

# Bassøe Friday Report

Week 23 – 10.06.2005

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Nr 23. Vol 28

## Tanker chartering – Crude

### Market comments

Chartering activity remains lackluster in the VLCC market and is having the predictable effect of an increase in the number of vessels searching for cargo. The result is downward pressure on rates in all areas and MEG-Japan even touched the very low level of WS 52.5 (DH). Owners appear reluctant to repeat that figure, however, as their cost of waiting has dropped. The end of refinery maintenance in Asia and calls for Opec to further increase output remain the bright spots on the horizon for owners. At present, they seem quite distant. Suezmax rates have also taken a beating this week, but cannot blame it on lack of activity. The psychology of the weak VLCC market may have begun to take its toll. The North Sea Aframax market tapered off towards the end of the week, but the recovery in the MED continued. East of Suez rates are stable.

VLCC (DH)		Current trend: <b>Slow</b>		
Route	WS today	Last week	USD/day	
270' MEG – Korea	57.5	62.5	20,122	
275' MEG – UKC	55.0	60.0	24,312	
260' Bonny – LOOP	80.0	102.5	39,824	

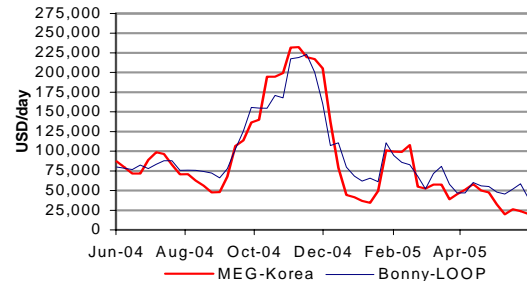
Suezmax		Current trend: <b>Weak</b>		
Route	WS today	Last week	USD/day	
130' Bonny – Phila.	118.8	145.0	30,838	
130' MAF – Ningpo	90.0	95.0	17,907	
135' Novo – Augusta	120.0	135.0	42,759	

Aframax		Current trend: <b>Firm</b>		
Route	WS today	Last week	USD/day	
80' TEES – R.dam	145.0	132.5	42,867	
70' PLC – Texas	225.0	155.0	36,293	
80' MEG – Singapore	165.0	160.0	26,724	

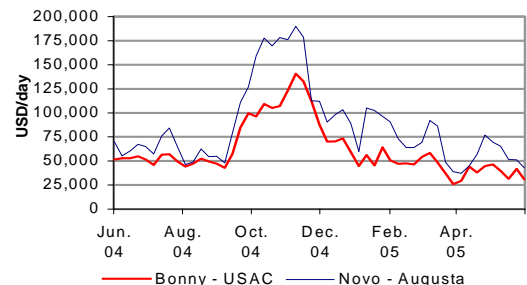
VLCC availability in MEG (# vessels)		
	Single hull	Double hull
Spot	5	0
Next 30 days	36	14

Bunkers (USD/mt)			
	Fujairah		Rotterdam
	258		222

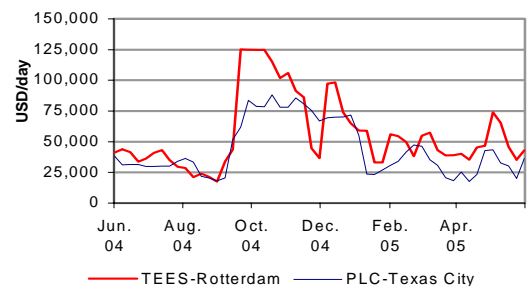
### VLCC earnings



### Suezmax earnings

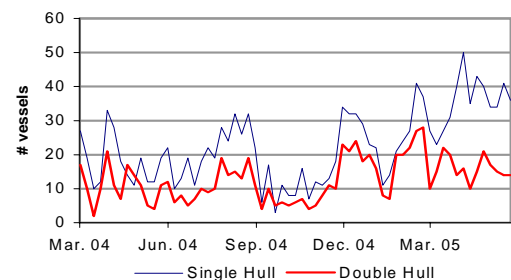


### Aframax earnings



### VLCC availability in MEG

# vessels next 30 days ex. FRO and TI



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# Tanker chartering – Clean

## Market Comment

Cont/US touched W245 in the middle of the week, but recovered and went back to the W280 level towards the end. There is reason to believe rates will continue to firm up. Car/USAC was stable at W227.5 through the week. MR Sing/Japan came down some 22.5 points whilst both LR1 and LR2 were steady all week.

