

# Bassøe Friday Report

Week 20 – 20.05.2005

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Nr 20. Vol 28

## Tanker chartering – Crude

### Market comments

A very active week in the VLCC market but with owners getting the short end of the stick. High availability of single hull tonnage continues to put pressure on the market, and caused rates to extend last week's losses. Current levels are evidently attractive for charterers with some 35 fixtures having been completed. Tonnage availability shrank last week but remains relatively high. Continued strong activity thus is a prerequisite if owners are shifting the balance back in their favor. Suezmax rates are also lower but remain very high relative to their VLCC brethren. Activity has been slow, however, and current market sentiment favors further declines. The same goes for Aframax; levels are high but weakening in all areas except the Baltic.

VLCC (DH)		Current trend: <b>Weak</b>		
Route	WS today	Last week	USD/day	
270' MEG – Korea	57.5	72.5	19,669	
275' MEG – UKC	57.5	72.5	26,368	
260' Bonny – LOOP	87.5	90.0	45,649	

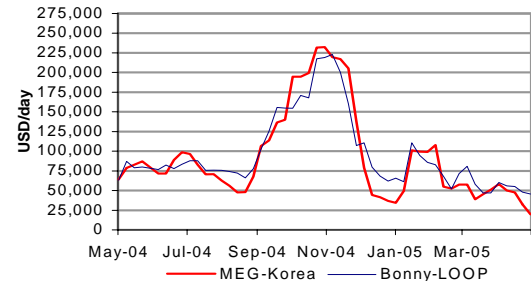
Suezmax		Current trend: <b>Slow</b>		
Route	WS today	Last week	USD/day	
130' Bonny – Phila.	140.0	157.5	39,843	
130' MAF – Ningpo	95.0	110.0	19,551	
135' Novo – Augusta	160.0	167.0	65,508	

Aframax		Current trend: <b>Slow</b>		
Route	WS today	Last week	USD/day	
80' TEES – R.dam	185.0	200.0	70,940	
70' PLC – Texas	210.0	255.0	32,666	
80' MEG – Singapore	140.0	140.0	20,991	

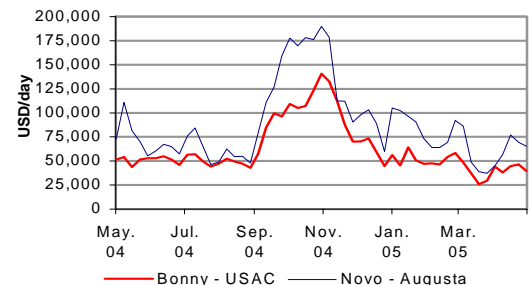
VLCC availability in MEG (# vessels)		
	Single hull	Double hull
Spot	1	0
Next 30 days	34	17

Bunkers (USD/mt)			
	Fujairah		Rotterdam
	263		230

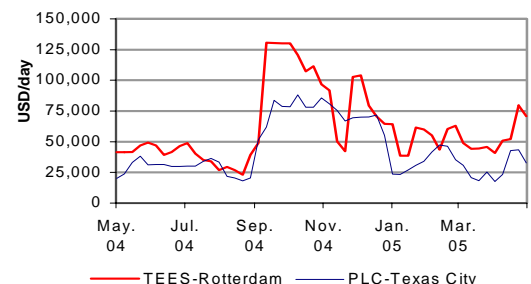
### VLCC earnings



### Suezmax earnings

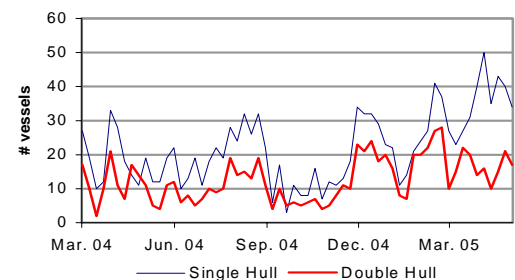


### Aframax earnings



### VLCC availability in MEG

# vessels next 30 days ex. FRO and TI



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# Tanker chartering – Clean

## Market Comment

Whilst the rates East of Suez is dropping in all segments, the western hemisphere is steady and rates slowly improving.

