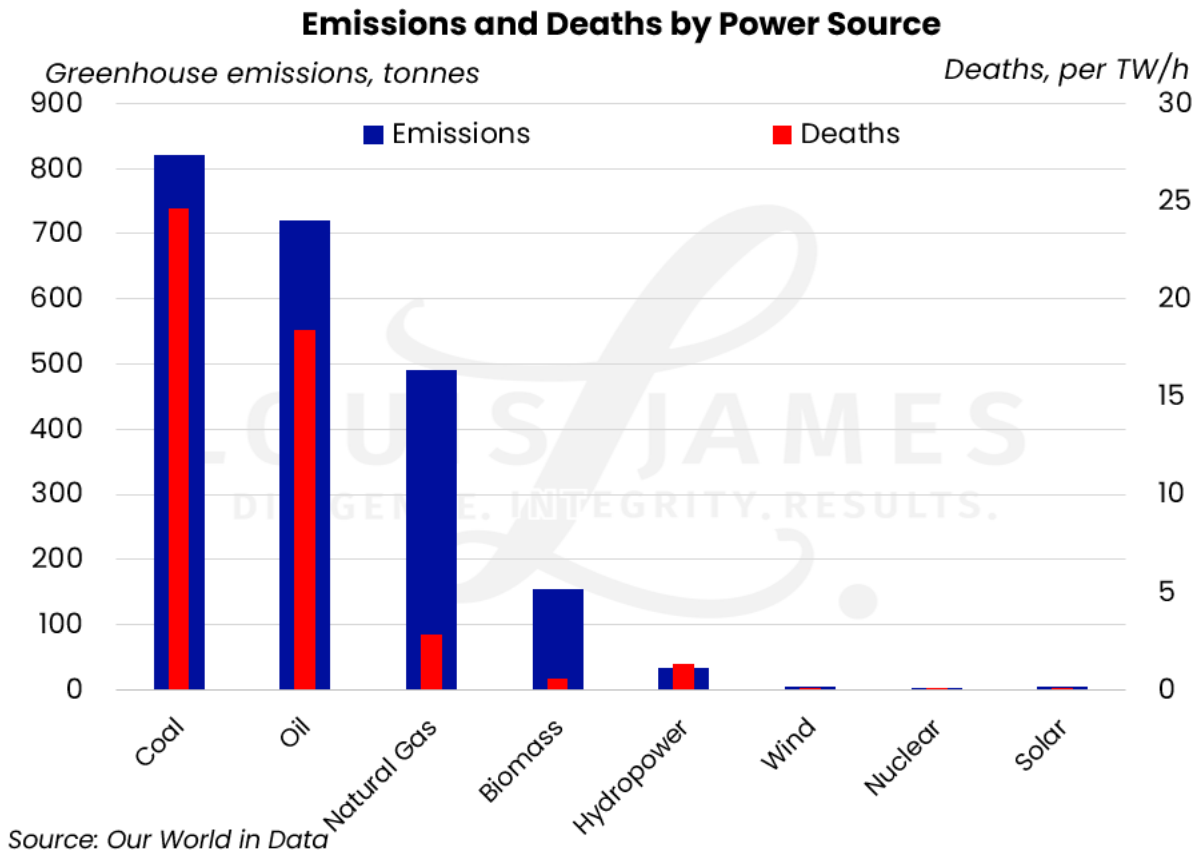
Source: World Nuclear Association

South Korea, Japan's closest neighbor, followed Japan but then quickly resumed nuclear power generation. Other countries kept their power mix largely unchanged, but the general trend had been for less nuclear energy—until recently. We don't have data on 2023 yet, but since Germany shut down its remaining reactors, they can't shut any more down. Meanwhile, other countries, including the US, are bringing new reactors online. Even Japan is restarting its reactor fleet.

Back to the nuclear winter. An important point is that none of these accidents was caused by an uncontrolled nuclear reaction (fission). The causes were in other, related systems. Fukushima in particular was a tragic event that had nothing to do with the nuclear process per se. This is why, despite media hype and widespread anti-nuclear panic, many other countries ignored Japan's pause and kept their nuclear power going.

In fact, even including deaths from Chernobyl, nuclear energy has a much lower death count than other major sources of power.

Not to mention lower emissions...



Regardless, after each of these incidents, demand for uranium weakened. A significant recovery finally started just over two decades ago, famously causing uranium prices to spike to $143 per pound in 2007. That was clearly a bout of "irrational exuberance" that corrected sharply. But a nuclear renaissance was underway. Prices rebounded sharply after the correction—until the Fukushima disaster sent it completely into reverse. Most uranium miners put their mines in mothballs and slashed production. Many went out of business.

The Fukushima event is particularly important to the uranium market in recent years because essentially all the aboveground uranium inventory in Japan became unwanted.

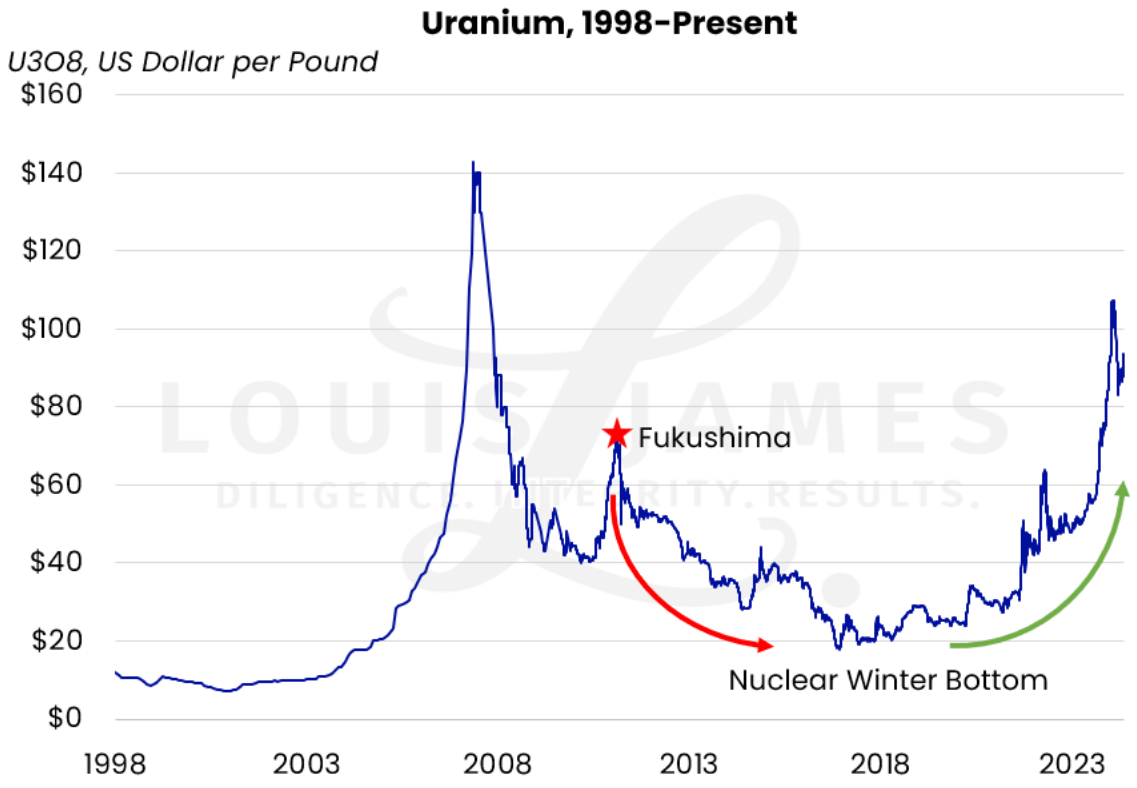
Japanese utilities started selling their stockpiles, creating a huge source of secondary supply.

