

Bassøe Friday Report

Week 11 – 18.03.2005

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Nr 11. Vol 28

Tanker chartering – Crude

Market comments

An active week in the VLCC market, with some surprises. The late start to the April program caused a rush of cargoes and some 40 fixtures have been completed, the highest number of the year. Opec's unexpected decision to raise production has been a further shot-in-the-arm for owners. Rates are firmer for all destinations, but have yet to match January's sharp recovery. Availability of DH tonnage has been sharply reduced, but plentiful supply of single hulls has slowed the pace of further rate increases so far.

The suezmax market remains firm, building on last week's trend. Rates are higher in all areas. Aframaxes are firmer in the Med and modestly higher in the North Sea, while the Caribs market has dropped.

VLCC		Current trend: Firm		
Route	WS today	Last week	USD/day	
270' MEG – Korea	100.0	92.5	57,431	
275' MEG – UKC	95.0	85.0	67,873	
260' Bonny – LOOP	115.0	90.0	71,443	

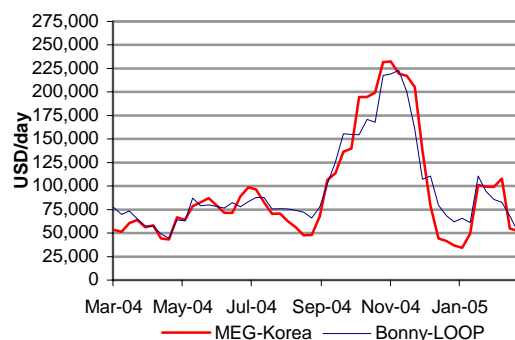
Suezmax		Current trend: Firm		
Route	WS today	Last week	USD/day	
130' Bonny – Phila.	185.0	172.5	58,479	
130' MAF – Ningpo	205.0	180.0	63,856	
135' Novo – Augusta	205.0	165.0	92,158	

Aframax		Current trend: Mixed		
Route	WS today	Last week	USD/day	
80' TEES – R.dam	170.0	165.0	62,938	
70' PLC – Texas	215.0	260.0	35,331	
80' MEG – Singapore	300.0	300.0	58,079	

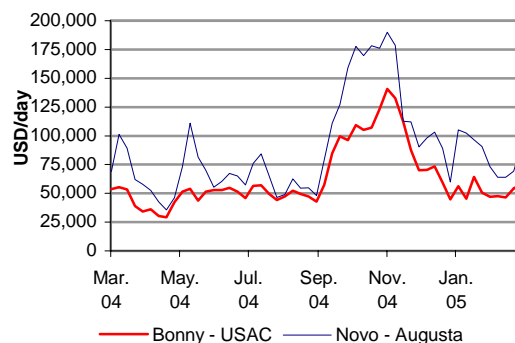
Availability in MEG (# vessels)			
	VLCC		ULCC
	Single hull	Double hull	
Spot	2	0	0
Next 30 days	27	10	0

Bunkers (USD/mt)			
Fujairah	219	Rotterdam	212

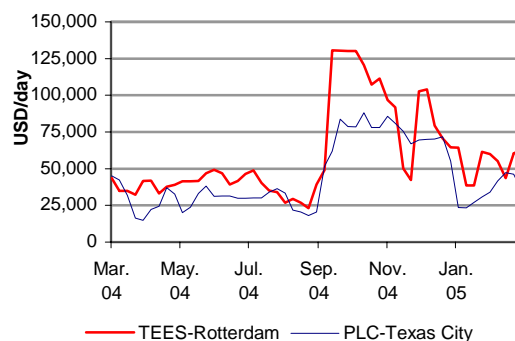
VLCC earnings



Suezmax earnings



Aframax earnings



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Tanker chartering – Clean

Market Comment

This week did not bring many changes to the markets in the East. In contrast, European short haul markets have been very active and firm, pushing rates higher. Both Caribs and the Cont/US trades also moved a little north.

