

# Bassøe Friday Report

Week 22 – 03.06.2005

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Nr 22. Vol 28

## Tanker chartering – Crude

### Market comments

A holiday-shortened week has led to slow activity in the VLCC market and a modest drop in rates from last week. The June cargo program appears to be mostly complete and with continued high availability of single hulls, charterers are in control ahead of July stems. A far different situation has emerged in the Atlantic, where tonnage is scarce and high rates have moved even higher. Suezmaxes enjoyed a nice rebound from last week due to high activity and a squeeze on near-term positions. The situation appears to be softening up a bit as the week ends, however. Aframaxes are on balance lower, led by a sharp drop in the Caribs. A rebound in Med rates is the most positive factor.

VLCC (DH)		Current trend: <b>Slow</b>		
Route	WS today	Last week	USD/day	
270' MEG – Korea	62.5	65.0	23,823	
275' MEG – UKC	60.0	65.0	29,052	
260' Bonny – LOOP	102.5	95.0	58,385	

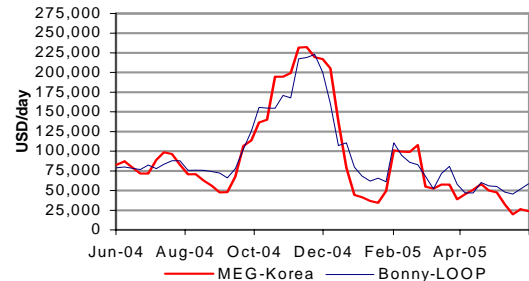
Suezmax		Current trend: <b>Flat</b>		
Route	WS today	Last week	USD/day	
130' Bonny – Phila.	145.0	120.0	41,837	
130' MAF – Ningpo	95.0	95.0	19,657	
135' Novo – Augusta	135.0	135.0	51,230	

Aframax		Current trend: <b>Slow</b>		
Route	WS today	Last week	USD/day	
80' TEES – R.dam	132.5	150.0	40,807	
70' PLC – Texas	155.0	200.0	20,037	
80' MEG – Singapore	160.0	150.0	25,512	

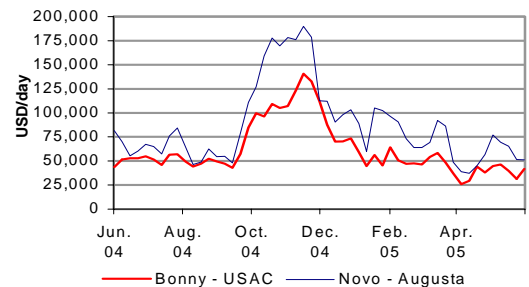
VLCC availability in MEG (# vessels)		
	Single hull	Double hull
Spot	3	0
Next 30 days	41	14

Bunkers (USD/mt)			
Fujairah	261	Rotterdam	236

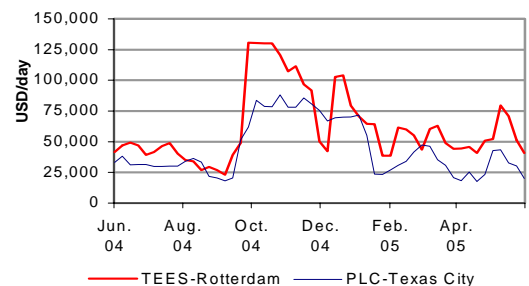
### VLCC earnings



### Suezmax earnings

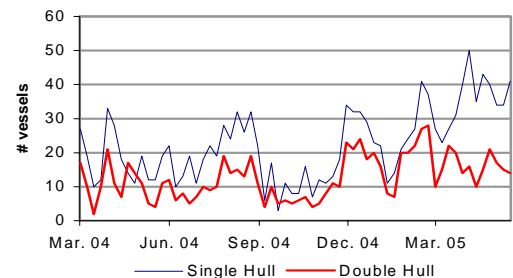


### Aframax earnings



### VLCC availability in MEG

# vessels next 30 days ex. FRO and TI



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# Tanker chartering – Clean

## Market Comment

The bears seem to win this week’s transatlantic battle. 38 is rumored done at W260 and older tonnage with few approvals are tempted basis 37 at the sale level. LR1 Meg/Japan moved slowly down through the week whilst MR Sing/Japan took a beating.

