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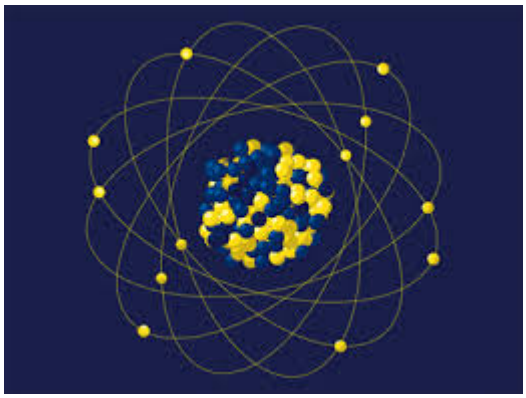
The subsequent rise in price of U3O8 during 2020 has caused a bull run in uranium stocks, despite the fact that they are still unprofitable, and now the price is falling as Cigar Lake prepares to reopen.



Uranium – The price is falling whilst stocks rise

The price of Uranium rose last year as the giant Cigar lake

mine owned by Cameco (NYSE: CCJ) was temporarily closed due to covid, and the world largest producer of U3O8, Kazatomprom, cut production by 20% until 2022.

The subsequent rise in price of U3O8 during 2020 has caused a bull run in uranium stocks, despite the fact that they are still unprofitable. The stock prices, and the ETF, Global X Uranium ETF (URA), are still buoyant, even though the U3O8 price is falling back again as Cigar Lake prepares to reopen.

As an example, let's take Uranium Energy Corp. (NYSE UEC) which we follow here, as an example. The share price has risen around 160% between November 2020, and today, despite a falling uranium price! Clearly something looks awry here…..

UEC have an in situ U3O8 recovery plant in Texas ready to switch on, but the current commodity price would result in a loss if it commenced production, so the plant sits there waiting for a higher price. It needs around US$40 per lb to break even, above that and they make a profit, please see our previous article HERE

Today's price is around $30…

US Strategic Uranium Reserve

The USA has announced they are creating a Strategic Uranium Reserve, which may result in US producers like UEC moving into

production, but the price paid will have to be much higher than the current market price to entice mines to produce.

I would suggest the sector has got ahead of itself, despite predictions of supply shortfall coming after 2023.

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