
TANKERS AND NATURAL GAS: TWO BENEFICIARIES OF OIL ROUT

Jeremy Schwartz – Global Chief Investment Officer
04/28/2020

The big news last week were the developments in the oil markets and how the West Texas Intermediate (WTI) May contracts went negative as they came up on expiry.

We spoke with Chase Taylor of Pinecone Macro Research on Friday about his thesis to be [bullish](#) on natural gas and tankers that can store oil at sea to capitalize on higher future expected oil prices.

- Taylor believes the carnage and even the negative oil prices we saw in May WTI contracts are likely to repeat in June, as there doesn't appear to be any short-term demand spike to clear the storage.

While a number of investors believe the tanker trade is a 5- to 10-year theme, Taylor believes the economics are particularly attractive over a shorter horizon.

- He considers the day rates that tankers are earning as so high that the one-year [cash flow](#) a number of these tankers will earn is greater than their current market capitalization—with the bullish thesis not yet priced in.

While a number of investors think of natural gas and oil as two elements of the same trade, Taylor has a very different outlook for natural gas.

- Supply shrinkage: 40% of natural gas production is coincident with oil development, and well shut-ins with the oil collapse will bring down natural gas production.
- While oil demand is seeing a massive hit with reduced driving and travel, natural gas is not seeing the same drop.
- This is a classic supply-and-demand-balance question, and it appears supply will drop more than demand.
- Taylor sees natural gas potentially doubling from its current less than \$2 to over \$4.

Please listen to the full conversation with Chase Taylor below.

Behind The Markets Podcast: Chase Taylor

For standardized performance and the most recent month-end performance click [here](#) NOTE, this material is intended for electronic use only. Individuals who intend to print and physically deliver to an investor must print the monthly performance report to accompany this blog.

For more investing insights, check out our [Economic & Market Outlook](#)

View the online version of this article [here](#).

IMPORTANT INFORMATION

U.S. investors only: Click [here](#) to obtain a WisdomTree ETF prospectus which contains investment objectives, risks, charges, expenses, and other information; read and consider carefully before investing.

There are risks involved with investing, including possible loss of principal. Foreign investing involves currency, political and economic risk. Funds focusing on a single country, sector and/or funds that emphasize investments in smaller companies may experience greater price volatility. Investments in emerging markets, currency, fixed income and alternative investments include additional risks. Please see prospectus for discussion of risks.

Past performance is not indicative of future results. This material contains the opinions of the author, which are subject to change, and should not to be considered or interpreted as a recommendation to participate in any particular trading strategy, or deemed to be an offer or sale of any investment product and it should not be relied on as such. There is no guarantee that any strategies discussed will work under all market conditions. This material represents an assessment of the market environment at a specific time and is not intended to be a forecast of future events or a guarantee of future results. This material should not be relied upon as research or investment advice regarding any security in particular. The user of this information assumes the entire risk of any use made of the information provided herein. Neither WisdomTree nor its affiliates, nor Foreside Fund Services, LLC, or its affiliates provide tax or legal advice. Investors seeking tax or legal advice should consult their tax or legal advisor. Unless expressly stated otherwise the opinions, interpretations or findings expressed herein do not necessarily represent the views of WisdomTree or any of its affiliates.

The MSCI information may only be used for your internal use, may not be reproduced or re-disseminated in any form and may not be used as a basis for or component of any financial instruments or products or indexes. None of the MSCI information is intended to constitute investment advice or a recommendation to make (or refrain from making) any kind of investment decision and may not be relied on as such. Historical data and analysis should not be taken as an indication or guarantee of any future performance analysis, forecast or prediction. The MSCI information is provided on an “as is” basis and the user of this information assumes the entire risk of any use made of this information. MSCI, each of its affiliates and each entity involved in compiling, computing or creating any MSCI information (collectively, the “MSCI Parties”) expressly disclaims all warranties. With respect to this information, in no event shall any MSCI Party have any liability for any direct, indirect, special, incidental, punitive, consequential (including loss profits) or any other damages (www.msci.com)

Jonathan Steinberg, Jeremy Schwartz, Rick Harper, Christopher Gannatti, Bradley Krom, Tripp Zimmerman, Michael Barrer, Anita Rausch, Kevin Flanagan, Brendan Loftus, Joseph Tenaglia, Jeff Weniger, Matt Wagner, Alejandro Saltiel, Ryan Krystopowicz, Jianing Wu, and Brian Manby are registered representatives of Foreside Fund Services, LLC.

WisdomTree Funds are distributed by Foreside Fund Services, LLC, in the U.S. only. You cannot invest directly in an index.

DEFINITIONS

Bullish: a position that benefits when asset prices rise.

Cash flows: a measure of how much cash a business generates after taking into account all the necessary expenses, including net capital expenditures.