



Tons of Prices for U

Given the abundance of uranium price information available in the market today, it is easy to take this cornucopia of data for granted. Industry newcomers are surprised to learn that until 2007, spot and long-term (LT) uranium prices were roughly at parity with each other, and in fact, UxC did not introduce an LT price indicator until 2004. Until then, there was exactly one price, published once a week. ONE. No brokers, no CME futures, no daily prices – just a single weekly number. And, that was already a vast improvement over the period before 1987, when UxC's predecessor The Uranium Exchange Company (Ux) was the first in the industry to introduce a weekly price indicator – prior to that all that existed was a single monthly price indicator. Just one per month!

When we look back at the evolution of the market, it is clear that 2007 proved to be an important year for the uranium market as it prompted the move away from a single spot price. The decade that followed was revolutionary for the nuclear fuel markets as so many new developments occurred at an unprecedented pace. Today, we have more of everything: more price data, liquidity, transparency, flexibility, and options. All of this leads to a much more sophisticated and efficient market. There is little doubt that price information available to market participants has increased exponentially since 2007.

Having always viewed increased price information as beneficial to the industry, UxC pioneered and supported most of the innovations extant in the market today. Some of these forward-looking introductions were done despite industry skepticism at the time. Back in the early 2000s, UxC warned that a single spot price was insufficient to adequately capture the market going forward. The Ux LT U₃O₈ Price was introduced ahead of what we recognized would be an eventual divergence between prices for future produced pounds versus material available in the spot market, and thus the term indicator aimed to reflect these anticipated shifts.

Similarly, following Fukushima and the rise in excess inventories, the development and increased importance of the mid-term market and forward price curve were recognized by UxC's introduction of the Ux 3-Year and 5-Year Forward Prices in 2016. The importance of the forward uranium price curve cannot be emphasized enough, and we credit financially-savvy brokers like Numerco Limited for its creation. Prior to the forward curve's existence, there simply was not enough information to properly price material for delivery at fixed prices out in time.

Less revolutionary, but nonetheless very useful, has been our publication of the Ux U₃O₈ Monthly Average Price (MAP) since late 2016. The MAP is the average of the four or five weekly Ux U₃O₈ Prices for the given month. This indicator was published in response to industry requests as UxC recognized its applicability for those who wish to reference a price that captures all of the price movements over a month as opposed to just a single month-end weekly price.

As a result of all of these innovations, the price box on this page now contains five different Ux Price Indicators for uranium alone!

Notably, the last decade has also brought about price information from various other sources. The commodity-style brokers, who entered the industry a little over a decade ago, are an important source of continuous price information. UxC teamed with the leading brokers in 2009 to introduce the daily Broker Average Price (BAP), which is published daily with the support of two participating brokers: Evolution Markets and Numerco. The BAP allows us to provide price information on a more continuous basis, because after all, the market does not stand still between Mondays.

Another massive improvement brought about by the brokers is the evolution of both bid and ask prices in the market. Prior to this, most of the readily available data was centered on offer (ask) prices, and there was little understanding regarding the bid levels of potential buyers. In 2011, UxC responded to the availability of bid prices by incorporating this additional information into our official Ux U₃O₈ Price definition. While we still focus our price indicator determination on "the most competitive offer of which we are aware," we also take into account bid levels and transaction prices at the time since a willingness by a seller to hit the bid or drop the offer closer to the bid by definition implies a lower offer than what was first reported.

The availability of both bid and ask data through the brokers has also increased understanding of the depth of the market in terms of the number and types of buyers and sellers at any given time. The advances offered through today's brokerage IT platforms – both web-based and through apps – should not be dismissed as bid/ask screens can now be accessed nearly anywhere in the world at any time.

Additionally, although activity in this market has ebbed and flowed over the years, the CME Group's UX uranium futures contract, which is a financially-settled contract that settles at the end of each month on the Ux U_3O_8 Price, provides important near-term forward price information and is a valuable hedging mechanism for market participants wishing to fix prices under floating-priced contracts. The futures market was another initiative led by UxC and its partner, the New York Mercantile Exchange (NYMEX), begun in 2007.

Another very important implication of the UX futures contract is that this introduced government regulation into the uranium market for the first time. Since all CME futures trade publicly, the U.S. Commodity Futures Trading Commission (CFTC) has regulatory oversight. As a result, the CFTC has had regulatory authority over the Ux U_3O_8 Price since 2007, making UxC's weekly spot price the only one in the industry that is formally regulated.

Increased activity by traders has brought greater liquidity and transparency, providing important data points for price discovery. Trader and other intermediary activity greatly expands the number of counterparties in the market at any given time, and it also allows carry-trades to take place, which smooth out the forward curve and bring demand forward in time to help manage excess spot supply.

The growth in the availability and variety of price information over the past decade is unprecedented when considering the previous fifty years of the commercial uranium market. Today's multi-dimensional market is a far cry from the simplistic, undeveloped market that defined the industry for most of its history. All this is excellent news for the industry, which has benefited from this increased sophistication and transparency.

Insufficient price information can have disastrous results for the market and industry. It can lead to improper balances between supply and demand, uncertainty over future procurement or sales strategies, and a general lack of market efficiency. We have come a long way from the one-dimensional, inefficient market of a decade ago. When you wake up in the morning and take a look at the broker screens, then at the CME futures, receive your BAP email in the afternoon, and finally see the full comprehensive price and market activity roundup each Monday in the Ux Weekly, remember that these are days of plenty when it comes to market intelligence and price data.

Reaching this point has been far from easy or straightforward. It has involved many different players, all of whom have contributed in their own ways to push the envelope and expand data collection and knowledge of the market. Taken together, the vastly improved price data of today gives industry participants unprecedented certainty about where the market is at any point. Most importantly, the depth of data should increase confidence in the prices reported as any outliers or major variations between the different data points can now be much more easily detected.

Given UxC's track record over the past ten plus years in introducing and expanding uranium price data, we have certainly done our part to improve the underlying functions of the market. However, we also understand that the market is constantly evolving, and thus our aim is to properly reflect any market shifts in our price reporting as they occur. We also know that our data relies greatly on the voluntary participation of all market participants in the industry, and we thank those who work with us to ensure the reliability and accuracy of this data. Moreover, for any who wish to understand more about UxC's approach to price reporting and data collection, we welcome your questions and will be providing in-depth discussion of these topics at our upcoming Nuclear Fuel Training Seminar being held in Atlanta, Georgia on June 25-27. Ultimately, when it comes to price data, more is always better, and we will continue to strive for further improvements in the years to come.

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