Hedge funds stockpile ‘yellowcake’ as price surges

Up to 50 firms are believed to have bought uranium amid huge global supply deficit
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In 2023, there was a demand for about 180 million pounds of uranium, but only 135 million pounds of supplies.

Hedge funds are stockpiling barrels of raw uranium as the nuclear fuel’s price surges to 16-year highs.

As many as 50 funds are believed to have bought and stored uranium concentrate, known as “yellowcake”, at a facility run by US processing firm ConverDyn alone, as speculators bet that prices are set to spike.

One prominent fund said to be amassing yellowcake is Anchorage Capital Group, the New York firm that started piling into the metal after selling MGM Studios, which owns the film rights to the James Bond franchise, to Amazon.

Other players amassing even larger stockpiles including uranium investment trusts which have built portfolios worth billions of dollars at today’s prices, such as London-listed Yellow Cake Plc and the Toronto-listed Sprott Physical Uranium Trust.

Nikko Collida, vice president for business development at ConverDyn, said: “What you’re seeing with these investor types is that they’re just buying and holding.

“We’ve had some accounts that are accumulating more pounds than you would normally have seen in the past.

“With nuclear, it’s always in a state where supply is reacting slowly to demand changes. We’re at a higher moment of under-supply at the moment.”

It comes after the spot price of uranium surged from about $49 per pound at the start of 2023 to $86 towards the end of the year. At the start of 2020, it stood at $24 per pound.

Experts say the increases are being driven by a huge global supply deficit, with the amount of uranium required by existing and under-construction nuclear reactors dwarfed by the amount being produced.

There was demand for about 180 million pounds of uranium in 2023 but only 135 million pounds of supplies, according to London-based research firm Ocean Wall.

Analysts at Morgan Stanley have also picked the metal as their top commodity choice, predicting it will surge higher to $95 per pound by the second quarter of 2023.

Some investors believe it could surge even higher, as they argue that there is no quick solution to the shortfall.

A further 61 new nuclear reactors are under construction globally, as countries seek to slash their carbon emissions, with hundreds more planned.

Meanwhile, it takes a decade or more to bring new uranium mines online, while the handful of mothballed mines that can be brought back online are only likely to contribute an extra million pounds or so per year, according to Ben Finegold, a uranium specialist at Ocean Wall who advises hedge funds.

He said: “The hedge fund interest is that they’ve never seen a commodity story in which the underlying price is up four times and the supply response will be so slow.

“If the uranium price were to hit $500 a pound tomorrow, it would do very little for meaningful volumes of supply in the short to medium term. And you cannot say that about other commodities.”

Numerous players are believed to have bought and stored uranium concentrate, known as ‘yellowcake’

Sean Benson, director of BNF Capital, the London-based office of the billionaire Perodo family, raised seed funding for a dedicated uranium fund known as Tees River in 2019.

Since then, the value of the fund, which invests in uranium stocks, has risen nearly four-fold to $280m (£220m).

He said: “We just felt [in 2019] that there was already a position where you were moving into a supply deficit.

“But one of the big surprises today is that sentiment on the demand side has changed completely.

“Previously, there wasn’t much of a discussion about nuclear being the answer to climate change. Now there’s clamour from pretty much all politicians.”

Yellow Cake Plc, the London-listed fund that exists solely to buy uranium and hold it, has amassed a war chest of almost 22 million pounds of the radioactive metal now valued at $1.7bn.

And the Sprott Physical Uranium Trust has amassed 63 million pounds, worth about $5.6bn today.

Between them, the two trusts hold the equivalent of around 60pc of global annual supplies.

Mr Benson said his base case for Tees River predicts uranium spot prices will surge to between $150 and $200 as soon as next year.

“I know it sounds crazy,” he added. “But if large macro funds start playing this investment, and sequestering uranium themselves, there aren’t many ways it can go.”