

Bassøe Friday Report

Week 21 – 27.05.2005

www.pfbassoe.no

Nr 21. Vol 28

Tanker chartering – Crude

Market comments

The bottom appears to have been hit in the VLCC market. Rates slumped into the low WS 50s early in the week, but reversed soon thereafter, as owners were not interested in pursuing the lower levels. With several cargoes uncovered, charterers had to move instead and rates have staged a modest rebound. The number of available vessels re-mains relatively high, however, and activity must thus continue the upswing if recent gains are to stick. Suez-maxes have followed a similar pattern and are also closing on a firming note after low rates enticed charterers to switch from VLCCs. Aframaxes have had a slow week in general and rates are weakening in the Western hemisphere but steady east of Suez.

VLCC (DH)		Current trend: Firmer		
Route	WS today	Last week	USD/day	
270' MEG – Korea	65.0	57.5	26,354	
275' MEG – UKC	65.0	57.5	34,598	
260' Bonny – LOOP	95.0	87.5	51,836	

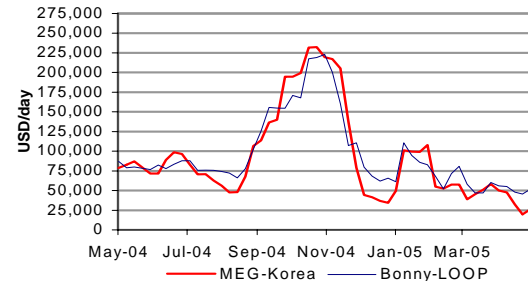
Suezmax		Current trend: Firmer		
Route	WS today	Last week	USD/day	
130' Bonny – Phila.	120.0	140.0	31,389	
130' MAF – Ningpo	95.0	95.0	19,974	
135' Novo – Augusta	135.0	160.0	51,549	

Aframax		Current trend: Slow		
Route	WS today	Last week	USD/day	
80' TEES – R.dam	150.0	185.0	51,190	
70' PLC – Texas	200.0	210.0	30,366	
80' MEG – Singapore	150.0	140.0	23,482	

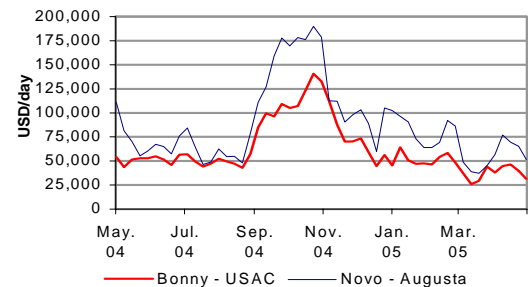
VLCC availability in MEG (# vessels)		
	Single hull	Double hull
Spot	3	0
Next 30 days	34	15

Bunkers (USD/mt)			
Fujairah	255	Rotterdam	223

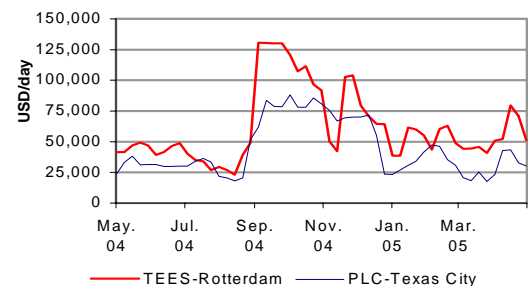
VLCC earnings



Suezmax earnings

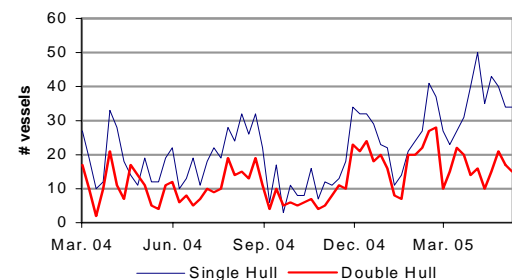


Aframax earnings



VLCC availability in MEG

vessels next 30 days ex. FRO and TI



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Tanker chartering – Clean

Market Comment

Shorthauling in Europe firm up and the handyrates are on the move. The MR availability in the Med is tight and Med/US pays better than Cont/US. LR1 and 2 is soft and MR Sing/Japan continues down.