Market assessment – MR			
Route	WS today	Last week	USD/day
30' Spore - Japan	237.5	260.0	
37' Cont. - US	300.0	285.0	
38' Car. - USAC	245.0	240.0	18,406

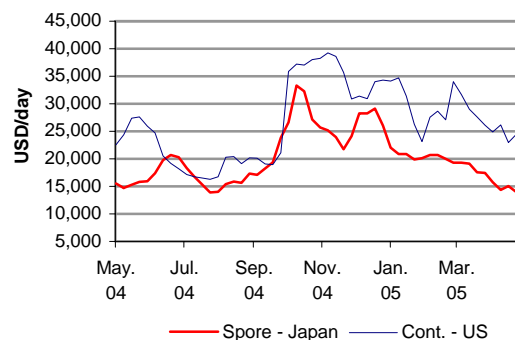
Market assessment – LR			
Route	WS today	Last week	USD/day
55' MEG – Japan	195.0	220.0	20,920
75' MEG – Japan	175.0	180.0	

## Freight derivatives

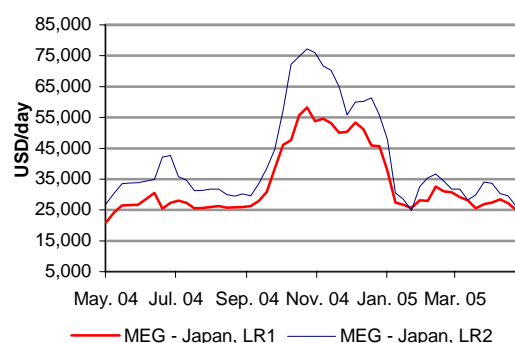
All routes slashed off several points both on the front month and along the curve. Crude routes on the back of falling physical markets, while TC2 actually saw improving rates. Eastern clean rates are all falling, and the paper following suit.

Weekly change in key FFA contracts					
Jun	Jul	Q3	Q4	Q1'06	CAL06
<b>TD3 MEG-Japan, 250' dwt</b>					
64.0	71.0	73.0	106.0	96.0	85.0
-16.0	-	-17.0	-11.5	-17.0	-12.0
<b>TD 5 West Africa – USAC, 130' dwt</b>					
130.0	120.0	115.0	147.5	146.0	130.0
-7.5	-	-18.0	-15.5	-7.0	-7.0
<b>TD 7, North Sea, UKC, 80' dwt</b>					
150.0	128.0	124.0	156.0	148.0	135.0
-7.5	-	-9.0	-9.0	-3.0	-4.0
<b>TC 2 Cont-USAC, 37' dwt</b>					
270.0	253.0	242.5	285.0	275.0	242.5
-8.0	-	-8.5	0.0	0.0	-2.5
<b>TC 4, Spore-Japan, 30' dwt</b>					
237.0	247.5	260.0	285.0	285.0	252.5
-18.0	-	-5.0	-5.0	0.0	-7.5