Despite the reduction in primary supply, uranium prices collapsed to well below the global average cost of production.

The Bottom

After uranium prices hit bottom in 2016, it took time for secondary supply to dry up to where it could no longer make up for the lack of primary supply. It was a clear case of "the cure for low prices is low prices"—but it took more time than almost anyone who looked at the fundamentals thought possible.

The commodity that uranium miners produce is U_3O_8, also called "yellowcake." It has now rallied from a low of $18 to over $106 and is currently selling for $92 per pound.



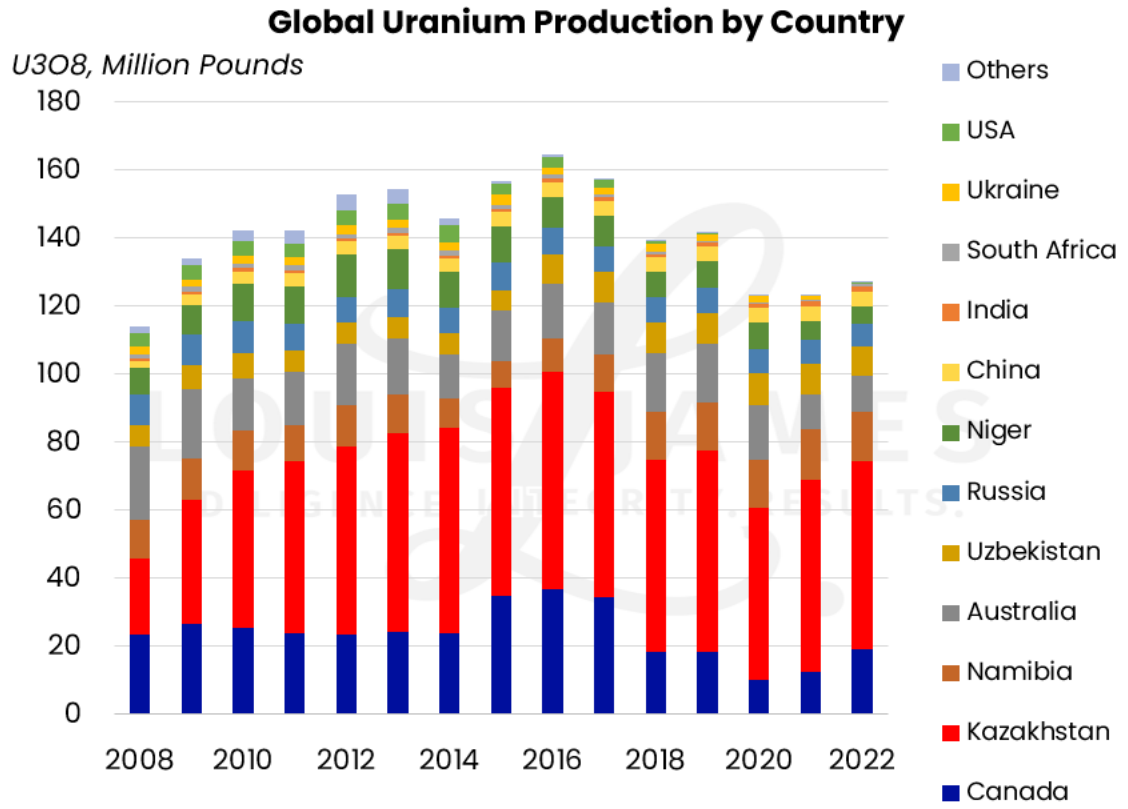
Source: TradingView, Federal Reserve Bank of St.Louis

Primary supply is starting to come back (more on that below), but it remains well below the industry's nameplate capacity—while demand is soaring. Meanwhile, uranium-sequestering funds like the Sprott Physical Uranium Trust (SPUT) have clearly hoovered up any remaining cheap secondary supply.

This combination means uranium has only one way to go: up.

Only über-low-cost Kazakh mines could profit on the thin margins of the nuclear winter. Western uranium producers shut down most of their mines. It was cheaper to keep them halted than to produce at a loss. The better ones could buy on the open market at low prices and then turn around to sell those pounds to their long-term contract buyers at higher prices.

The global nuclear market saw a decline of more than 41 million pounds of U_3O_8 per year from 2016 to 2020.



Sources: World Nuclear Association, Nuclear Energy Agency

This drop represents over a quarter of the total annual uranium production—a massive loss for the market. (As you can see in our chart, however, it's starting to recover.)

By comparison, when OPEC cuts its oil output a bit, it sends oil prices through the roof. In April 2022, the cartel cut its production by 3.66 million barrels a day, which is around 3.7% of the global demand. Oil prices immediately jumped $9, or 11.5%.

Uranium is a much smaller and more opaque market. But it's as volatile as oil and follows similar economic rules, although often with a delay due to long-term contract prices not being reported until well after the fact.

Despite falling prices, Kazatomprom continued ramping up U_3O_8 production to a peak in 2016, when prices fell to $18 per pound.

That's far below the cost of production for most miners—perhaps all but Kazatomprom. Other low-cost producers were targeting around $40 per pound of U_3O_8 to justify production. No surprise that many shut their mines down instead, which left a giant hole in uranium supply.

It was clear this couldn't last long. It was only a matter of time before utilities bought up secondary supplies and turned back to primary sources: uranium miners.

The problem with the secondary supply was that no one knew for sure how much was available after Fukushima. It wasn't listed on eBay. Also, it's important to distinguish between secondary supply that was being dumped on the market at any price (which seems gone now, post-SPUT) and secondary supply that will come to market at higher prices.

(There are other factors as well, such as uranium enrichers that can "underfeed" or "overfeed" their centrifuges in response to market conditions—and now, wartime sanctions distorting the market.)

The Nuclear Energy Agency (NEA) estimates that secondary uranium supply was around 27 million pounds per year in 2022. That's roughly 18% of the total global uranium supply. The NEA says this number will decline to 16–18 million pounds by 2040. On a market-share basis, secondary supply will likely become a smaller factor as more mines come online.

This is an integral part of the uranium market balance, and we'll see it again in our supply and demand models below.

The key point is that while secondary supply was and is significant, it's not infinite. In late 2021, uranium prices surged to over $40 per pound—and in 2023, they shot up to over $100 per

pound—clear evidence that the cheap pounds previously being dumped on the market have been cleaned up.

The 2021 rally was supported by physically-backed uranium funds buying excess yellowcake on the open market. These funds bet big on higher uranium prices. In an amusing twist of market fate, that act at a time when cheap secondary supply was dwindling helped bring on the very price gains they bet on.

1. Sprott acquired a company called Uranium Participation Corp. That entity held 18.2 million pounds of uranium, trading more or less at market value. There was no operating activity; it just held the inventory, like a physically-backed ETF. Sprott kept the business model intact but pursued a much more aggressive acquisition strategy, adding quite a few pounds to its holdings. As we write, the trust holds 64.9 million pounds of U_3O_8.