Market assessment – MR

Route	WS today	Last week	USD/day
30' Spore - Japan	227.5	237.5	10,559
37' Cont. - US	275.0	300.0	23,468
38' Car. - USAC	235.0	245.0	17,209

Market assessment – LR

Route	WS today	Last week	USD/day
55' MEG – Japan	185.0	195.0	19,585
75' MEG – Japan	175.0	175.0	25,025

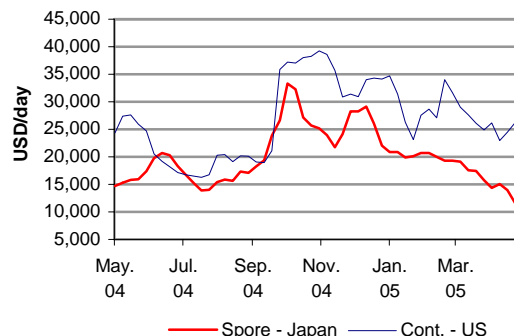
Freight derivatives

TD3 firmed up was anticipated towards the end of last week. Trading has been steady with a firming tendency but the week is ending in a profit-taking mode. Suezmaxes started weak but moved up as the physical market turned. The clean markets still appear to be trending down.

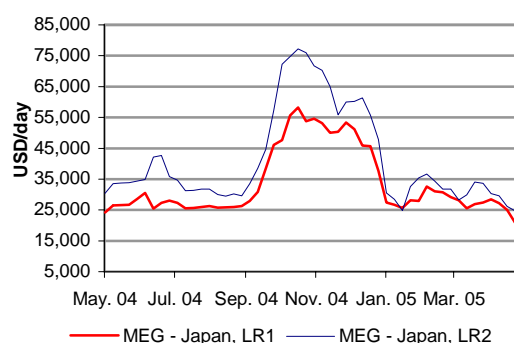
Weekly change in key FFA contracts

Jun	Jul	Q3	Q4	Q1'06	CAL06
TD3 MEG-Japan, 250' dwt					
77.0	80.0	84.0	115.0	104.0	87.5
13.0	9.0	11.0	9.0	8.0	2.5
TD 5 West Africa – USAC, 130' dwt					
130.0	132.5	132.0	160.0	147.5	133.0
0.0	12.5	17.0	12.5	1.5	3.0
TD 7, North Sea, UKC, 80' dwt					
143.0	125.0	123.0	156.0	148.0	133.0
-7.0	-3.0	-1.0	0.0	0.0	-2.0
TC 2 Cont-USAC, 37' dwt					
260.0	250.0	242.5	285.0	280.0	236.0
-10.0	-3.0	0.0	0.0	5.0	-6.5
TC 4, Spore-Japan, 30' dwt					
230.0	235.0	250.0	280.0	285.0	252.5
-7.0	-12.5	-10.0	-5.0	0.0	0.0