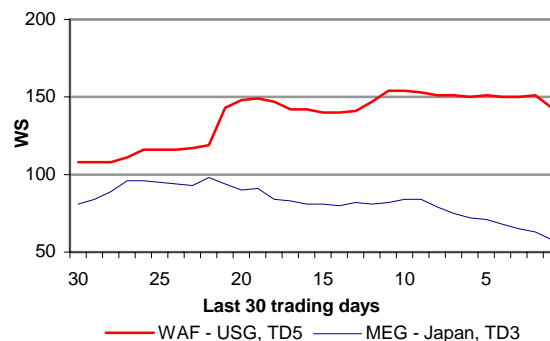
MR earnings



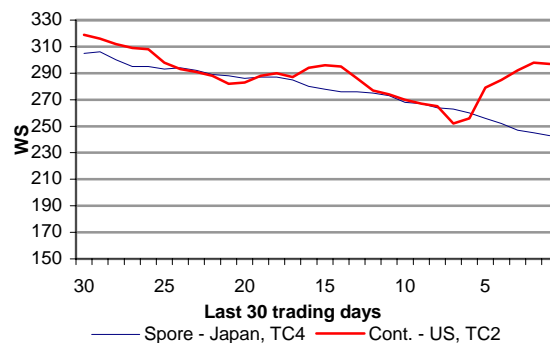
LR earnings



BITR rates, crude



BITR rates, clean



## Sale and purchase

### Market comment

After longwinded negotiations Frontline this week succeeded in selling three single hull suezmaxes to Ocean Tankers. The price of some USD 92 mill en bloc is in line with market expectations. The two more modern double hull suezmaxes "Sea Star" and "Spetses" built 96 was bought by Hellespont for USD 68,5 and 69,3 mill respectively against 8 years time charter to Sanko at region USD 33,400/day.

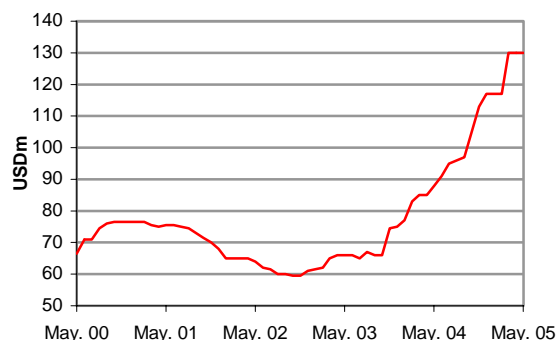
Apart from the above the market in general is quiet while waiting for freight rates to pick up. We notice there is a steady flow of single hull tanker being mentioned for sale and in some categories the values are under pressure.

The larger deals are also missing from the dry sector, but turnover is steady although some of the steam has evaporated.

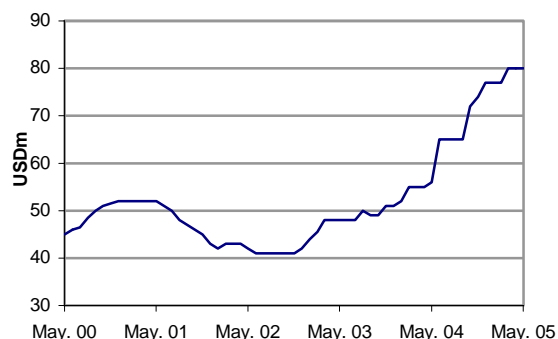
### Second hand values

Vessel /USDm	Latest	1 mth	2 mth	3 mth	12 mth
300' D/D 3 yrs	130.0	130.0	130.0	117.0	88.0
300' D/D 10	100.0	100.0	100.0	87.0	60.0
280' S/S 1990	58.0	60.0	58.0	58.0	36.0
150' D/D 3 yrs	80.0	80.0	80.0	77.0	56.0
150' D/D 10	67.0	67.0	67.0	63.0	46.0
140' S/S 1990	29.0	30.0	30.0	32.0	21.0
105' D/D 3 yrs	65.0	65.0	65.0	63.0	49.0
95' D/D 10yrs	47.0	47.0	47.0	46.0	33.0
95' S/S 1990	23.0	25.0	22.0	25.0	18.0
70' D/D 3 yrs	48.0	47.0	47.0	45.0	37.0
47' D/D 3 yrs	45.0	46.0	45.0	44.0	36.0
45' D/D 10 yrs	33.0	32.0	32.0	32.0	23.0
40' S/S 1990	16.0	16.0	16.0	17.0	15.0

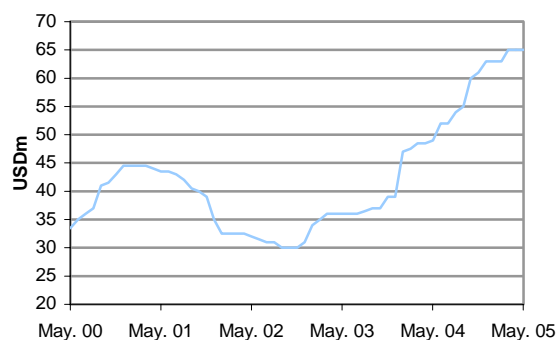
VLCC – 3 year old



Suezmax – 3 year old



Aframax – 3 year old



## S&P Transactions

### Tankers

M/T "SEA STAR" - 148,435 TDW, BUILT 1996 MITSUI CHIBA ICHIHARA (DOUBLE HULL, COILED) AND M/T "SPETSES" - 147,916 TDW, BUILT 1996 SAMSUNG HI (DOUBLE HULL, COILED) SOLD REGION USD 68.5/69 MILL EACH TO PAPACHRISTIDIS.