2. Yellow Cake is a UK-based fund that now holds 20.2 million pounds of U_3O_8. It has an agreement to buy another $100 million worth of U_3O_8 from Kazatomprom.

3. ANU Energy is a new physical uranium fund established by Kazatomprom. It raised an initial $74 million investment with a plan for an initial public offering with another half-billion dollars. If the fund raises the proposed amount and uses it to build up uranium inventory, it will take another large chunk of secondary supply off the market.

These funds alone hold over 85 million pounds of U_3O_8—and they keep expanding their holdings.

We think that taking excess supply off the market helped uranium prices recover faster, contributing to the spectacular rally in 2023.

But that recovery was going to happen anyway.

The Recovery

Uranium miners have seen the recovery underway and gaining strength. The lower-cost producers and developers are starting to bring their mines back online. Notably:

1. Cameco:
    - McArthur River and Key Lake are planned to ramp up to 18 million pounds of production this year.

2. Boss Energy:
    - Honeymoon is expected to produce up to 2.5 million pounds per year once it reaches nameplate capacity.

3. Paladin Energy:
    - Langer Heinrich is restarting and should produce up to 6.0 million pounds per year once fully ramped up.

4. enCore Energy:
    - Rosita, Alta Mesa, and Kingsville Dome can supply up to 3.6 million pounds per year. We're currently awaiting first production reports.

5. Peninsula Energy:
    - Lance is restarting this year, with 820,000 pounds per year capacity, and planned expansion of up to 1.8

million pounds.

6. Ur-Energy:
    - Lost Creek is on the relaunch pad, aiming to produce 550,000–650,000 pounds in 2024.

7. Kazatomprom:
    - The company actually produced slightly less in 2023 than 2022 and has yanked its guidance for higher production this year; but at some point, it will likely ramp production back up from its current ~20% of the permitted level to 100%. And then it will try to grow.

There's also Global Atomic's Dasa project, which is under construction, but not fully funded. With the coup d'état in Niger, it's questionable whether the company will be able to secure the cash it needs to finish construction. However, Global's problems have nothing to do with the uranium market—and it was well on its way before the coup.

These projects alone can bring over 32 million pounds of U_3O_8 to market per year. But it will take years for all of them to reach full capacity—and the odds are that some won't make it. (Also, don't forget that the world lost 41 million pounds since peak production in 2016.)

There are many developers with late-stage uranium projects in line. Some have large and high-grade projects in the Athabasca Basin (you know who—Fission and NexGen, for starters). But these will need even more time to bring new pounds to the market.

Then there are the exploration-stage companies. Someday, some of these will develop profitable mines. But frankly, it's

doubtful that many—if any—will make it in this cycle (before high prices start to cure high prices).

This is where the uranium market gets messy for many investors. You see, when prices are below cost of production, exploration budgets are slashed.

That's true for all mineral commodities across the board. But it seems to hit the uranium sector particularly hard.

According to data from S&P Global, exploration budgets for uranium cratered from $1.16 billion in 2008 to $0.2 billion in 2022. This will have a delayed impact on supply, but that'd be late-cycle—or maybe in the next cycle, after the current, abundant crop of low-hanging fruit is picked.

We can think of uranium exploration as a lagging indicator.

Halted mines can be brought back online on relatively short notice (about a year, give or take). Developers will catch up in the next few years. But discovering new deposits, permitting construction, and building new mines takes at least a decade.

This is why we believe the uranium sector will step up to the plate to meet rising demand from the nuclear energy industry (and weapons as well, whether we like it or not), but we don't expect a flood of new uranium supply to trash the market. Given current demand projections, it will take a long time to oversupply the market.

Demand

The main—and pretty much only—legal demand for uranium is power generation.

There's also a new nuclear arms race brewing between the US and Russia. The Chinese will do what they always do, with no transparency for the West. But while military demand can be substantial, it's not reported, and sourcing is off-market. There's no price discovery.

All we can say is that whatever pounds are diverted for military purposes are not available for contract delivery to power companies or on the spot market.

Whatever that offtake is, it can only push prices higher, not lower. How much higher? The CIA might have a guess, but we wouldn't trust even them to do more than get it in the ballpark.

As for power generation, a key point is uranium fuel is a clean energy source. We assume most readers agree with us on this, but for those who may have doubts, please see the works of:

- **Michael Shellenberger**.
- **Oliver Stone's movie Nuclear Now**.
- **Bill Gates' venture TerraPower**.
- **And even the cofounder of Greenpeace, Patrick Moore**.

We expect nuclear energy to gain increasing support from the global push for non-carbon-emitting energy.

The developed world has no other option. Wind and solar simply can't provide the same stable baseload power that nuclear can. Even hydropower is subject to curtailment in times of drought.

Germany proved this key point in the winter of 2022. The country decided to shut down most of its remaining nuclear power plants, despite Russia's war on Ukraine having disrupted Germany's (and Europe's) largest source of steady power. Germany ended up digging up more coal and even burning wood pellets to keep its people warm.

This was a clear case of politics over practicality. Germany may or may not have learned its lesson, but we think most of Europe has. We see a major effort to build new nuclear power capacity across the continent gaining support.

As for the rest of the world, the World Nuclear Association (WNA) estimates:

- 440 nuclear reactors are currently supplying 396.3 gigawatts (GW) of power.
- 60 more are under construction (67 GW).
- 92 reactors are planned (89.7 GW).
- 343 more are proposed (364.1 GW).

Some older reactors will be retired. New ones vary in capacity and need for nuclear fuel. Even so, the world is on a path to at least double its reactor fleet. Today, nuclear supplies 10% of global grid power. The International Atomic Energy Agency (IAEA) says it may be 14% by 2050. We think it's likely to be much more than that.

Nuclear power may not become the world's main energy source anytime soon, or at all, but we expect it to stay a vital part of the mix. Note that even if nuclear's share of power generation stays within the bounds of conservative growth estimates (10–14%), global power consumption is expected to increase nearly 50% in the same timeframe. This translates into a massive gain for all

energy sources, including nuclear. The International Energy Agency forecasts an increase in nuclear power generation from 393 GW in 2022 to 812 GW in 2050. (And again, we think it'll be much more than that.)

The NEA and IAEA estimate that nuclear reactors used the equivalent of 156.3 million pounds of U_3O_8 (after conversion and enrichment) in 2020. By 2040, they estimate that nuclear power may require up to 281.4 million pounds per year.

The WNA, however, estimates 162.4 million pounds consumed in 2021. It projects three cases for global demand by 2040:

- Low scenario: 205.4 million pounds per year.
- Base scenario: 291.9 million pounds per year.
- High scenario: 406.8 million pounds per year.

Note that most of this demand growth comes from China and India. These two giant countries are home to over 36% of the global population. They realize the importance of reliable baseload power at scale. Not even Fukushima caused them to do more than briefly pause to check their designs before moving ahead with their nuclear power buildout.

In other words, demand growth is extremely robust.

While no one knows for sure what the final numbers will be, it's good to have a range to compare to production.

And there's more. The nuclear industry has an SMR card up its sleeve. This can escalate the penetration of nuclear energy and hence greatly increase demand for uranium.

