The Top 3 Oil Tanker Stocks Making a Lot of Money

With no demand and far too much supply, companies are being forced to store oil at sea.

According to Reuters, nearly 160 million barrels of crude is now being stored on ships. On top of that, rates to charter such storage vessels has more than doubled to $350,000 per day in some cases.

“The world may have to get used to oil turning up in unusual places. An enormous glut of crude sparked by the coronavirus pandemic and the resulting collapse in demand has overwhelmed the global distribution system. Oil markets broke down this week as buyers vanished for lack of storage space. At one point, the squeeze was so intense, sellers with oil at a key U.S. delivery point in Cushing, Okla., were paying buyers to take the stuff off their hands,” says The Wall Street Journal.

While it’s bad news for oil companies spending millions to store oil at sea, it’s great news for oil tanker stocks such as Nordic Tanker (NAT), Teekay Corp. (TK), and Frontline Ltd. (FRO).

**Nordic Tanker (NAT)**

With a good deal of oil stuck at sea, Nordic Tanker (NAT) says business is better than ever.

“We are making a lot of money at this time, improving our balance sheet tremendously, and I have never seen such a strong market,” Herbjørn Hansson, CEO of NAT, told CNBC. In fact, given the state of the oil market, NAT can charge nearly $70,000 per day for ship usage, with some of its biggest clients including Exxon and British Petroleum.

“Revenue for the first quarter is projected to rise 65% year-over-year to $88.5 million, according to data from FactSet. The new source of revenue puts Nordic American in a much better position to reward shareholders through a dividend,” as reported by Benzinga.

**Teekay Corp. (TK)**

Teekay is seeing upside, as oil is stored at sea, too.

According to CEO Kenneth Hvid, as quoted by Barron’s, “Historically, you’re always using crude oil tankers from time to time to store oil. That is typically increasing when you see contango in the oil market, where the future price is higher than the current. Then it makes sense for traders to store the oil and take delivery later.”
"The percentage that we have now is what’s unusual. If we look at it last year, you were probably sitting at less than 5% of the global fleet being used for what would be called storage. And what we’re looking at now, because we’re running out of storage, we could be using up to 30% of the global tanker fleet for storage. That’s obviously significant, particularly at a time when the fleet supply was already fairly tight, as we saw at the end of last year," he added.

**Frontline Ltd. (FRO)**

Over the last few weeks, shares of FRO popped from a low of $7.50 to more than $11. We may see further upside as the oil supply situation intensifies. "Analysts at Jefferies just recently upgraded FRO to a Buy rating from a Hold rating. The analysts expect the tanker market to remain strong throughout 2020, resulting in "substantial" dividend payments. Tanker rates are exceeding expectations as Saudi floods the market with cheap oil," as noted by The Fly.