Market assessment – MR

Route	WS today	Last week	USD/day
30' Spore - Japan	310.0	310.0	19,328
37' Cont. - US	360.0	300.0	34,029
38' Car. - USAC	330.0	312.5	29,792

Market assessment – LR

Route	WS today	Last week	USD/day
55' MEG – Japan	250.0	250.0	30,724
75' MEG – Japan	200.0	210.0	31,822

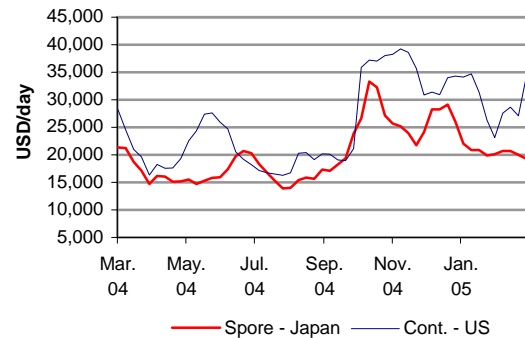
Freight derivatives

The market this week has been driven by the rise in VLCC rates from the MEG. Td3 priced up rapidly, and brought the other crude markets with it. Towards the end of the week the markets showed more signs of nervousness although overall levels were sustained. TC2 saw some added strength from bullish inventory levels in the US.

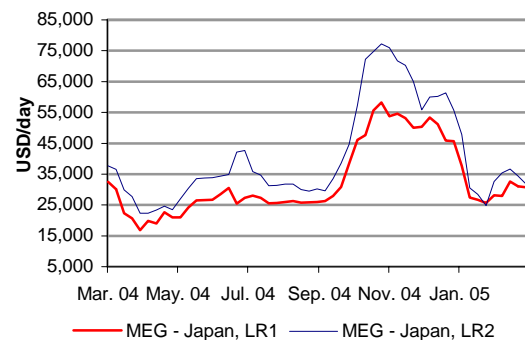
Weekly change in key FFA contracts

Apr	May	Q2	Q3	Q4	CAL06
TD3 MEG-Japan, 250' dwt					
134.0	122.0	125.0	116.0	128.0	100.0
16.5	-	10.0	10.0	3.0	3.0
TD 5 West Africa – USAC, 130' dwt					
169.0	157.0	157.0	142.5	164.0	135.0
14.0	-	12.0	10.0	4.0	0.0
TD 7, North Sea, UKC, 80' dwt					
152.5	147.5	150.0	125.0	155.0	137.5
2.5	-	15.0	-2.0	0.0	0.0
TC 2 Cont-USAC, 37' dwt					
320.0	280.0	287.5	240.0	290.0	237.5
10.0	-	7.5	5.0	2.5	0.0
TC 4, Spore-Japan, 30' dwt					
318.0	285.0	295.0	265.0	305.0	245.0
-2.0	-	0.0	0.0	5.0	0.0

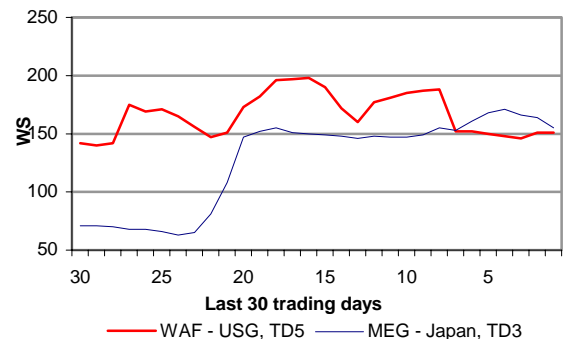
MR earnings



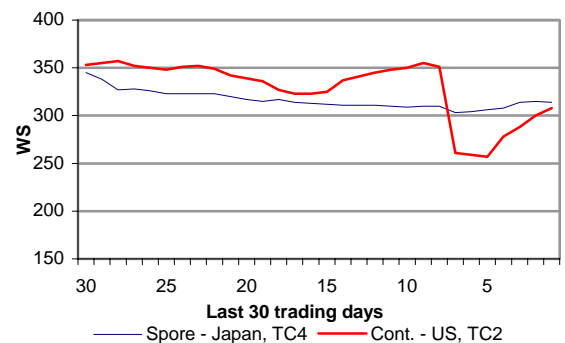
LR earnings



BITR rates, crude



BITR rates, clean



Sale and purchase

Market comment

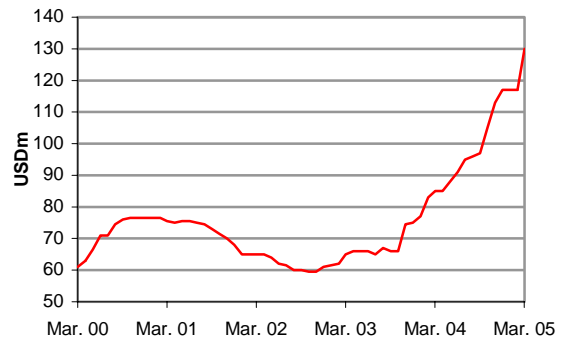
It's been a rather quiet week compared to previous weeks rally, with one benchmark deal being announced after the other.