SMRs

Small modular reactors, or SMRs, are compact nuclear power plants. Compared to full-scale nuclear plants that generate over 700 MW, SMRs typically rate up to 300 MW. But since they're modular, they can be strung together to generate as much power as conventional larger plants. There is also a subset, called "microreactors," with a capacity of around 10 MW.

SMRs are absolutely revolutionary for the nuclear industry.

First, conventional, large nuclear power plants are very expensive and time-consuming to build. Permitting is a lengthy labyrinth that many would-be power companies never emerge from. Also, a full-scale nuclear power plant needs a proper power grid to handle the output.

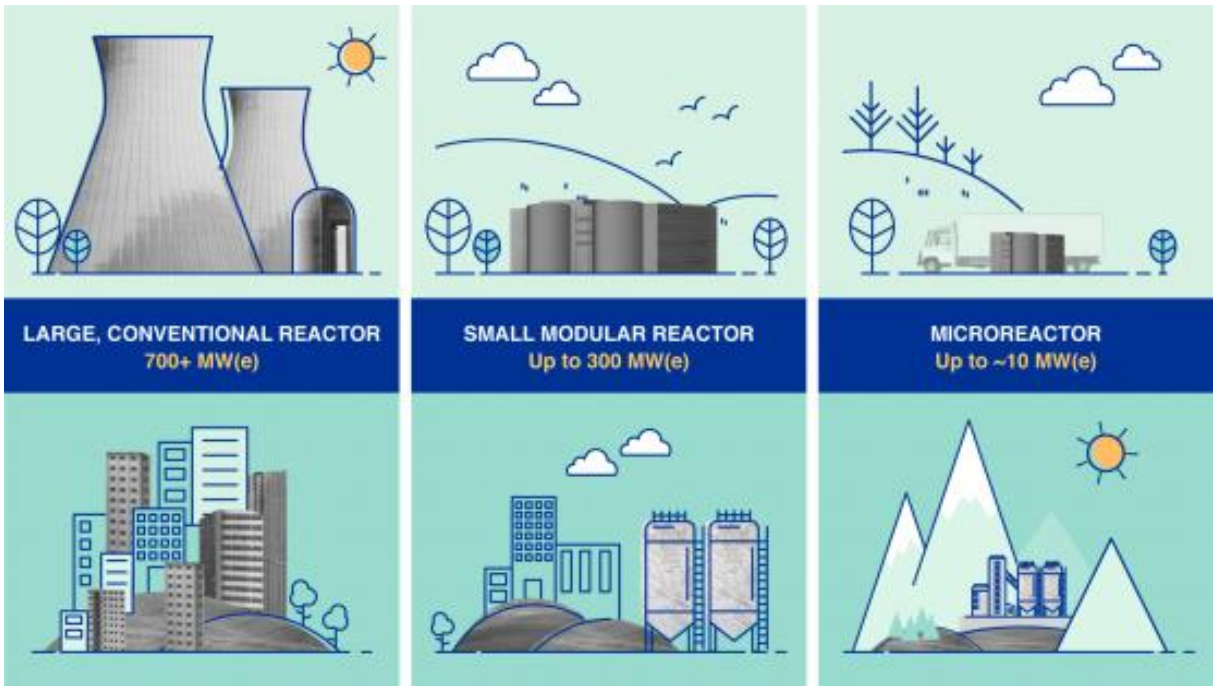
Being much more compact, SMRs cost a lot less. Being smaller, with newer, safer designs, it's looking like they will be easier to permit (depending on the country and local community, of course). And most of these small reactors can be easily connected to existing grids in rural areas.

All of these factors make for shorter development times.

Microreactors open up even more exciting potential. These are SMRs small enough to be transported by a semitruck. They can supply up to 10 MW of power in the middle of nowhere—field hospitals in disaster areas, mines, ships, space stations, and more—or serve as a backup power source in places where existing capacity is strained.

Russia has taken the lead on this idea, having already created floating SMRs with a 35-MW capacity. These are mobile nuclear

plants that supply heat and electricity in remote, northern parts of the country.



Source: IAEA

Another advantage of SMRs is their less-frequent need for refueling. Full-scale nuclear plants require new fuel every one to two years. A typical SMR can work from three to seven years without refueling. Some advanced designs claim to work for up to 30 years on a single charge. That seems a stretch, but it's good to have an idea of the blue-sky potential of the technology.

For now, SMRs are still new and not yet widely accepted. We believe penetration of small nuclear plants will improve once they have more of a track record to show investors and regulators.

Leading nations have already developed over 70 commercial SMR designs. Here's a list of operating and SMRs under construction:

Name	Capacity	Developer	Country	Status
CNP-300	300 MW	SNERDI/CNNC	Pakistan/ China	Operating
PHWR-220	220 MW	NPCIL	India	Operating
EGP-6	11 MW	Teploelektroproekt/ Izhorskiye Zavody/FEI	Russia	Operating
KLT-40S	35 MW	OKBM	Russia	Operating
RITM-200	50 MW	OKBM	Russia	Operating
CAREM25	27 MW	CNEA/INVAP	Argentina	Under Construction
HTR-PM	210 MW	INET/CNEC/Huaneng	China	Under Construction
ACP100/Lin Glong One	125 MW	CNNC	China	Under Construction
BREST	300 MW	RDIPE	Russia	Under Construction

The list of SMRs in near-term development and early-stage design goes on. Including very small designs (up to 25 MW), the WNA estimates over 7,100 MW of capacity.

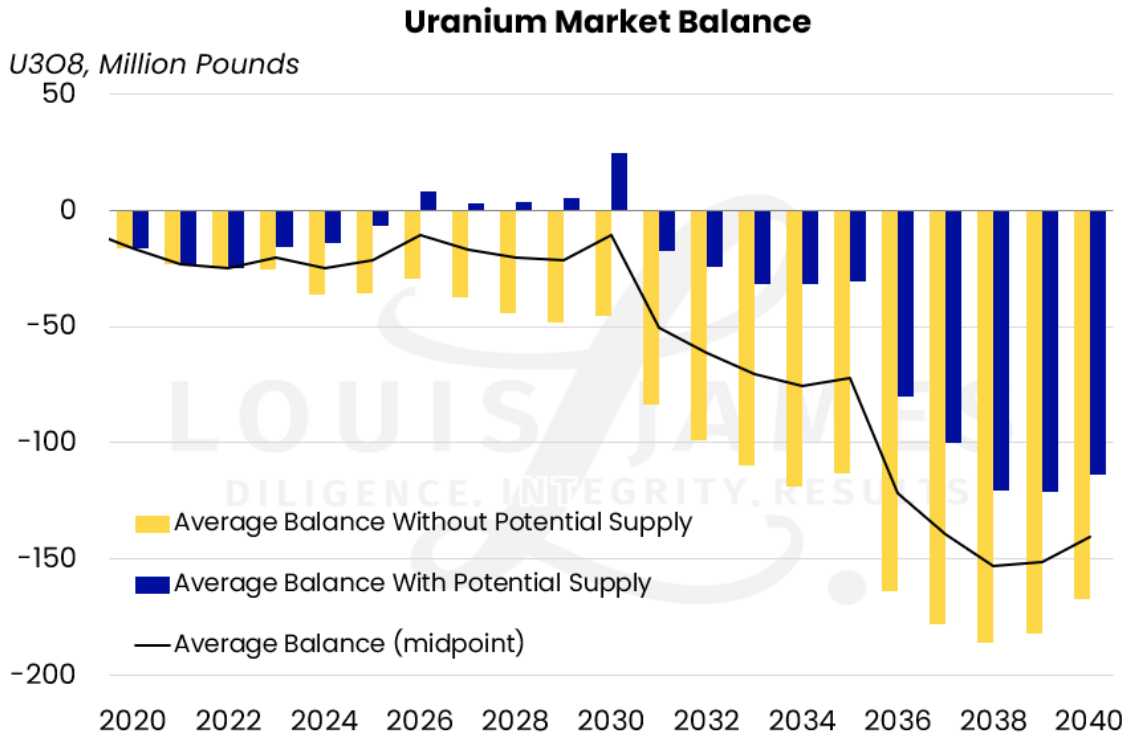
Success with this first wave of SMRs will likely lead to another, larger round of orders.