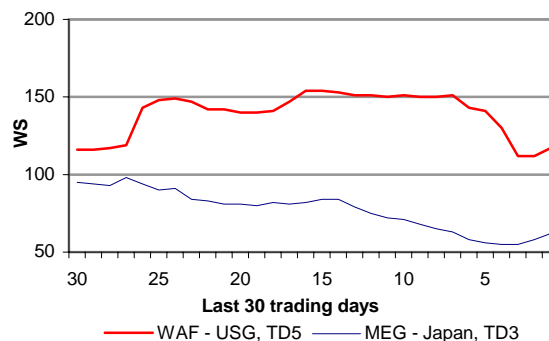
MR earnings



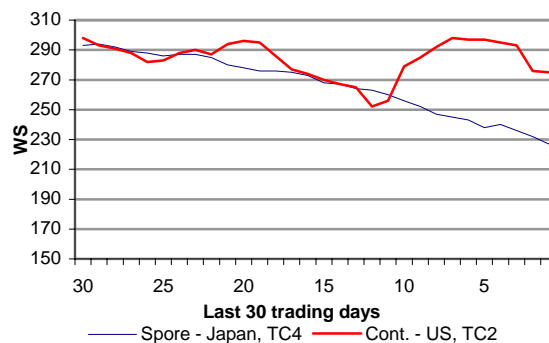
LR earnings



BITR rates, crude



BITR rates, clean



Sale and purchase

Market comment

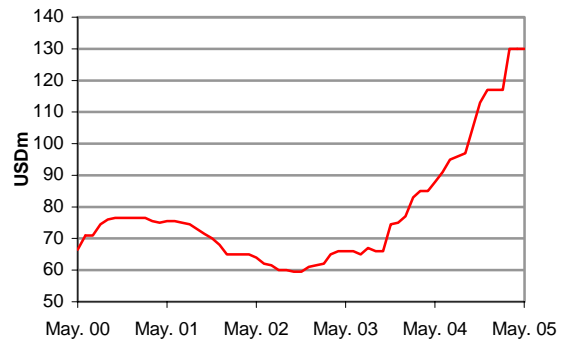
The tanker market has been quiet this week, and few sales are reported. The inactivity can be seen as a result of the weaker spot market during the last couple of weeks.

We understand the sale of M/T Sanko Brave and Sanko Bright was concluded some time ago.

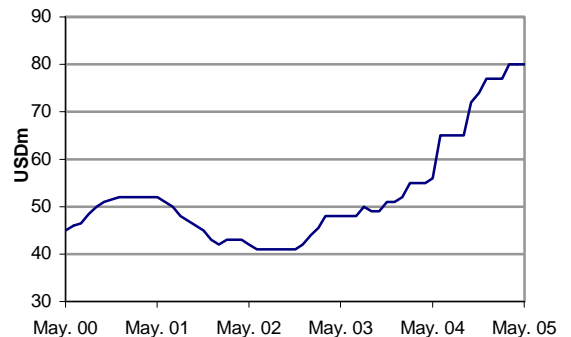
Second hand values

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

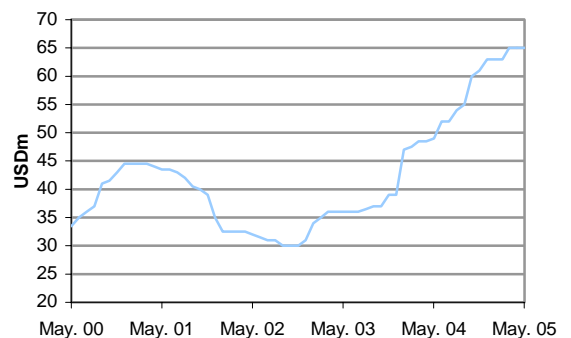
VLCC – 3 year old



Suezmax – 3 year old



Aframax – 3 year old



S&P Transactions

Tankers

M/T "SANKO BRAVE"/ "SANKO BRIGHT" - 103,735 / 104,075 TDW, BUILT 2003 SUMITOMO (DOUBLE HULL) SOLD USD 52/53 MILL EACH TO MINERVA, GREECE, INCLUDING 7+1 YEARS BB BACK AT USD 12,900 PER DAY FOR FIRST SEVEN AND USD 12,800 FOR OPTION.

Bulkers

M/S "CLAUDIA" - 152,065 TDW, BUILT 1989 MITSUI CHIBA ICHIHARA REPORTEDLY SOLD USD 34 MILL, BUT UNDERSTAND USD 38 MILL TO TRANSMED.

M/S "TALISMAN" - 73,670 TDW, BUILT 1993 HYUNDAI HI SOLD USD 33 MILL TO UNDISCLOSED BUYERS.