### Market assessment – MR

Route	WS today	Last week	USD/day
30’ Spore - Japan	212.5	227.5	8,795
37’ Cont. - US	270.0	275.0	22,488
38’ Car. - USAC	227.5	235.0	16,423

### Market assessment – LR

Route	WS today	Last week	USD/day
55’ MEG – Japan	182.5	185.0	19,027
75’ MEG – Japan	175.0	175.0	24,787

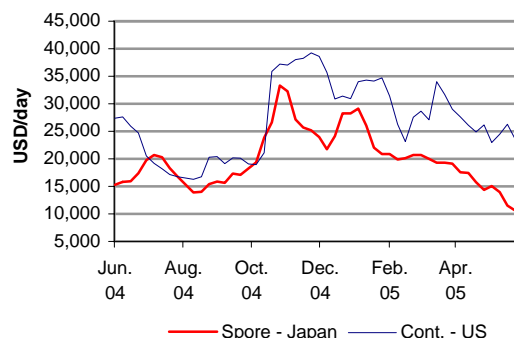
## Freight derivatives

The revival of TD3 was halted by 50s fixtures entering the market, and subsequently the market lost confidence causing a drop along the curve. TD5 made a short visit to lower areas, but jumped right up to level out flat. TD7 has been holding strong even though the physicals have weakened. TC2 is mixed, but weaker - and the eastern clean markets have leveled out.

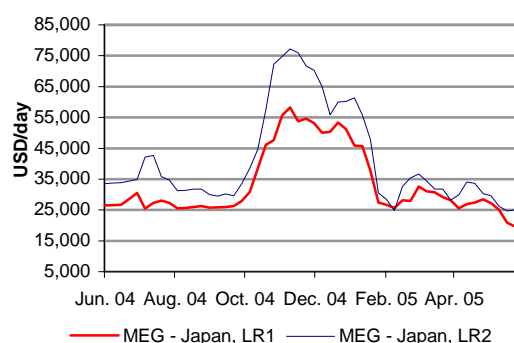
### Weekly change in key FFA contracts

Jun	Jul	Q3	Q4	Q1’06	CAL06
<b>TD3 MEG-Japan, 250’ dwt</b>					
65.0	78.0	82.0	108.0	102.0	86.0
-12.0	-2.0	-2.0	-7.0	-2.0	-1.5
<b>TD 5 West Africa – USAC, 130’ dwt</b>					
134.0	130.0	128.0	157.5	148.0	132.0
4.0	-2.5	-4.0	-2.5	-0.5	-1.0
<b>TD 7, North Sea, UKC, 80’ dwt</b>					
140.0	125.0	123.0	156.0	150.0	135.0
-3.0	0.0	0.0	0.0	2.0	2.0
<b>TC 2 Cont-USAC, 37’ dwt</b>					
260.0	245.0	237.5	280.0	275.0	238.0
0.0	-5.0	-5.0	-5.0	-5.0	2.0
<b>TC 4, Spore-Japan, 30’ dwt</b>					
222.5	235.0	250.0	280.0	275.0	247.5
-7.5	0.0	0.0	0.0	-10.0	-5.0