Except for a few single ships sale in the tanker segment there is a unconfirmed rumour that Essar, India is in the process of concluding a deal involving three VLCCs and two Aframaxes. No further details of this possible deal are available at present.

The dry cargo market is still steaming with a decent turnover of second hand ships.

Second hand values					
Vessel /USDm	Latest	1 mth	2 mth	3 mth	12 mth
300' D/D 3	130.0	117.0	117.0	117.0	85.0
300' D/D 10	100.0	87.0	86.0	86.0	58.0
280' S/S 1990	58.0	58.0	58.0	60.0	34.0
150' D/D 3	80.0	77.0	77.0	77.0	55.0
150' D/D 10	67.0	63.0	63.0	63.0	42.0
140' S/S 1990	30.0	32.0	37.0	39.0	21.0
105' D/D 3	65.0	63.0	63.0	63.0	48.5
95' D/D 10yrs	47.0	46.0	46.0	46.0	30.0
95' S/S 1990	22.0	25.0	27.0	29.0	20.0
70' D/D 3 yrs	47.0	45.0	45.0	45.0	33.5
47' D/D 3 yrs	45.0	44.0	43.0	43.0	35.0
45' D/D 10	32.0	32.0	30.0	30.0	22.0
40' S/S 1990	16.0	17.0	15.0	16.0	14.0

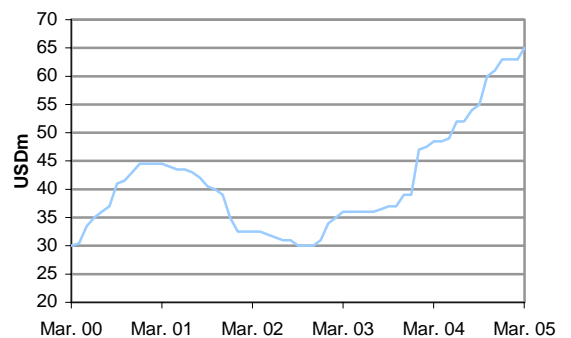
VLCC – 3 year old



Suezmax – 3 year old



Aframax – 3 year old



S&P Transactions

Tankers

MT "BERGINA" - 134,089 TDW, BUILT 1982 DAEWOO SHIPBUILDINGSOLD TO GREEK BUYERS FOR AROUND USD 18 MILL.

M/T "SEA MERCHANT" - 28,610 TDW, BUILT 1990 KHERSON (DOUBLE HULL, COILED) SOLD TO UNDISCLOSED BUYERS FOR USD 18,5 MILL.

M/T "TELLUS" - 10,556 TDW, BUILT 1980 BERNER (DOUBLE BOTTOM, COILED , IMO3) SOLD TO CANADIAN BUYERS FOR USD 4,5 MILL

M/T "BANI YAS" - 6,756 TDW, BUILT 1984 TAIHEI HASHIHAMA (DOUBLE BOTTOM, COILED ST.STEEL, COATED EPOXY) SOLD USD 2,3 MILL TO INDIAN BUYERS

M/T "TUAH TANKERS LIMA" - 4,227 TDW, BUILT 1990 MALAYSIA (COILED , COATED EPOXY) SOLD USD 2,2 MILL TO NEPLINE

Bulkers

M/S "TSUNEISHI TBN" - 82,000 TDW, DELIVERY FEB 2006 TSUNEISHI, REPORTED SOLD TO METROSTAR FOR USD 44 MILL.

SISTERSHIP M/S "TSUNEISHI TBN" - 82,000 TDW, DELIVERY APRIL 2006 TSUNEISHI, REPORTED SOLD TO VROON FOR USD 44 MILL.

M/S "JIANGNAN TBN" - 74,000 TDW AND SISTERSHIP, REPORTED SOLD TO GREEK BUYERS FOR USD 42 MILL EACH.