M/S "NAVIGATOR 1" - 33,132 TDW, BUILT 1976 KANASASHI ZOSEN TOYOHA (DR 5X15T) SOLD USD 5.35 MILL TO CHINESE BUYERS.

M/S "J. PEACE" / "JOY VICTORY" - 28,415 TDW, BUILT 1997/1996 IMABARI MARUGAME (CR 4X30.5T) SOLD USD 49 MILL ENBLOC TO PRECIOUS

M/S "REFIOGLU" - 25,694 TDW, BUILT 1985 IMABARI (CR 3X25T) SOLD USD 11.5 MILL TO SAMIN SHIPPING, SYRIA.

Demolition

The market for demolition remains unstable due to uncertainty in the steel market, and the shortage of dollars in the Bangladesh cash market. Levels are still highest in Bangladesh due to the upcoming budget.

M/T Brotojoyo was concluded last week.

Demolition volume		
# vessels	YTD	Year ago
VLCC	-	4
Suezmax	2	8
Aframax	16	10

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

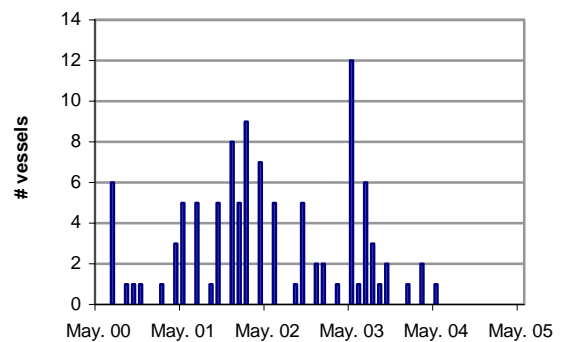
Transactions

M/T "BROTOJOYO" - 89,032 TDW, BUILT 1981
 ISHIKAWAJIMA AIOI SOLD "AS IS"
 SINGAPORE FOR USD 385 TO BANGLADESH

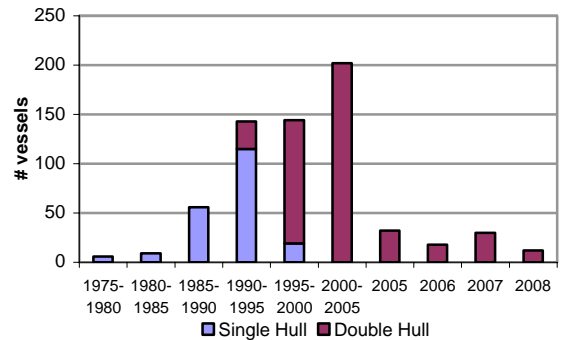
Demolition prices (VLCC, Bangladesh)



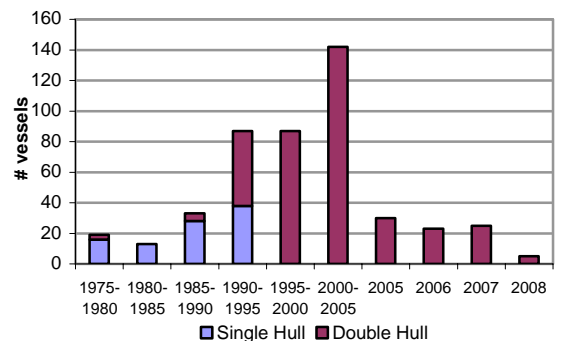
VLCCs sold for demolition



VLCC fleet – Age distribution



Suezmax fleet – Age distribution



Research

Smaller is better has been the word in the tanker market this year, where product carrier earnings are outperforming the crude brethren. Product earnings are ahead of last year while VLCCs are languishing some 20% behind. The differing fortunes reflect the changes seen in refining behavior this year. The unusually long maintenance period in the US has caused a 20% (0.5 mbd) jump in product imports (y/y) during the normally slow Q2. China, on the other hand, has not been a supporter of product trades this year, with Q1 imports running 20% down on last year. It remains to be seen if this reflects a stockdraw or slower domestic demand. It had better be the former, because with refinery output now moving up in the US, high imports may be more difficult to sustain. Stronger demand is thus needed. Much will depend on the strength of the US driving season, kicking off this weekend. It looks like “Gentlemen, start your engines” will be the slogan in for product owners coming months.

