

NUCLEAR ANALYSIS

Nuclear stocks have been volatile but the quality producers are profitable and well funded. Short-term fluctuation can provide opportunities to buy into these stocks, which we have shown can deliver big returns. The long-term trend is positive, which gives us confidence, alongside strong balance sheets.

LONG-TERM NUCLEAR TREND REMAINS POSITIVE

5-year Uranium oxide (U3O8) price in US\$ per pound



Uranium remains early in its life cycle as a base load fuel source; hence, it will be volatile for some time. But the demand is constant and increasing because new supply is coming on, albeit at lumpy intervals. The long-term trend is positive, providing opportunities to buy into stocks that are leveraged to the increasing use of nuclear energy, such as uranium producers.

SOURCE: Trading Economics

NUCLEAR ANALYSIS CONT.

WE'RE IN THE BLACK; HANG IN THERE!

The uranium market has remained volatile since our uranium deep dive, issue 645, in early April. Spot prices rallied from US\$64/lb to a high above US\$79/lb, before dropping to US\$71/lb over the last couple of weeks.

Our preferred uranium exposures have all been hit by the selloff in recent weeks based on reports of increased production from several countries, including Canada, Uzbekistan, Niger and Kazakhstan.

Kazakhstan carries the most weight out of the producers, supplying over a third of global demand.

FUNDAMENTALS IMPROVING

Despite the short-term volatility, the demand profile for uranium looks robust. The main demand driver is based on nuclear reactors in operation and the longer-term view includes reactors under construction.

What we like is that this is a stable profile, reactors will not be turned off and on depending on the current uranium price. Supply has a few more risks, including development, operational, geopolitical and supply chain.

One pending geopolitical development is the prospect in October of US tariffs after a report assessing risk and recommending actions to reduce US reliance on foreign sources for processed critical minerals, including uranium.

QUALITY PRODUCERS REMAIN THE BEST OPTION

Producers like **Paladin Energy (PDN)** & **Boss Energy (BOE)** are vulnerable to up and down swings of the uranium market. But it was encouraging that prices didn't fall below US\$60/lb, and realised prices paid to PDN & BOE from power utilities are above the spot price.

This is in line with the general view that there is currently a shortfall in supply, contracting prices will be above market and contracting volumes are expected to increase through the year 2025.

Add the chance of further supply constraints and operational disruptions and we see more upside than downside to having uranium in the portfolio.