M/S "PANDESIA" - 72,861 TDW AND SISTERSHIP M/S "PANORIA", BUILT 1997 HYUNDAI HISOLD TO BLOSSOM SHIPPNG, GREECE, FOR USD 42 MILL EACH

M/S "TIYAGA" - 69,279 TDW, BUILT 1994 HASHIHAMA ZOSEN TAD (CR 4X25T 4X 25.0) SOLD TO EXCEL MARITIME FOR USD 33-34 MILL.

M/S "VEROIKA" - 65,117 TDW, BUILT 1986 NIPPON KOKAN TSURUMISOLD TO UNDISCLOSED BUYERS FOR USD 20 MILL.

M/S "CHANG YING" - 61,374 TDW, BUILT 1976 HITACHI ZOSENSOLD TO CHINESE BUYERS FOR USD 7 MILL.

M/S "FORWARD UNITY" - 48,913 TDW, BUILT 1999 ISHIKAWAJIMA TOKYO (CR 4X25T) SOLD TO IKAROS SHIPPING, GREECE, FOR USD 33 MILL.

M/S "VIC IRIS" - 45,000 TDW, BUILT 1995 SOLD FOR USD 28,5 MILL TO UNDISCLOSED BUYERS.

M/S "DARYA LAKSHMI" - 37,722 TDW, BUILT 1985 HITACHI INNOSHIMA (CR 4X25T 4X 25.0) SOLD TO UNDISCLOSED BUYERS FOR USD 14.9 MILL.

M/S "ANAIS LAND" - 35,063 TDW, BUILT 1982 ESPANOLES SEVILLA (CR 4X16T 4X 16.0) SOLD TO UNDISCLOSED BUYERS FOR USD 8 MILL.

M/S "ATLANTIC ISLAND" - 28,545 TDW, BUILT 1997 IMABARI MARUGAME (CR 4X30.5T) SOLD TO GREEK BUYERS FOR USD 22 MILL.

M/S "DESTINO DOS" - 28,200 TDW, BUILT 2002 KANDA KAWAJIRI (CR 4X30T) SOLD TO UNDISCLOSED FAR-EAST BUYERS FOR USD 27.5 MILL.

M/S "OSSA" - 27,490 TDW, BUILT 1979 OSHIMA SHIPBUILDING (CR 4X25T 4X 25.0) SOLD TO UNDISCLOSED BUYERS FOR USD 7 MILL.

M/S "EMIR" - 27,300 TDW, BUILT 1980 SOLD FOR USD 9.3 MILL TO UNDISCLOSED BUYERS.

M/S "CHANG-ER" - 16,019 TDW, BUILT 1996 XINGANG (CR 2X25T) SOLD TO UNDISCLOSED BUYERS FOR USD 15 MILL.

M/S "SEA SPRINT" – 7,300 TDW, BUILT 1994 SOLD TO UNDISCLOSED BUYERS FOR USD 8 MILL.

Demolition

Activity is starting to pick up. There have been several sales this last week, but only of medium size and smaller ships. Prices seem to have stabilized for time being.

Going forward there are a few vessels being circulated in the market, but not enough to still the hunger from the demolition yards.

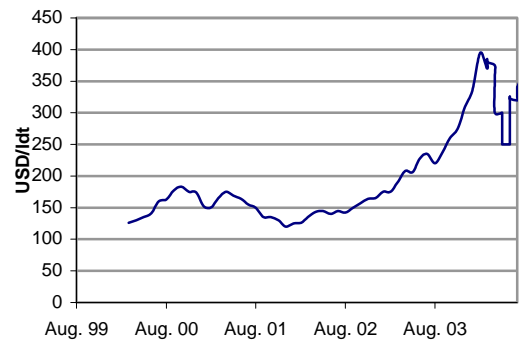
Demolition volume		
# vessels	YTD	Year ago
VLCC	-	3
Suezmax	2	6
Aframax	8	5

Demolition prices (tankers, USD/ldwt)			
China	India	Pakistan	Bangladesh
385	420	405	420

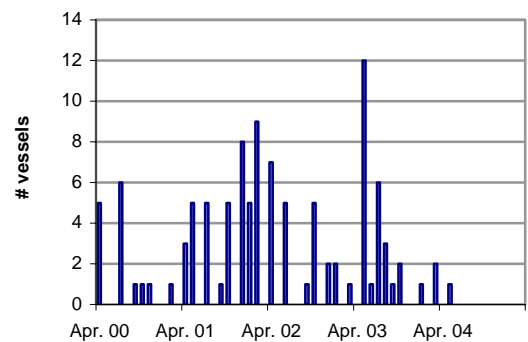
Transactions

No transactions this week.