It remains unknown how much demand these compact reactors can add to the global balance. But we have no doubt they will add substantially once accepted.

Balance of Supply and Demand

Having assessed uranium supply and demand, we can now see where the market balance stands—and project where it's headed.

Publicly available outlooks vary a lot. Rather than taking sides, we've used industry averages as our base case. This includes primary, secondary, and potential supply from new mines coming online—and of course, demand from utilities.



Source: WNA, IAEA, NEA, UxC, Company Data, Morgan Stanley, Cantor Fitzgerald, TradeTech, Independent Speculator estimates

As you can see from the chart above, the potential supply can drastically change the uranium market's landscape. Without new mines, the market remains in a deficit that gets worse almost every year—and much worse after 2030. Even with new

mines (which almost never get built on time) we see a marginal surplus starting next year until 2030. Then the deficits are huge as far as the eye can see. It's essential to consider both scenarios to see the divergence between surplus and deficit.

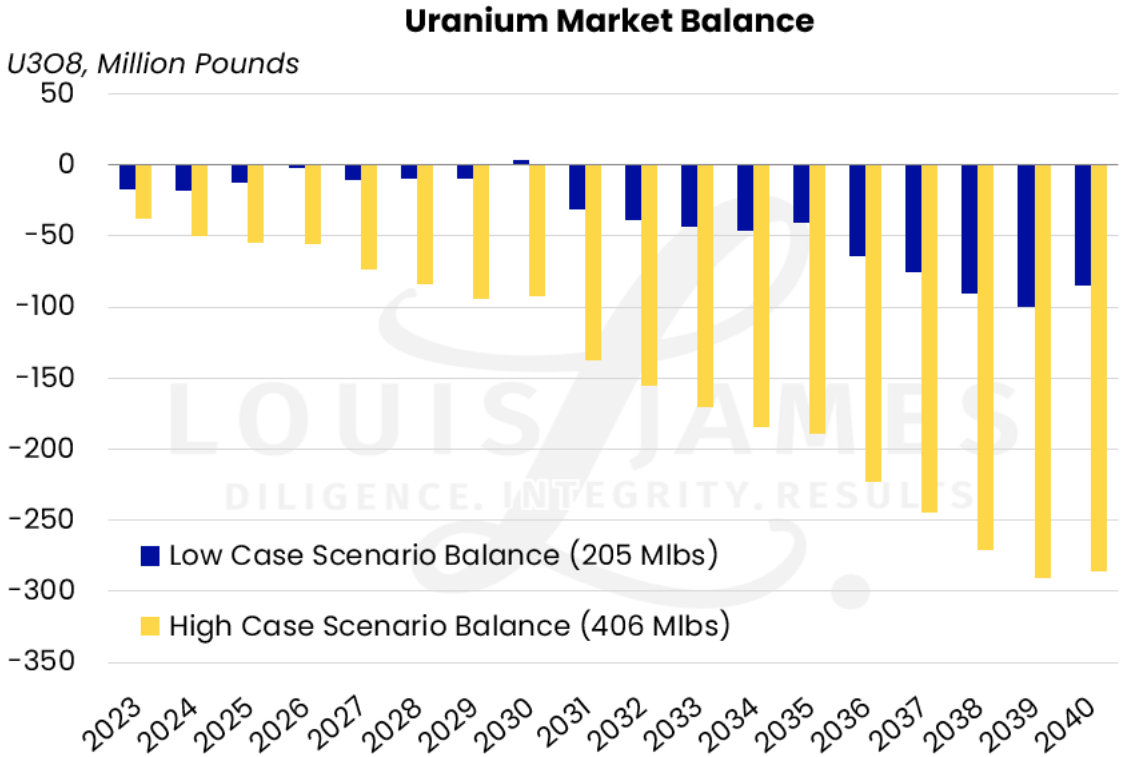
To be clear: new uranium mines can and will add a lot of pounds to the supply side. As above, this is already happening. Yet we can only have confidence in this for mothballed mines and true development-stage assets (projects under construction, or nearly so).

Some models use Inferred resources (or early-stage exploration assets) for potential supply. We don't think many, if any, of these Inferred resources will go in to production this decade. That's just not realistic, so we've excluded them from our potential supply model. Beware of projections from other sources that include such uncertain sources of supply.

Both supply scenarios were contrasted with a demand projection reaching 261 million pounds of U_3O_8 in 2040. That's reasonable, given the range of demand projections we've seen.

For an alternative view, we plugged in the WNA outlook. It's one of the sector's most reputable data sources. The demand projections range from 205 to 406 million pounds of U_3O_8 by 2040.

Here is how the balance looks with the midpoint supply from the chart above:



Source: WNA, IAEA, NEA, UxC, Company Data, Morgan Stanley, Cantor Fitzgerald, TradeTech, Independent Speculator estimates

Even with the conservative, low-case demand scenario, we see the market mostly balanced, but slightly negative until 2030. There are deficits in all but one year (2030, which shows a negligible surplus, assuming new supply that's not even under construction yet).

If we assume the WNA's robust expansion scenario, then the market is already in deficit, and a massive shortage is inevitable.

Key point: no available source projects a significant uranium oversupply.

Some scenarios may lead to an almost balanced market for a time, but the odds of a widening deficit in the uranium sector remain high.

Note that these models are based on averages. We don't expect reality to look like any of the charts above. Even so, we think investors can expect a mismatch between supply and demand over the long term. Frankly, this is more bullish for uranium than we expected.

Bottom line: we see uranium prices remaining strong and probably moving to a higher market-clearing price after 2030.

That could happen earlier if Lobo is right about the rapid expansion of the world's nuclear fleet—even without SMRs.

Long-Term Contracts

One of the major challenges for the uranium sector is related to the absence of active daily trading. Uranium doesn't trade via freely and easily quotable futures contracts like oil, gold, or copper. (Uranium futures exist, but these are not popular among traders, and reporting is not as nearly instant as for other metals.) So-called spot uranium often does not reflect the latest macro news. This is frustrating on one hand (or paw, as Lobo would say). On the other, it reduces noise and volatility.

Uranium miners usually sell their output via long-term contracts. This helps miners with planning, development, production, and inventory management. This is unlike producers of monetary metals, industrial metals, and other energy commodities that can quickly sell their products on the open market.

