Struthers Report V26 # 7.0 DHT Holdings -Tanker rates soar – best market play Mar. 25, 2020

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I will put an in depth update on many of our holdings and juniors, but first what I believe is one of the best opportunities in this market. **What happens when there is an oil glut and especially one in part caused by Saudi oil flooding the market?**

Demand for Tankers soar and so do the VLCC rates. OPEC is finished and it has now become an Oil war. Mature investors might remember the 1970s with the OPEC oil embargo. Prices skyrocketed, but this time they are doing the opposite, opening the flood gates to destroy Russia and Western oil production.

The tanker market is in a roaring bull market while Tanker stocks have gone down with the Dow Jones Titanic. This pic from March 16 was quoted with " VLCC ends week with skyrocket spot rates on dramatic fixing"

Market Highlights

- Saudi Arabia's Bahri pushing up rates to around $250,000 a day.
- Monday the 9th, Bahri swooped on 18 spot VLCCs in the market and added another seven later in the week, putting the week's total at 25.
- Shipbroker Gibson said in its latest weekly report that "over the week time charter equivalents have rocketed from around $30,000 per day to $250,000 per day
- VLCC tanker earnings are now assessed at the highest levels since the Iraqi tanker wars in 1980s

The events also ignited interest in floating storage and tanker markets started to percolate," Poten and Partners wrote. "Within a little more than a week, VLCC rates on the benchmark AG-Far East route went from $30,000 a day to $210,000 a day, a 600% increase."

"At the moment, it is likely that the number of vessels that Bahri needs for Saudi Arabia's exports exceeds the tonnage that they have available, hence their decisive action in the spot market," the analyst said.

First week of March saw 56 VLCC fixtures chartered and the 92 the following week. None of these headed east so a clear signal the Saudis are targeting western clients.

These VLCC rates are extremely high and while we should not expect this to continue, rates will still remain robust and earnings and dividends will climb for tanker related stocks.

My favourite here is DHT Holdings NY:DHT Recent Price US$6.75
52 week range $4.41 to $8.83

Shares outstanding 146.8 million

The stock is down, earnings up and the future brighter. DHT reported the highest quarterly earnings in it's history with a 32 cent dividend in Q4 2019. The Company reported shipping revenues for the fourth quarter of 2019 of $191.8 million compared to shipping revenues of $138.6 million in the fourth quarter of 2018. **However, the stock declined from $8.50 to a recent bottom around $5.00, a -41% decline, farther than the S&P 500's -24% decline**

As of December 31, 2019 DHT had a fleet of 27 VLCCs. DHT has a very modern fleet with the oldest built in 2004 and 10 just added since 2015. The company is headed up by management from Norway, notorious around the world for their shipping expertise.