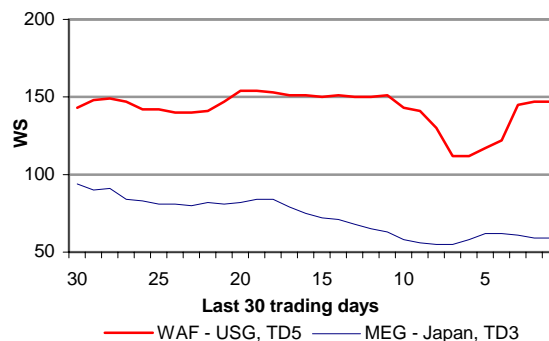
MR earnings



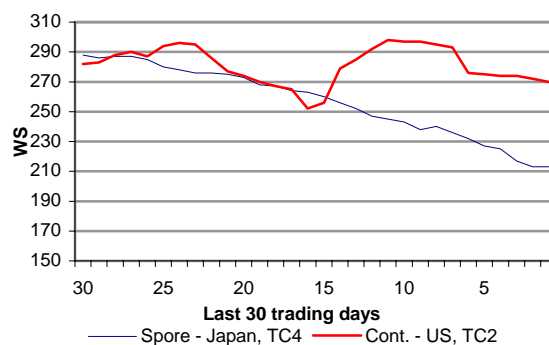
LR earnings



BITR rates, crude



BITR rates, clean



## Sale and purchase

### Market comment

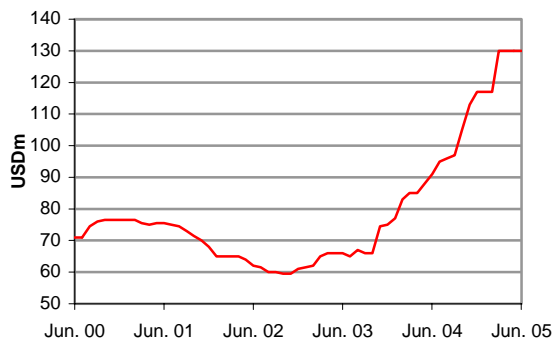
The highlight of the week is the spectacular sale of MT "Spyros" abt 320,000 tdw blt 2005 Hyundai for the stunning price of USD 140 mill to clients of Fred Cheng. The vessel is of high specifications and was only delivered in March, but the price seems to surprise the market as the sentiment for these ships are negative.

In general it seems there is a lack of confidence spreading in the market. The result is a more cautious attitude from prospective buyers as they wait for prices to adjust down. The values might be saved by increased rates as we are approaching the traditional high season of 2nd half, but for sellers who are asking in excess of last done the time has run out.

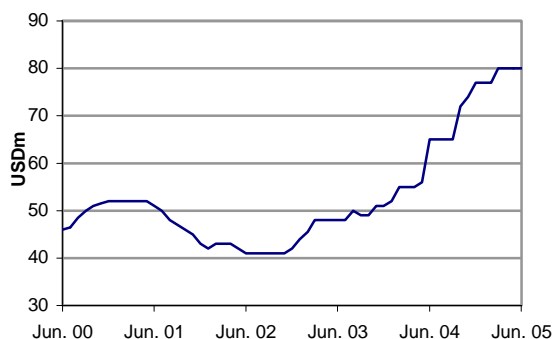
### Second hand values

Vessel /USDm	Latest	1 mth	2 mth	3 mth	12 mth
300' D/D 3 yrs	130.0	130.0	130.0	130.0	91.0
300' D/D 10	100.0	100.0	100.0	100.0	66.0
280' S/S 1990	58.0	58.0	60.0	58.0	43.0
150' D/D 3 yrs	80.0	80.0	80.0	80.0	65.0
150' D/D 10	67.0	67.0	67.0	67.0	49.0
140' S/S 1990	29.0	29.0	30.0	30.0	22.0
105' D/D 3 yrs	65.0	65.0	65.0	65.0	52.0
95' D/D 10yrs	47.0	47.0	47.0	47.0	35.0
95' S/S 1990	23.0	23.0	25.0	22.0	19.0
70' D/D 3 yrs	48.0	48.0	47.0	47.0	38.0
47' D/D 3 yrs	45.0	45.0	46.0	45.0	37.0
45' D/D 10 yrs	33.0	33.0	32.0	32.0	23.0
40' S/S 1990	16.0	16.0	16.0	16.0	14.0

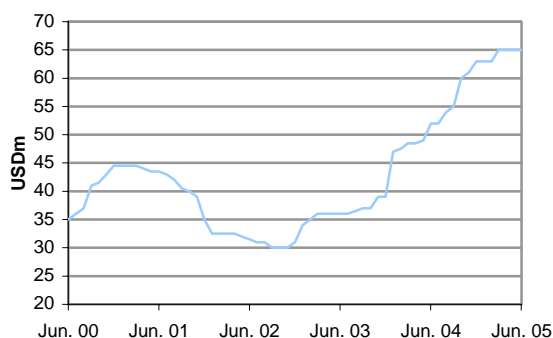
VLCC – 3 year old



Suezmax – 3 year old



Aframax – 3 year old



## S&P Transactions

### Tankers

M/T "SPYROS" - 318,000 TDW, BUILT 2005 SAMHO HEAVY SAMHO (DOUBLE HULL) SOLD TO FRED CHENG AT FANTASTIC PRICE OF USD 140 MILL. LEMOS ORDERED THE VLCC AT THE END OF 2002 FOR USD 74 MILL.

M/T "KUDAMATSU MARU" - 101,832 TDW, BUILT 1981 ISHIKAWAJIMA KURE (DOUBLE SIDES) SOLD EXCESS USD 10 MILL TO DYNACOM, GREECE.

M/T "ELKA BALUNI" - 45,300 TDW, BUILT 2002 SPLIT (DOUBLE HULL, COILED, IMO3) SOLD USD 46.5 MILL NET TO TMM.

M/T "CHEMBULK ROTTERDAM" - 28,840 TDW, BUILT 1993 KHERSON (DOUBLE HULL, COATED) SOLD USD 19 MILL TO JAPANESE BUYERS.