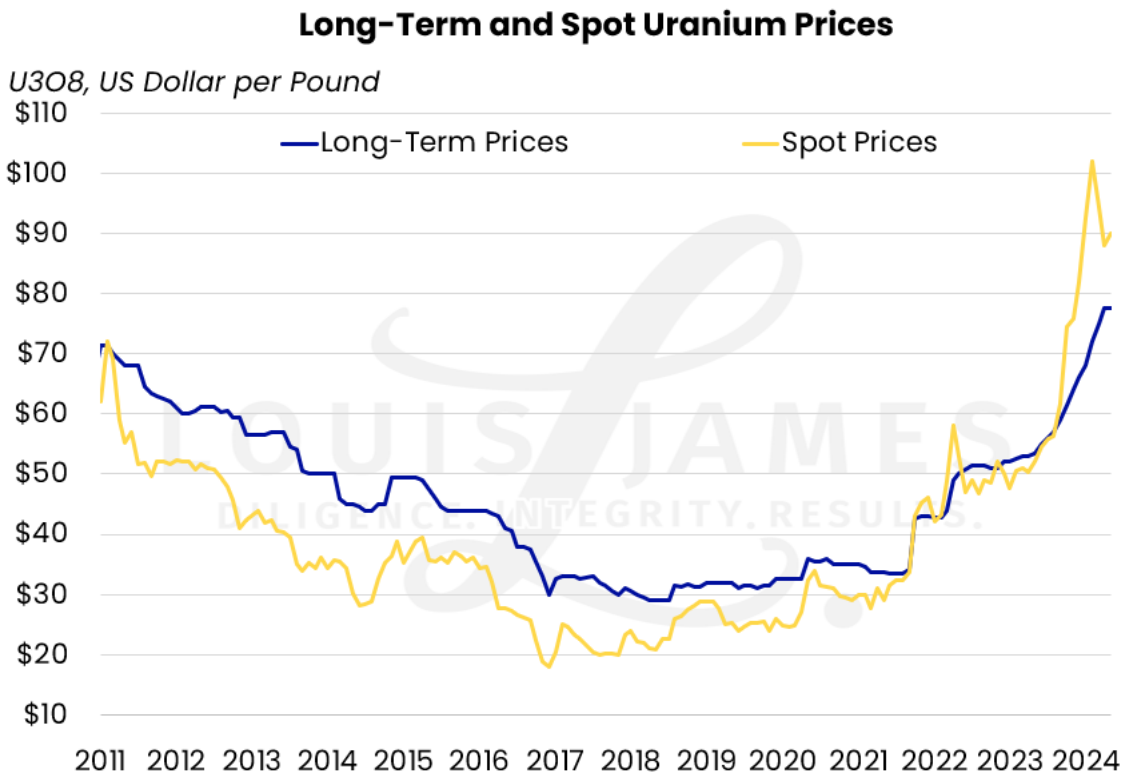
Uranium buyers—power companies—are not traders or intermediaries, but final users. They seek to secure long-term contracts with miners (or companies that enrich and convert uranium, turning it into nuclear fuel) to make sure they have

secure and steady supplies. These contracts can cover terms of up to five years, providing stability in sales for miners and supply for utilities.

As part of normal long-term contracting, utilities often buy excess fuel. This is because utilities can't shut reactors down for a day or a week if fuel runs low, and then just flip them back on again. They have to secure enough supply to keep their reactors online no matter what.

Before Fukushima, utilities were stockpiling fuel. After, they started drawing down on excess inventory rather than buying more. When that wound down, they started buying cheap pounds on the spot market rather than signing new long-term contracts. That lasted longer than many industry insiders expected. Finally, in 2023, uranium miners started reporting more utilities signing long-term contracts.

While it's difficult to quantify all long-term contracts, we can see that reported long-term contract prices are rising.



Sources: TradingView, Cameco

Historically, long-term contracts have traded about 10% higher than spot. Recently, long-term prices have lagged. It's hard to say which price will be higher going forward. Regardless, since spot and long-term don't separate too much for long, we find the dramatically higher long-term price very bullish.

This is important evidence that our fundamental analysis of the uranium market is on track. Institutional investors (established uranium funds), miners (with the restart of their mothballed mines), and governments are getting involved.

Government Support

In the US, uranium was proclaimed "strategic" by the Trump administration. However, it was not added to the critical minerals list due to the technicality of it being classified as a fuel. Stupid, but not a serious problem.

Despite it being deemed strategic but not critical, the Biden administration and its allies in Congress included a tax credit for zero-emission nuclear power in the criminally misnamed Inflation Reduction Act of 2022.

The US has also allocated $75 million to start building a strategic uranium reserve (initiated by Trump). That's a small part of the original $1.5 billion budget, but that may yet come.

The key takeaway is that the US government isn't just supportive of nuclear power, it's become a new end user, adding new demand as it builds up its reserve.

Other governments may follow suit.

An important point about US uranium reserve buying is that the uranium has to be domestically sourced. US miners get support from the government, which looks patriotic to voters. It may even be a good thing in reality, if the New Iron Curtain eventually results in restricted supply for Western consumers. Regardless, this extra demand is an advantage to US producers—a fact investors should keep in mind.

This is no casual concern. Joe Biden just signed a bill to ban imports of Russian uranium products—including enriched uranium—into the US. The new law also unlocks $2.7 billion in funding for the US uranium sector.

It remains to be seen how this will affect Russia's ally, Kazakhstan, which ships a large amount of its uranium via the port of Saint Petersburg in Russia. The ban may close that route, and the industry will have to adapt to the new rules. Kazakhstan will likely opt to sell more to China—a trend that has already started.

Bear in mind that uranium mining in the US had been all but wiped out, and it was cut back in Canada as well. Until last year, Western countries relied on Eastern uranium, especially from Russia. They're now looking to cut this reliance as soon as they can establish local supply chains. They've made a start, but it's no easy task; it'll take years, if not decades, for the US to replace foreign uranium with domestic supply.

As this process advances, **it's possible that the global uranium market will split into Western and Eastern markets, with different pricing.**

Bear in mind that Kazakhstan is the world's largest and lowest-cost producer. Subtracting Kazakh supply from the Western market should result in higher average prices in the West.

In short, policymakers realize the benefits of the highly efficient, reliable, 24/7/365, carbon-free energy source that nuclear energy is. More and more seek to expand the proportion of nuclear in their energy mix. And global geopolitics is reshaping when, how, and where to invest.

Uranium and Recession

The bull case for uranium looks great—but what if there's a recession?

Uranium is an energy mineral, after all, and the energy sector always takes it on the chin during a recession… doesn't it?

