Navigating Market Volatility

Rebalancing Supply to Demand

Despite rising spot prices over the last half of 2018 due in large part to suppliers finally cutting significant production volumes, spot prices slipped in the first half of 2019 as utility and investor demand turned out to be subpar ahead of the Section 232 decision. While President Trump’s decision has put a conclusion to the statutory 232 investigation, it has not fully ended the discussion about how the initiation of a queuing event where prices will begin to more closely correlate to the marginal cost of uranium production. Additionally, the Kazakh production target for 2021 has recently been curtailed and this could extend out beyond 2021 if market conditions do not improve.

As more primary production is cut or pushed into the future, more utilities and suppliers will purchase available secondary supplies, thus helping to eliminate excess material and place upward pressure on the spot price. This spot price increase could be further enhanced by traders and financial players attempting to get ahead of the next round of contracting activity. Long-term legacy contracts continue to expire, so utilities may soon be focusing on securing new replacement term contracts.

Although reactor requirements are rather flat through 2025, there is significant growth over the 2026 through 2035 period that will necessitate new production. Furthermore, there are a handful of uranium projects whose resources will be exhausted by 2025. In addition to transitioning to a more production-driven market, a large percentage of production exists in regions of the world with higher geopolitical risk, making the market vulnerable to future disruptions and price volatility.

The UxC Uranium Market Outlook (UMO) report is designed to examine developments and discern trends in the market, including the likely future course of prices under different scenarios. The entire report is updated quarterly so that subscribers have the most current information and analyses on which to base their decisions. Updates of leading market indicators are also provided on a monthly basis so you are never too out of touch with the market. For information or pricing, please contact Nick Carter at +1-770-642-7745 or nick.carter@uxc.com.

Cuts to global primary production, projected depletion of existing mine reserves, and the steady drawdown of secondary supplies are expected to contribute to higher uranium prices going forward.