M/T "WELS" - 23,400 TDW, BUILT 1992 LINDENAU (DOUBLE HULL) SOLD USD 23.5 MILL TO UNDISCLOSED BUYERS.

M/T "MATVIK" - 8,950 TDW, BUILT 1991 SEMBAWANG BETHLEHEM (DOUBLE HULL, COATED, ICE 1A) SOLD USD 10.5 MILL TO SWEDISH BUYERS.

M/T "EARTH PHOENIX" - 3,557 TDW, BUILT 2001 SASAKI KINOE (DOUBLE HULL) SOLD USD 9.7 MILL TO UNDISCLOSED BUYERS.

### Bulkers

M/S "VOC ORCHID" - 45,513 TDW, BUILT 1996 JIANGNAN GROUP (CR 4X30T) SOLD USD 30 MILL TO WEXFORD, USD.

M/S "AMARYLLIS" - 23,000 TDW, BUILT 1983 ISHIKAWAJIMA TOKYO (CR 5X25T) SOLD USD 9 MILL TO CHINESE BUYERS.

M/S "ROSANA"/"GEORTINA" - 19,509 TDW, BUILT 1977/1976 ONOMICHI (DR 4X25T) SOLD ENBLOC USD 9.5 MILL TO UNDISCLOSED BUYERS.

## Demolition

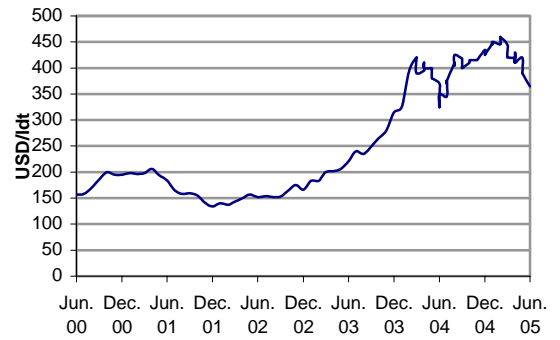
The demolition market remains inactive. Prices for most destinations continue to slide and buyers are reluctant to trade while waiting for signs that prices will stabilize.

Demolition volume		
# vessels	YTD	Year ago
VLCC	-	4
Suezmax	2	8
Aframax	16	12

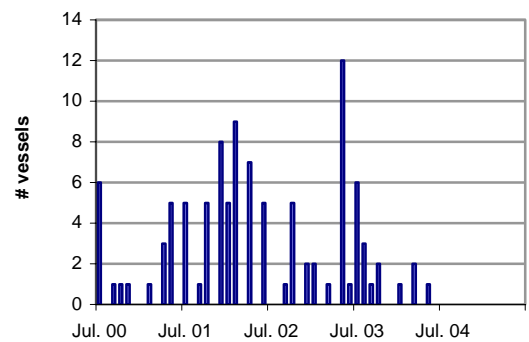
Demolition prices (tankers, USD/ldwt)			
China	India	Pakistan	Bangladesh
330	340	340	365

## Transactions

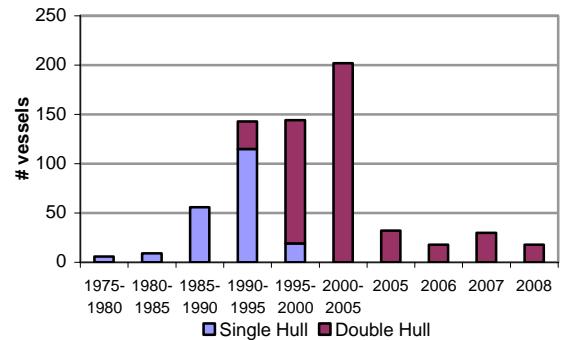
Demolition prices (VLCC, Bangladesh)