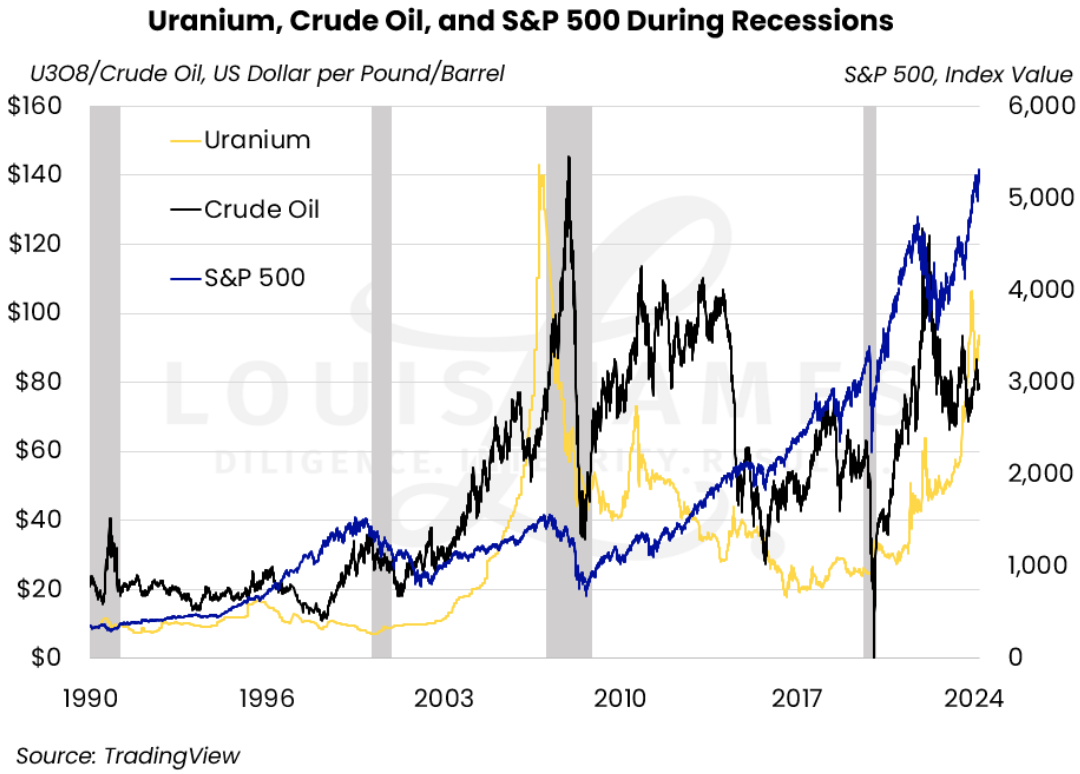
Yes, uranium is an energy mineral, and yes, energy commodities as a class tend to drop during a recession. But as Lobo says, while people might choose to travel less to save money during a recession, that sort of discretionary consumption affects oil more than uranium.

Uranium is used for baseload power—the kind that keeps hospitals and airports going. This is not discretionary.

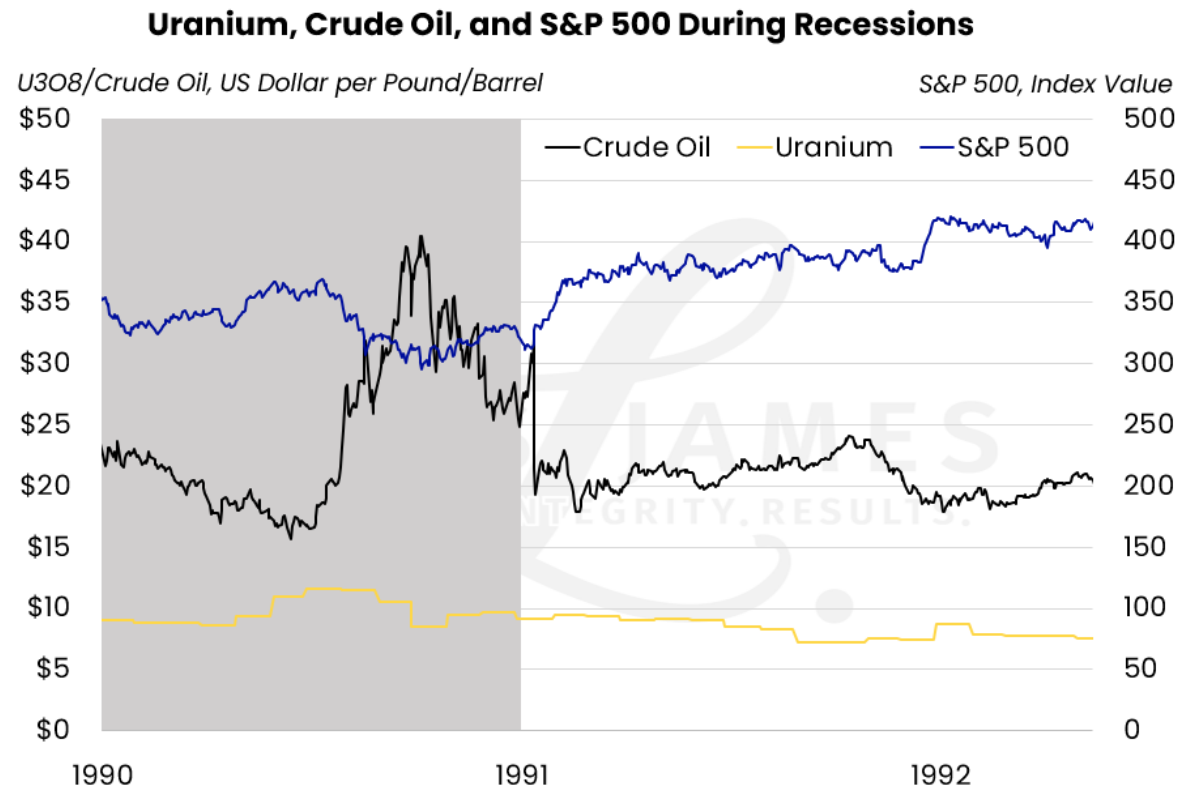
Large industrial users like aluminum smelters would tend to scale back during a protracted recession. However, nuclear energy is used in so many critical functions, it's less vulnerable to economic weakness.

Also, while Lobo does expect the US to join the global recession (if it hasn't already), he also expects The Powers That Be to send the free-money helicopters out as soon as that becomes undeniable. In other words, this recession isn't likely to be protracted.