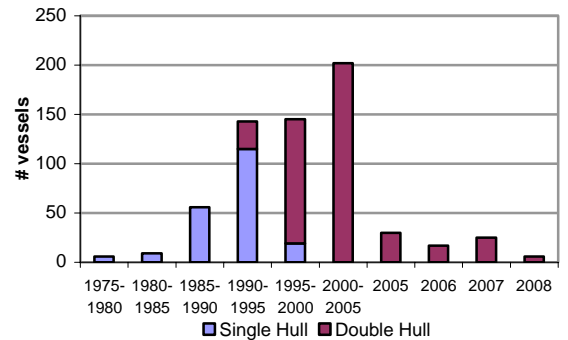
Demolition prices (VLCC, China)



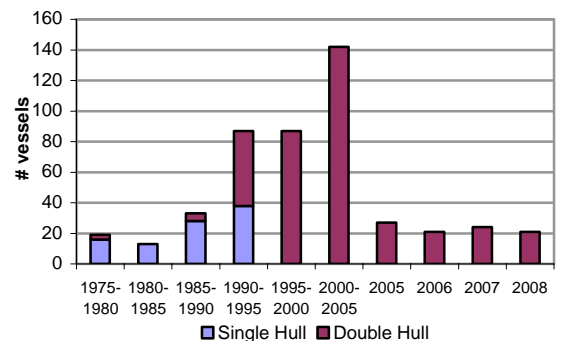
VLCCs sold for demolition



VLCC fleet – Age distribution



Suezmax fleet – Age distribution



Research

Oil prices continue to power ahead to new all-time highs. This time, however, the focus is not on price speculators but the risk of genuine supply shortfalls next winter. Estimates on Q4 oil demand currently run in the 86-87 mbd range, an increase of 1.5 to 2 mbd from the record high Q4 04 level. A volume of this magnitude will stretch the world's petroleum supply infrastructure to the max. Opec's surprising turnaround this week must be seen in this context. Only by acting even earlier than last year can a short squeeze be avoided. Therefore we are also quite convinced that there will be a de facto increase in oil production in coming weeks. For the tanker market, this means more demand and thus an abrupt end to the traditional low season. We have raised our '05 VLCC rate estimates to \$90,000/day from (80').

Key market drivers

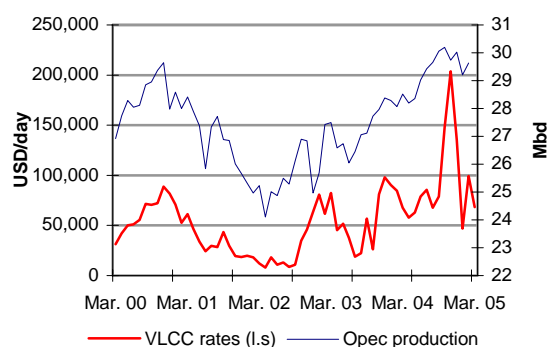
	2002	2003	2004P	2005E
World oil demand (%)	+0.8 %	+2.4 %	+3.4 %	+1.8 %
USA	+0.6 %	+1.4 %	+2.4 %	+0.9 %
Europe	-0.1 %	+1.2 %	+1.5 %	+0.5 %
China	+6.3 %	+11.0 %	+15.6 %	+6.3 %
Japan	-1.7 %	+2.2 %	-2.7 %	-1.7 %
Opec production (mbd)	26.3	27.2	29.0	29.6
FSU production (mbd)	9.4	10.3	11.2	11.7
Fleet statistics	Current	2004P	2005E	2006E
VLCC fleet (# vessels)	441			
Orderbook	84			
Deliveries		30	30	17
Suezmax fleet (# vessels)	309			
Orderbook	78			
Deliveries		27	27	21

