

# Tankers and Natural Gas: Two beneficiaries of oil rout

Published 12 May 2020

## WisdomTree

Contributor

The big news over the last few weeks 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 25 April 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.

## Related products

+ [WisdomTree Natural Gas](#)

## Important Risks Related to this Article

### Important Information

**Marketing communications issued in the European Economic Area (“EEA”):** This document has been issued and approved by WisdomTree Ireland Limited, which is authorised and regulated by the Central Bank of Ireland.

**Marketing communications issued in jurisdictions outside of the EEA:** This document has been issued and approved by WisdomTree UK Limited, which is authorised and regulated by the United Kingdom Financial Conduct Authority.

WisdomTree Ireland Limited and WisdomTree UK Limited are each referred to as “WisdomTree” (as applicable). Our Conflicts of Interest Policy and Inventory are available on request.

**For professional clients only. The information contained in this document is for your general information only and is neither an offer for sale nor a solicitation of an offer to buy securities or shares. This document should not be used as the basis for any investment decision. Investments may go up or down in value and you may lose some or all of the amount invested. Past performance is not necessarily a guide to future performance. Any decision to invest should be based on the information contained in the appropriate prospectus and after seeking independent investment, tax and legal advice.**

The application of regulations and tax laws can often lead to a number of different interpretations. Any views or opinions expressed in this communication represent the views of WisdomTree and should not be construed as regulatory, tax or legal advice. WisdomTree makes no warranty or representation as to the accuracy of any of the views or opinions expressed in this communication. Any decision to invest should be based on the information contained in the appropriate prospectus and after seeking independent investment, tax and legal advice.

This document is not, and under no circumstances is to be construed as, an advertisement or any other step in furtherance of a public offering of shares or securities in the United States or any province or territory thereof. Neither this document nor any copy hereof should be taken, transmitted or distributed (directly or indirectly) into the United States.

Although WisdomTree endeavours to ensure the accuracy of the content in this document, WisdomTree does not warrant or guarantee its accuracy or correctness. Where WisdomTree has expressed its own opinions related to product or market activity, these views may change. Neither WisdomTree, nor any affiliate, nor any of their respective officers, directors, partners, or employees accepts any liability whatsoever for any direct or consequential loss arising from any use of this document or its contents.