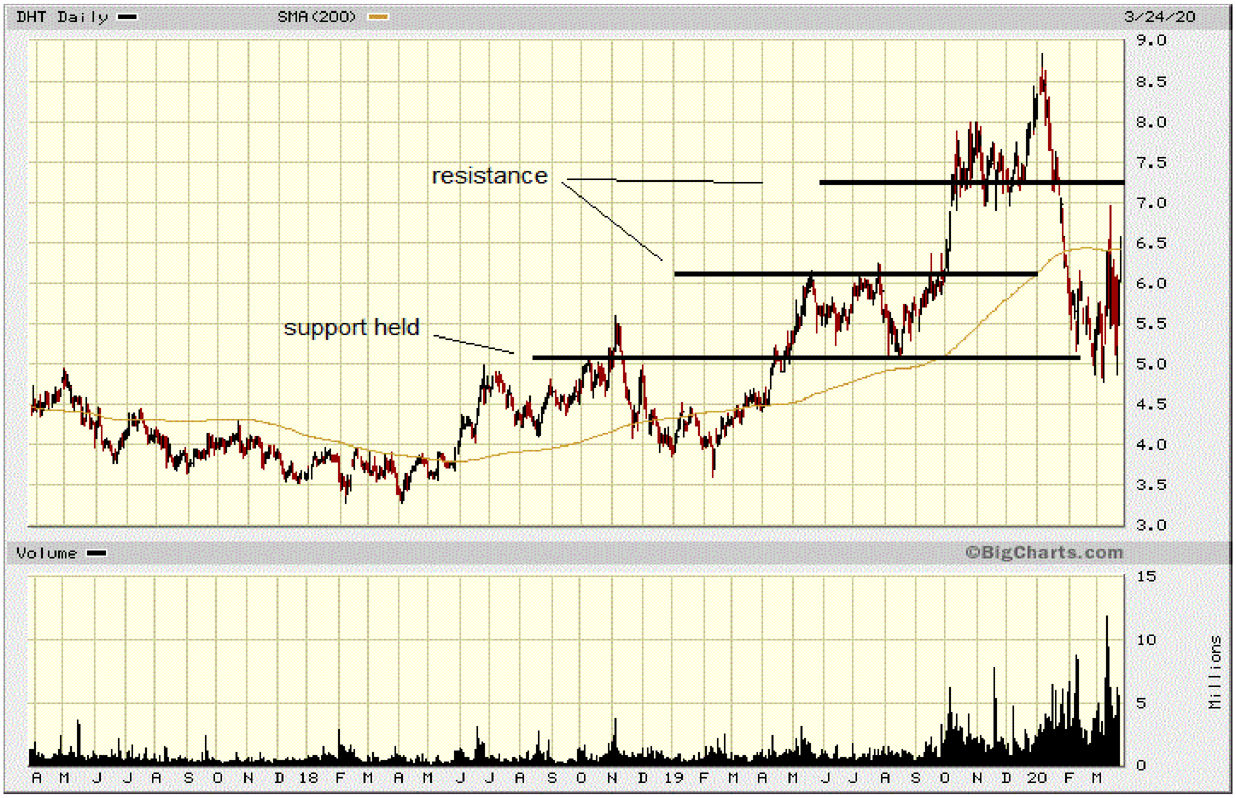
The current P/E is about 11.5 which reflects trailing earnings that are far lower than what I expect for 2020. The company has a record of paying out significant cash flow as dividends, that were as high as $1.20 per quarter in 2010/11.

I expect VLCC rates to come down, but even so, DHT will have higher earnings and dividends for the next few quarters at least. Assuming the 32 cent dividend is the same each quarter and i**t could easily go higher, that is $1.28 on the year for a 19% yield.**

This stock should not have declined as much as the market, let alone more than the market, a classic case of ***'throwing out the baby with the bath water.'* What intrigues me more so about this stock are the charts.**

First chart next page is the long term chart and notice it was reflecting the positive fundamentals until early January when it was effected by the oil price decline when **in fact this decline was positive for tanker stocks.** The stock declined before the market crash and during the crash it has held up very well and holding support around $5.

It is exhibiting the fact that it is a valid hedge in these market conditions and I believe will out perform the market in any rally.



The short term chart is much different than most that you will find. The stock is already showing a triple bottom and good bottom consolidation in the $5 to $6 range. Investors in this stock recently have kept their capital and earned a 19% yield, I believe for the foreseeable future this is a pretty safe bet and offers good yield. It has broke above resistance around $6.10 and did that a week and a half ago, that reminds us that it is not immune to 1,000 down days with the DOW.

This is an excellent stock to buy now and quite surprising the Call options have low premiums so speculators can play these, but will miss dividends. However, there is no dividend payout for about 2 months.

There is very little activity on the options until you go out to December 2020.

I like the December US$5 call, The stock closed at $6.42 and the call last traded at $1.55 so it is $1.42 in the money making the premium very small at 13 cents. I would not have any problem paying a premium of 30 to 50 cents on this, December is a long time away. Here is a chart on the Call option. **Traders may want to wait for a down day to buy the options, often on Fridays and could be anytime these days.**

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