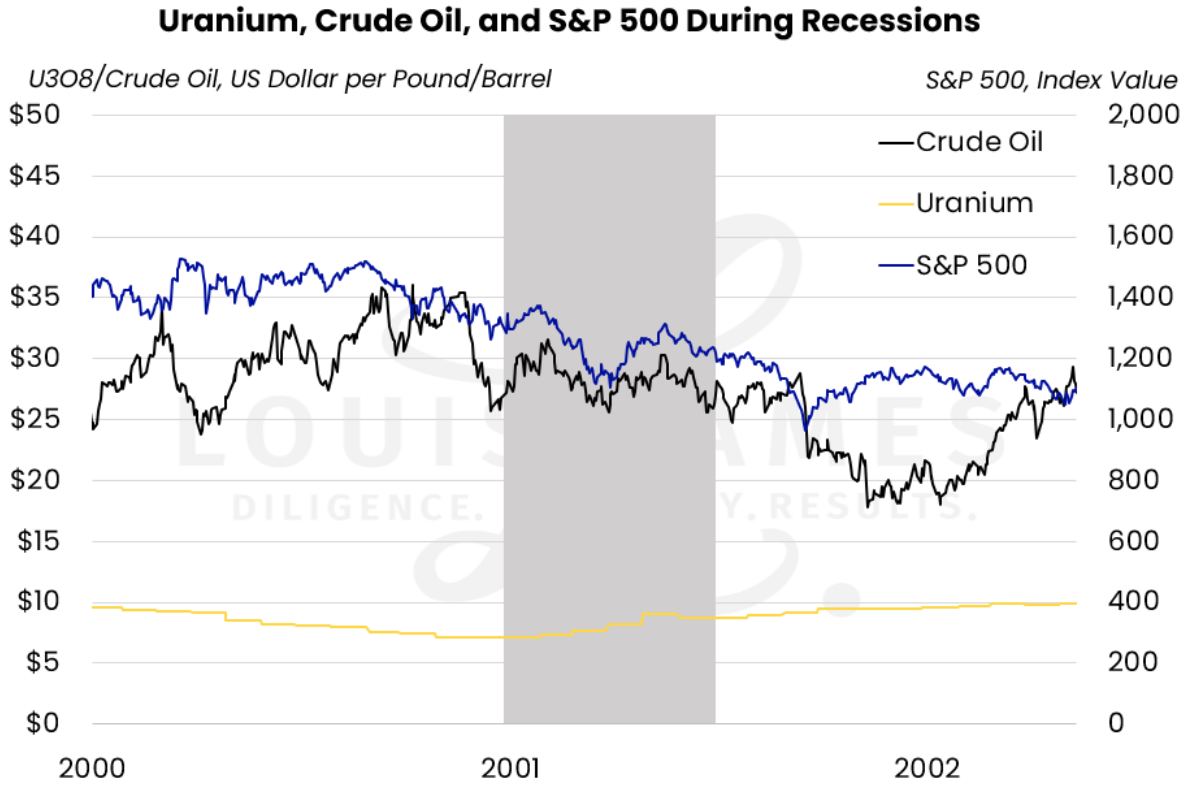
Setting theory aside, the data show that uranium prices are indeed very resistant to recessions.



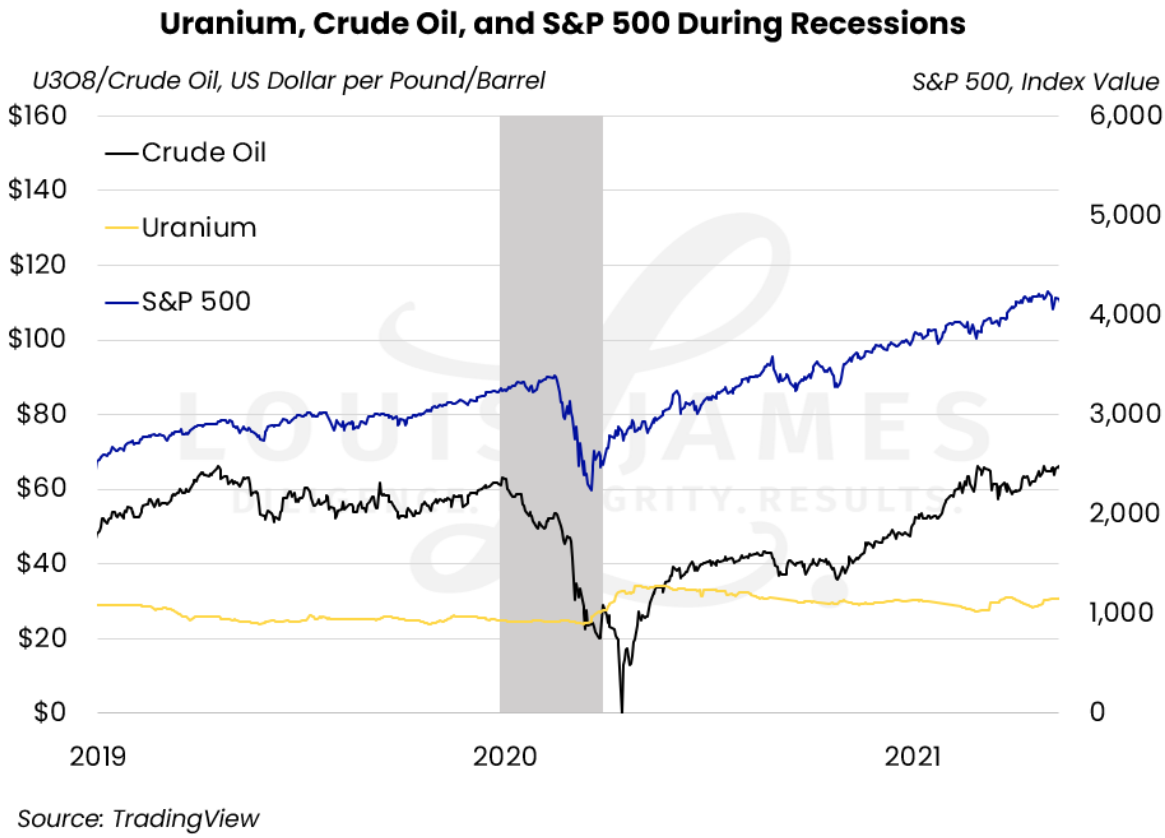
In fact, spot uranium rose during the recessions of 2020 and 2001, and it held steady during the 1990 recession. It's worth zooming in on these so you can see just how recession-resistant uranium is.



Source: TradingView



Source: TradingView



The huge correction from 2007–2009 arguably had more to do with prices having gotten ahead of themselves than the global financial crisis. The following retreat after Fukushima had nothing to do with recession.

In short, uranium's recession track record is much different—and better—than oil's.

As Lobo says, we can't call it recession-proof, but it's certainly much more recession-resistant than "the energy sector" as a whole.

Conclusions

We hope this overview makes it clear why we're bullish on uranium. It has solid fundamentals—and now, technicals as well as a politically-driven narrative—supporting higher prices going forward.

However, there are also risks to keep in mind:

1. Another major disaster like Chernobyl would certainly renew anti-nuclear sentiment. Many countries around the world would start shutting down reactors as fast as they practically could and they'd scrap their plans for new ones. That would decimate demand. Uranium would crater. If this happens, it will be out of anyone's control. None of the fundamentals outlined above will matter.

   We think this is extremely unlikely. Lessons have been learned, and nuclear plants are extremely safe. But this is a risk that, as Lobo says, could almost literally cause our uranium speculations to melt down, so it cannot simply be dismissed.

2. If uranium miners go nuts and oversupply the market, we will see lower prices. We expect this to some degree eventually, but not in the coming years. The expansion of the world's nuclear fleet is picking up speed, and it takes a lot of time for anything other than mothballed production to come online. We doubt restarts will oversupply the market. A serious oversupply could take 10 years or more to materialize.

These risks are real, but not dealbreakers for us. We remain extremely bullish.

Remember that back in 2005–2007, when prices shot up from $20 to $143, many uranium stocks multiplied this gain with gusto. Notable winners were:

1. Paladin Energy: up 2,000%. (Paladin's famous 17,000% gain is starting from the lows in the 1990s.)

2. Energy Fuels: up 4,000%.

Of course, these are cherrypicked and not representative, but the list goes on. A rising tide lifts most boats in this harbor, at least to begin with. Then quality matters. We expect the best companies to eclipse the metal's gains this time as well.

We think stock selection will be critical to wealth generation.

No arm-twisting, but for independent, no-holds-barred analysis of 70 uranium stocks—and counting—**there's no time like the present to try out My Take**.

We don't offer phony promotions with artificial deadlines, just instant access to our continually updated database of almost 800 gold, silver, copper, lithium, oil & gas, and other resource company evaluations.

As Lobo says...

Caveat emptor,

KO

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