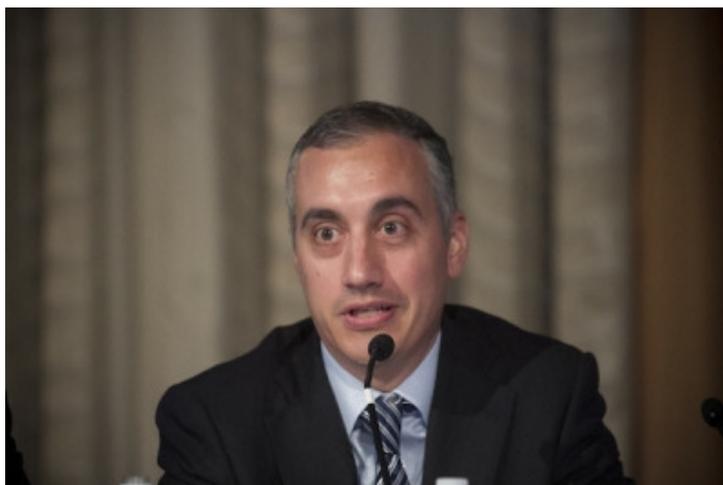




A brighter horizon for tanker stocks in 2015



Jon Chappell, Evercore
Photo: Chris Prevolos



By [Barry Parker](#) from New York

With the New Year comes new assessments of where we are in the market cycles and tankers are finally on the up as demand outpaces supply.

Bloomberg Intelligence, a division of the well-known news service, presented an Analyst Briefing this week, hosted by its senior analyst, Lee Kraskow, titled "What's on the Horizon for the Shipping Industry in 2015." In a nutshell, it was the participation of Evercore's shipping analyst, Jon Chappell, provided the grist for an event that offered real actionable information. Following on the heels of Bimco's analyst Peter Sand, who explained that tanker demand is now outpacing supply, the opposite of the desultory dry bulk situation, the Evercore analyst provided insights into his current stock recommendations - centered on Teekay Tankers (TNK) and Double Hull Tankers (DHT).

He described these as two ways to play the recovery in crude tanker rates, adding that both companies have sorted out financial struggles that bedeviled all the tanker "names" up until late 2014 this reducing the downside risk if the current boom is not sustained.

He also alluded to, but did not mention by name, a solidly financed company listed in Europe and therefore not under his research coverage, that is active in the crude tanker space. Seatrade Global has reported on this company's ongoing exploration of a US listing. In each of these cases, a tilt towards spot market exposure will also enable the stocks to capture the outsized cash flow benefits of upside volatility.

Chappell, well known among New York's shipping analysts, offered that Evercore became bullish on tanker stocks late in the summer of 2014, based a belief that fleet growth had moderated. Using techniques normally found in the tool-kit of technical (chart) analysts, Chappell explained that "a point of inflection occurred when the market lows occurred at higher levels than previously." He added that "the timing was interesting....the inflection point coincided with the peak in the oil prices..."

He also discussed a handful of additional stocks- two in the LNG space GasLog - with contract cover to protect against the vicissitudes of investor worries about future US exports of LNG, and Golar LNG, with huge upside potential from two projects in the realm of floating LNG, one in the LPG space, Navigator Gas, and Kirby Corp a leader in U.S. inland and coastal products transportation. While Kirby's marine transport business has held up in the past months, its other major business- equipment related to pressure pumping, also known as "fracking", has taken a major hit, with concerns that low crude prices might lead to a curtailment in US crude production.

The crude tanker names only begun to take off in late November, several months in to the oil price decline. In the context of Kirby, as well as the LNG names, both reflecting concerns about the viability of LNG shipments in the face of lowered crude oil prices, he said, "once the oil price finds a bottom, investors will flock to these names."

Published in [Americas](#), [Europe](#), [Finance & Insurance](#), [Tankers](#), [Dispatches](#)

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Tuesday, 13 January 2015 06:12

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