

Kazatomprom will continue to reduce uranium production.

Altynay Ibraimova — August 21, 2019

Following yesterday's trading results, the price of uranium slightly rose by 0.2% to \$25.2/lbs. Support for the metal was provided by the statement of Kazatomprom on the extension of the reduction of uranium production.

This is not the first time Kazakhstan has taken measures to stabilize the uranium market as the largest producer of uranium (more than 37% of the world production). The last time the company announced a reduction of about 11ths tons during 2018-2020 was at the end of 2017. Now KazAtomProm intends to continue to reduce production to 20% in 2021, as a result of which it is expected to reduce supplies up to 5,600 tons of uranium from expected global production in 2021. KazAtomProm's production volume in 2021 expected at a level of less than 23ths tons of uranium (on a 100% basis), which corresponds to the forecasts of 2019 and 2020.

Decision regarding production volume after 2021 has not accepted and will depend on the state of the uranium market.

Our opinion

Despite the fact that the market reaction to the statements of KazAtomProm this time was not as strong as in 2017(+ 18%), we nevertheless evaluate the company's decision as a positive signal for the market in the long run.

Noting the higher sensitivity of stocks to uranium prices in comparison with production volumes, we remain optimistic about KAP LI and CCJ US and confirm our Buy recommendation.

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