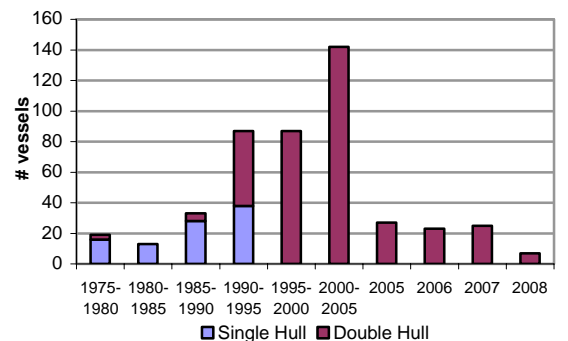
VLCCs sold for demolition



VLCC fleet – Age distribution



Suezmax fleet – Age distribution



## Research

While the VLCC market dropped further in May and is languishing near 18 month lows, some 40% down on last year, suezmax and aframax earnings enjoyed a nice recovery from the April lows to levels even or higher than last year. The absolute and relative weakness of VLCC rates remains a mystery. Fleet expansion is evenly spread across the segments; near 6% y/y. The downturn in MEG exports in Q1 of course had a negative effect, but crude production is on the rebound and is up by some 4% y/y. In theory, this should create a rise in tonnage demand sufficient to absorb most of the fleet increase and keep the market on a continued tight leash. Refinery maintenance in Asia tends to have negative effects on tanker demand, but this is the same every spring. The unusually large stockdraw in Asia this year, confirmed this week by Japanese figures for April, has more to it. It creates a potentially large snapback in tanker demand from the maintenance season. If not, don't hold your breath for continued strength in the suez- and aframax segments.

### Key market drivers

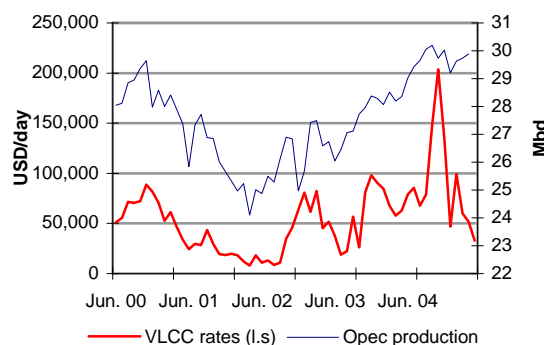
	2002	2003	2004P	2005E
World oil demand (%)	+0.8 %	+2.4 %	+3.5 %	+2.2 %
USA	+0.6 %	+1.4 %	+2.4 %	+1.3%
Europe	-0.1 %	+1.2 %	+1.6%	+2.8%
China	+6.3 %	+11.0%	+15.6%	+7.4%
Japan	-1.7 %	+2.2 %	-2.7 %	0.0%
Opec production (mbd)	26.3	27.2	29.0	29.9
FSU production (mbd)	9.4	10.3	11.2	11.7
<b>Fleet statistics</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

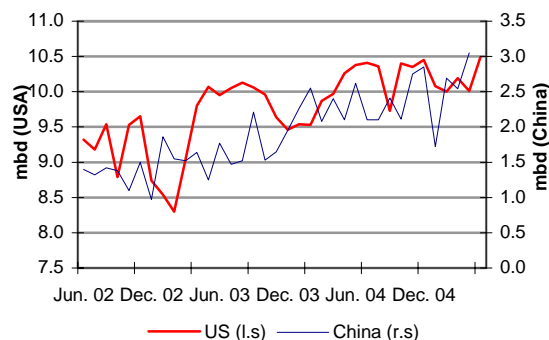
	2003	2004	2005 YTD
VLCC, MEG – Korea	56,233	97,657	53,835
Suezmax, Bonny – Phila.	39,619	65,965	45,547
Aframax, TEES – R.dam	42,127	61,800	54,068

Source: IEA, DoE, Bassøe

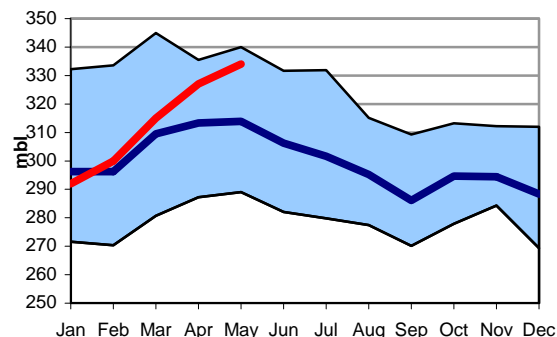
### VLCC rates vs. Opec production



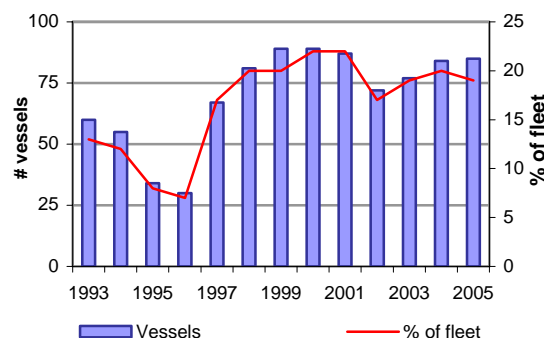
### Crude oil imports



### 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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