M/T "FRONT SPIRIT" - 147,273 TDW, BUILT 1993 AESA PUERTO REAL (SINGLE HULL, COILED),

M/T "FRONT EMPEROR" - 147,253 TDW, BUILT 1992 AESA PUERTO REAL (SINGLE HULL, COILED),

AND M/T "FRONT LILLO" - 147,253 TDW, BUILT 1991 ESPANOLES PUERTO REAL (SINGLE HULL, COILED) SOLD ENBLOC USD 92 MILL TO OCEAN TANKERS.

M/T "KRITI ROCK" - 97,543 TDW, BUILT 1979 HYUNDAI HI (COILED) SOLD USD 9 MILL TO ROMANIAN BUYERS.

M/T "NORTHSEA ANVIL" - 69,500 TDW, BUILT 1990 B&W (DOUBLE HULL) SOLD USD 32 MILL TO UNDISCLOSED BUYERS. THE PURCHASE INCLUDES 7 YEARS BB, RESULTING IN A NPV EQUAL TO USD 30 MILL

M/T "STAVANGER BREEZE" - 37,000 TDW, BUILT 1985 ONOMICHI (DOUBLE SIDES, COATED) SOLD USD 14 MILL NET TO UNDISCLOSED BUYERS.

M/T "ALIAKMON" - 33,235 TDW, BUILT 1982 SUMITOMO HI OPPAMA (DOUBLE HULL) SOLD HIGH USD 8 MILL TO UNDISCLOSED BUYERS.

M/T "ALCUDIA" - 15,456 TDW, BUILT 1980 ESPANOLES SEVILLA (COILED) SOLD USD 3.2 MILL TO SPANISH BUYERS.

M/T "BURCE S" - 5,841 TDW, BUILT 2003 SAHIN CELIK TUZLA (DOUBLE HULL, COILED , IMO2) SOLD EUR 13.5 MILL TO UNDISCLOSED BUYERS.

### Bulkers

M/S "ANTONIS P" - 75,864 TDW, BUILT 1984 MITSUBISHI NAGASAKI SOLD USD 19.5 MILL TO PREMUDA, ITALY.

M/S "MARGARITA M" - 25,525 TDW, BUILT 1985 IMABARI IMABARI (CR 3X25T) SOLD USD 11.5 MILL TO SYRIAN BUYERS

M/S "WOODY QUEEN" - 8,747 TDW, BUILT 1997 HIGAKI (CR 3X25T) SOLD USD 9.8 MILL TO UNDISCLOSED BUYERS.

## Demolition

The negative trend in the demo market continues. As market stay soft and prices continue to slide, prospective sellers are postponing hoping for the sentiment to turn. This is the annual low point of the scrap market with monsoon season, the upcoming budget in Bangladesh and now also influenced by weaker steel plate prices. Hence we expect the market to stay nervous in the weeks ahead.

Demolition volume		
# vessels	YTD	Year ago
VLCC	-	4
Suezmax	2	8
Aframax	15	10

Demolition prices (tankers, USD/ldwt)			
China	India	Pakistan	Bangladesh
365	370	370	390

