

## Investor interest in uranium increasing

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Mumbai, July 11: Energy is the most critical input to fuel economic growth. With crude oil and coal prices rising to astronomical levels and no respite in sight anytime soon, attention is increasingly turning towards nuclear energy, and in turn, uranium market fundamentals.

#### **Growing supplies**

According to a research report from Macquarie, the underlying Uranium market is likely to remain roughly balanced in 2008-09, especially with growing supplies from Kazakhstan expected to ease any perceived tightness. Going forward, experts see the market tighten gradually through 2012, as reactor forward orders for Uranium for new build and enrichment market tightness more than accounts for global mine supply growth.

Price performance of Uranium in the last one year has been interesting. From a high of \$138 a pound in mid-2007, the spot price of this heavy silvery-white radioactive metallic element gradually declined to \$57/lb by June 2008. But, of late, there has been an up tick in spot prices, according to reports. Phenomenal growth in coal and oil prices has heightened investor interest in Uranium.

Although the market would remain roughly balanced, investor activity in the (highly illiquid) spot market is likely to see prices strongly supported around \$ 60/lb mark in the shorter term, asserted experts, adding this would be despite lack of genuine fundamental tightness. "We are aware that recent spot market activity has consisted mainly of transactions between producers, sellers and financial players, and it appears there remains little non-discretionary end-user demand, consistent with our view that there is little genuine underlying tightness in the Uranium market at present," Macquarie explained.

#### **Bottoming out**

Having said this, there are reasons that could prompt a rally in spot prices (which are determined in a very illiquid market) over the coming six months. For one, the spot prices could be bottoming out. The spread between physical Uranium 'bids' and 'asks' has been narrowing in recent months. Prices have fallen closer to marginal cost. There

is potential for higher (mainly seasonal – during summer and fall) US utility demand and lower than anticipated US supply. Some of the US sellers may turn into spot buyers over the coming six months.

Last, but not the least, investor interest in this strategic metal is rising, driven especially by phenomenal rise in oil and coal prices. For 2008, total supply of Uranium is forecast at 65,212 tonnes (up 7 percent from 60,880 tonnes in 2007), while demand (total reactor requirements) is estimated at 65,685 tonnes (66,145 tonnes). The average spot price in 2007 was \$ 99/lb and for the current year it is forecast at \$ 65/lb.

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