Average earnings

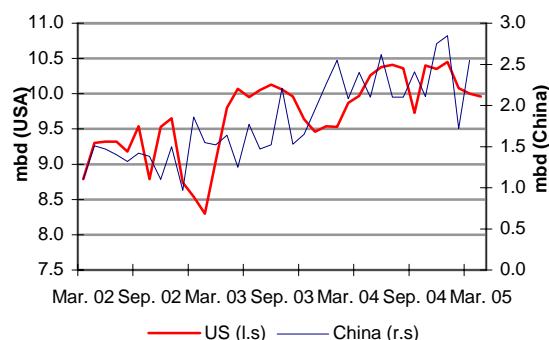
	2003	2004	2005 YTD
VLCC, MEG – Korea	56,233	97,657	66,718
Suezmax, Bonny – Phila.	39,619	65,965	52,231
Aframax, TEES – R.dam	42,127	61,800	56,387

Source: IEA, DoE, Bassøe

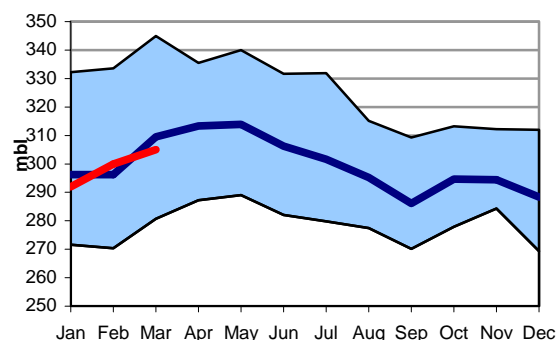
VLCC rates vs. Opec production



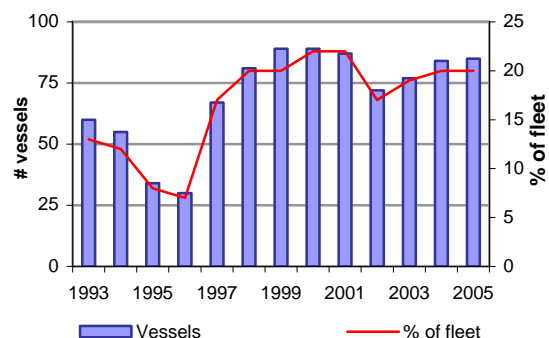
Crude oil imports



Crude oil inventories - USA



VLCC orderbook



BROKERS OF P. F. BASSØE AS

	AOH (+47)	Mobile (+47)
Gerhard N. Dahl - President	22 95 19 94	91 16 42 35
Einar B. Danbolt - Managing Director	22 44 62 81	92 05 08 08
SALE & PURCHASE / NEWBUILDING / PROJECT	22 01 08 25	
Richard Fuglesang	67 53 48 87	90 77 57 59
Herman Marcussen	22 49 59 90	91 34 00 97
Petter A. Thorendahl	22 44 63 83	90 12 33 06
FREIGHT DERIVATIVES	22 01 08 50	
Kristian Thunes	22 59 27 05	91 58 14 57
Nils Andreas Arnesen	22 43 05 25	90 18 46 49
Alf Fjetland	92 63 44 95	92 63 44 95
Fredrik Sagen Andersen	41 23 30 29	41 23 30 29
TANKER CHARTERING	22 01 08 20	
Gerhard N. Dahl	22 95 19 94	91 16 42 35
Svein Andersen	22 55 43 22	91 17 78 93
Morten Austvold	64 86 78 11	91 70 50 31
Halvor Ellefsen	22 23 11 62	90 01 08 20
Vegard B. Eriksen	32 13 55 91	95 72 52 10
Lars Irgens	22 49 32 72	90 60 13 99
Frederik Mathiesen	21 90 58 88	95 93 37 63
Bjørn-Erik Løkken	22 92 14 74	90 18 80 44
Morten Røine	67 59 11 11	90 61 44 72
CLEAN	22 01 08 80	
Tom Ranum	67 12 01 01	90 69 72 10
Knut Ebbesen	22 49 16 95	90 11 09 15
Inge Wallentin	22 73 27 20	90 89 99 28
David Sand	66 82 01 05	90 14 34 31
OPERATION	22 01 08 30	
Gustav Myreng	67 14 92 37	90 12 19 47
Øystein Heggen	67 12 46 51	90 12 19 46
Åge Johnny Haug	69 88 56 80	90 03 55 40
Sebastian Venjar	98 62 41 50	98 62 41 50
RESEARCH	22 01 09 06	
Ole-Rikard Hammer	66 90 49 91	97 54 06 82

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