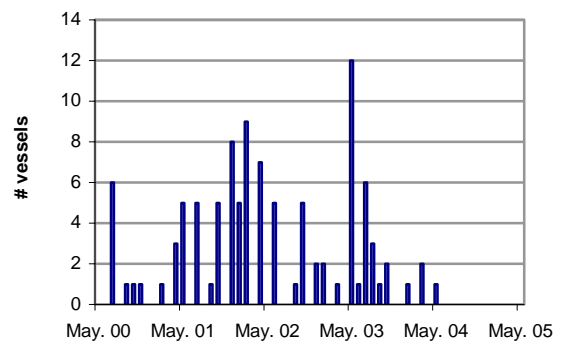
## Transactions

M/T "OCEAN SUCCESS" - 113,096 TDW,  
BUILT 1976 MITSUBISHI HIROSHIM SOLD  
USD 390 TO BANGLADESH

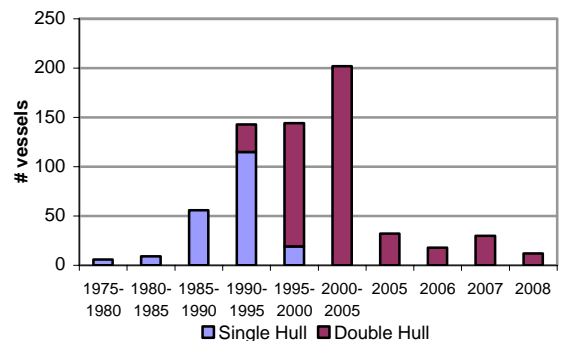
Demolition prices (VLCC, Bangladesh)



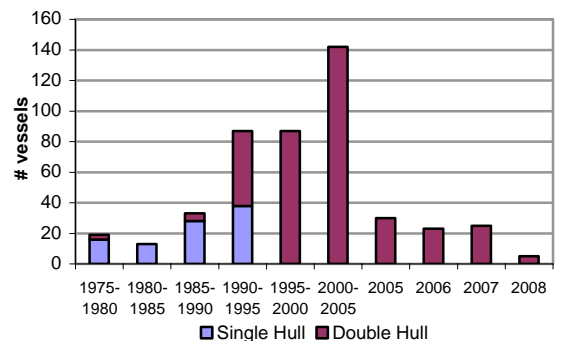
VLCCs sold for demolition



VLCC fleet – Age distribution



Suezmax fleet – Age distribution



## Research

The new threat on the tanker market horizon is the possibility of a production cut from Opec. A further drop in the price from here is likely to move the issue up on the agenda. Two bearish assumptions are currently dominating market thinking. The rise in US crude oil stocks and weaker Chinese demand. The weakness in both of these parameters is being overstated in our view, however. The rise in US crude stocks is heavily influenced by conspicuously weak demand from US refiners. The overall inventory position is looking significantly better than for crude, and refinery runs will have to rise to meet summer demand of products. In China, a big drop in Q1 imports is more likely to reflect an inventory draw than a sharp drop in demand. Imports have been on a rising trend since February (April was up 22% y/y). Solid macro figures indicate that underlying demand remains robust. Crude oil fundamentals are thus likely to have begun to tighten in other words, a process that should be good news for tanker demand as well.

### Key market drivers

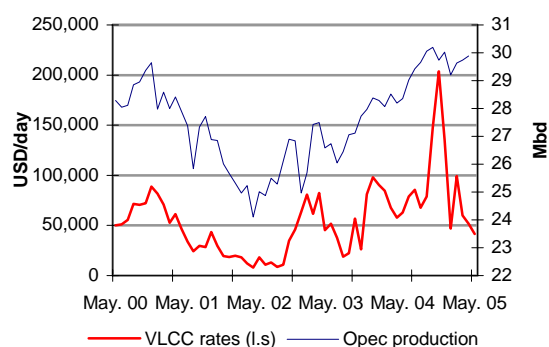
	2002	2003	2004P	2005E
World oil demand (%)	+0.8 %	+2.4 %	+3.5 %	+2.2 %
USA	+0.6 %	+1.4 %	+2.4 %	+1.3%
Europe	-0.1 %	+1.2 %	+1.6%	+2.8%
China	+6.3 %	+11.0%	+15.6%	+7.4%
Japan	-1.7 %	+2.2 %	-2.7 %	0.0%
Opec production (mbd)	26.3	27.2	29.0	29.9
FSU production (mbd)	9.4	10.3	11.2	11.7
<b>Fleet statistics</b>	<b>Current</b>	<b>2005P</b>	<b>2006E</b>	<b>2007E</b>
VLCC fleet (# vessels)	454			
Orderbook	83			
Deliveries		32	18	30
Suezmax fleet (# vessels)	316			
Orderbook	77			
Deliveries		30	23	25

