

Uranium to soar with nuclear revival

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Uranium is poised to climb 27 percent to US\$50 (HK\$390) a pound in the next six months because "there's not a lot of uranium available," said Jean-Francois Tardif, who put 8.4 percent of his C\$300 million (HK\$2,005) Sprott Opportunities Hedge Fund LP into uranium. The Toronto-based fund jumped 39 percent in 2005, when its peers on average returned 9.3 percent, according to Hedge Fund Research of Chicago.

Wellington Management of Boston, which oversees US\$521 billion, in the fourth quarter raised its stake in Saskatoon, Saskatchewan-based Cameco, the largest uranium producer. The fund holds 13.6 percent of Cameco worth C\$2 billion, according to Bloomberg data.

The Anglican Church in Sydney took uranium off a list of unethical investments last year, and its funds benefited from a 23 percent gain in BHP Billiton, the No4 uranium miner.

Uranium last year gained 76 percent, beating all but one of the 19 commodities in the Reuters/Jefferies CRB Index. Only sugar jumped more.

Not even zinc, the favorite this year among commodity specialists surveyed by Bloomberg News in January, will keep pace with uranium.

Analysts surveyed then said zinc would offer the best return from the six primary London Metal Exchange markets, advancing 21 percent.

Just 60 percent of the uranium consumed in the world's nuclear reactors is mined each year. Without supplies from stockpiles and recycled from Russian warheads, the energy industry wouldn't have enough uranium to keep all of its plants running.

Demand for nuclear power is increasing in China and India because of rising prices for oil, gas and coal. Finland is building a new reactor, and utilities in France and the United States are considering additions. Concern that the burning of fossil fuels contributes to global warming is accelerating the push.

Bob Mitchell, the manager of a hedge fund that invests in wholesale uranium, is so bullish that he turned down offers from mining companies to buy his entire inventory. He wouldn't identify the companies or give details on his holdings.

"I remain a buyer of uranium," said Mitchell, of Adit Capital Management in Portland, Oregon. Mitchell said he began buying uranium in November 2004 at US\$20 a pound amid reports that some power companies were moving to replenish their inventories. Uranium ended last week at US\$39.25 a pound, according to Metal Bulletin.

Speculators "have taken out whatever slack exists in the market," said James Cornell, president of RWE Nukem, a trader of uranium and unit of RWE of Essen, Germany's

second-largest utility. Investors are "getting to available supplies of uranium before the utilities."

After three decades of stagnation, the nuclear industry may receive more than US\$200 billion of investment by 2030, according to the International Energy Agency in Paris. As well as the 24 reactors now being built, another 41, with a capacity of almost 43,000 megawatts, have been ordered or are planned, according to the World Nuclear Association in London.

China, which plans to increase its nuclear generation fourfold by 2020, has agreed to safeguards sought by the government of Australia before it will allow uranium exports, the Australian Financial Review said Monday.

"Both sides are satisfied with the results of the negotiations and are confident of a successful outcome," a spokeswoman for Australia's Department of Foreign Affairs and Trade said Monday in Canberra.

A 1,000-megawatt nuclear power station in the United States can power about 740,000 average households, based on US Energy Department and World Nuclear Association data.

Such a plant would use a tonne of uranium fuel every two weeks, with about nine tonnes of uranium oxide needed to make the fuel.