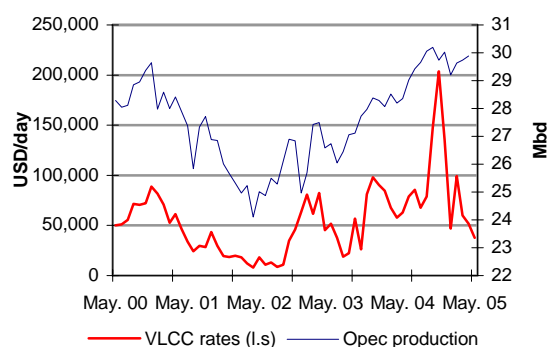
Key market drivers

	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
Fleet statistics	Current	2005P	2006E	2007E
VLCC fleet (# vessels)	454			
Orderbook	83			
Deliveries		32	18	30
Suezmax fleet (# vessels)	316			
Orderbook	77			
Deliveries		30	23	25

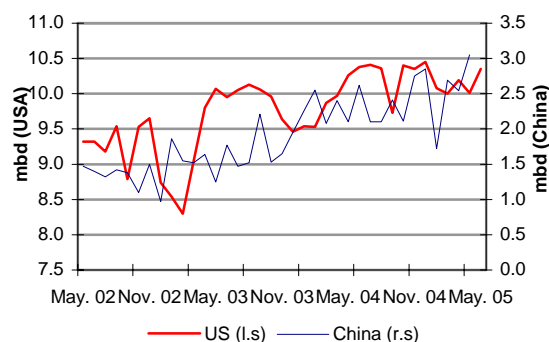
Average earnings	2003	2004	2005 YTD
VLCC, MEG – Korea	56,233	97,657	55,264
Suezmax, Bonny – Phila.	39,619	65,965	45,723
Aframax, TEES – R.dam	42,127	61,800	54,700

Source: IEA, DoE, Bassøe

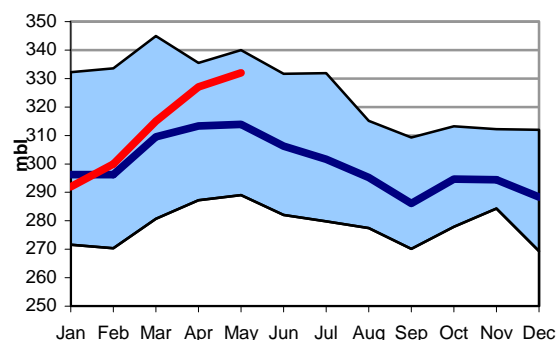
VLCC rates vs. Opec production



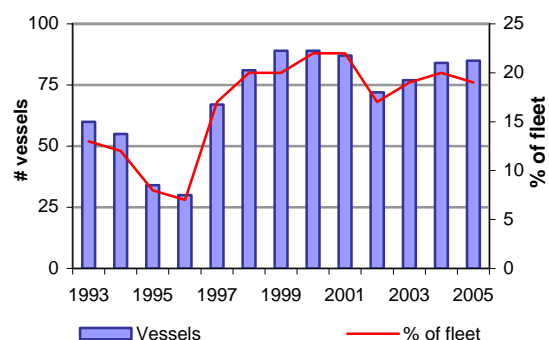
Crude oil imports



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
Ole-Rikard Hammer - Managing Director	66 90 49 91	97 54 06 82
SALE & PURCHASE / NEWBUILDING / PROJECT	22 01 08 25	
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
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
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
RESEARCH	22 01 09 06	
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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