### Average earnings

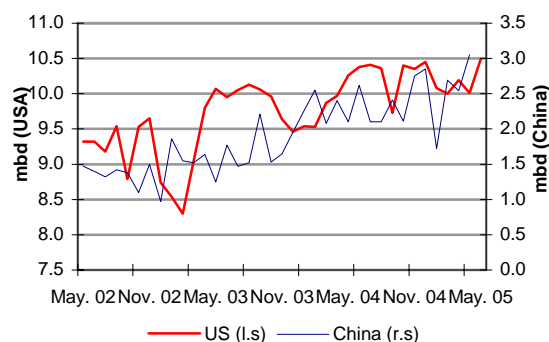
	2003	2004	2005 YTD
VLCC, MEG – Korea	56,233	97,657	56,709
Suezmax, Bonny – Phila.	39,619	65,965	46,440
Aframax, TEES – R.dam	42,127	61,800	54,875

Source: IEA, DoE, Bassøe

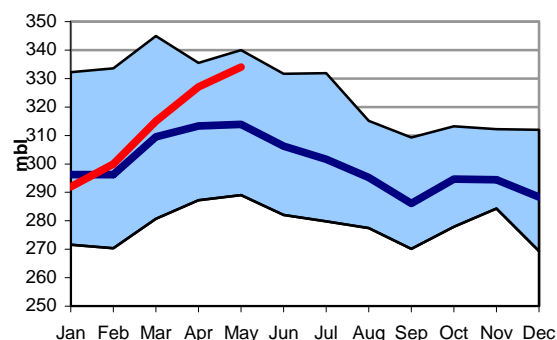
### VLCC rates vs. Opec production



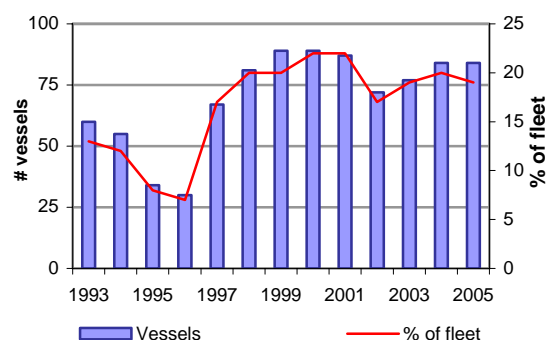
### Crude oil imports



### Crude oil inventories - USA



### VLCC orderbook



## BROKERS OF P. F. BASSØE AS

	<b>AOH (+47)</b>	<b>Mobile (+47)</b>
Gerhard N. Dahl - President	22 95 19 94	91 16 42 35
Ole-Rikard Hammer - Managing Director	66 90 49 91	97 54 06 82
<b>SALE &amp; PURCHASE / NEWBUILDING / PROJECT</b>	<b>22 01 08 25</b>	
Herman Marcussen	22 49 59 90	91 34 00 97
Petter A. Thorendahl	22 44 63 83	90 12 33 06
<b>FREIGHT DERIVATIVES</b>	<b>22 01 08 50</b>	
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
<b>TANKER CHARTERING</b>	<b>22 01 08 20</b>	
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
Bjørn-Erik Løkken	22 92 14 74	90 18 80 44
Morten Røine	67 59 11 11	90 61 44 72
Sebastian Venjar	98 62 41 50	98 62 41 50
<b>CLEAN</b>	<b>22 01 08 80</b>	
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
<b>OPERATION</b>	<b>22 01 08 30</b>	
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
<b>RESEARCH</b>	<b>22 01 09 06</b>	
Ole-Rikard Hammer	66 90 49 91	97 54 06 82
Lars Kalbakken	67 12 42 12	90 02 25 25

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