### Market assessment – MR

Route	WS today	Last week	USD/day
30' Spore - Japan	190.0	212.5	6,978
37' Cont. - US	280.0	270.0	24,099
38' Car. - USAC	227.5	227.5	16,345

### Market assessment – LR

Route	WS today	Last week	USD/day
55' MEG – Japan	182.5	182.5	19,111
75' MEG – Japan	172.5	175.0	24,370

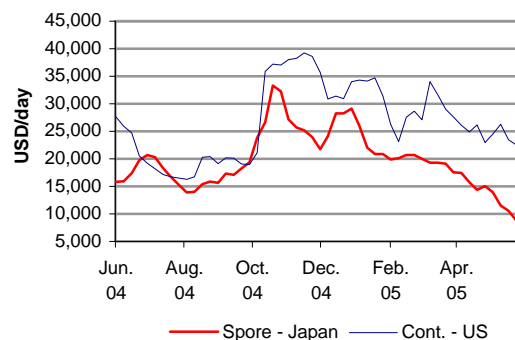
## Freight derivatives

TD3 fell further as the last hopes of quick revival in rates faded and the market switched its focus to Jul, forcing q3 and q4 down in suit. The Atlantic market eased off to align with MEG rates and thus TD5 dropped along the curve. TD7 firmed up with the tight NSEA market, but lost steam towards the end of the week. TC2 appears one of the most volatile routes, and rebounded sharply during the middle of the week. Eastern LR markets stabilised while the worst could now be over for the MR's.

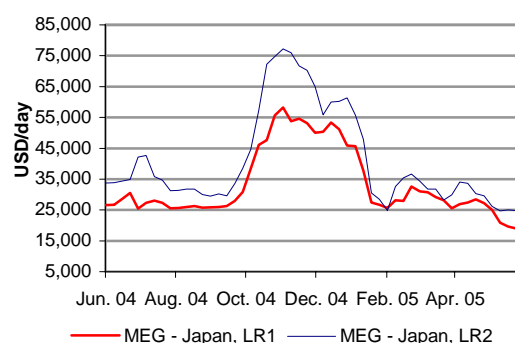
### Weekly change in key FFA contracts

Jun	Jul	Q3	Q4	Q1'06	CAL06
<b>TD3 MEG-Japan, 250' dwt</b>					
58.0	65.0	74.0	103.5	98.0	84.0
-7.0	-13.0	-8.0	-4.5	-4.0	-2.0
<b>TD 5 West Africa – USAC, 130' dwt</b>					
127.0	128.0	125.0	155.0	145.0	130.0
-7.0	-2.0	-3.0	-2.5	-3.0	-2.0
<b>TD 7, North Sea, UKC, 80' dwt</b>					
152.5	132.5	130.0	165.0	150.0	137.0
12.5	7.5	7.0	9.0	0.0	2.0
<b>TC 2 Cont-USAC, 37' dwt</b>					
270.0	250.0	240.0	282.5	285.0	237.5
10.0	5.0	2.5	2.5	10.0	-0.5
<b>TC 4, Spore-Japan, 30' dwt</b>					
215.0	200.0	225.0	260.0	275.0	247.5
-7.5	-35.0	-25.0	-20.0	0.0	0.0

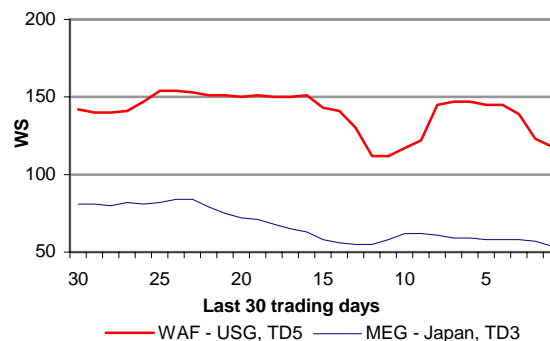
MR earnings



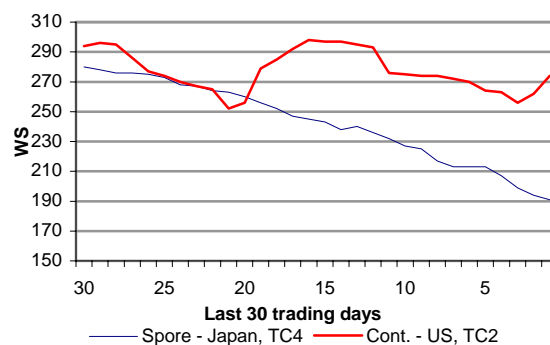
LR earnings



BITR rates, crude



BITR rates, clean



## Sale and purchase

### Market comment

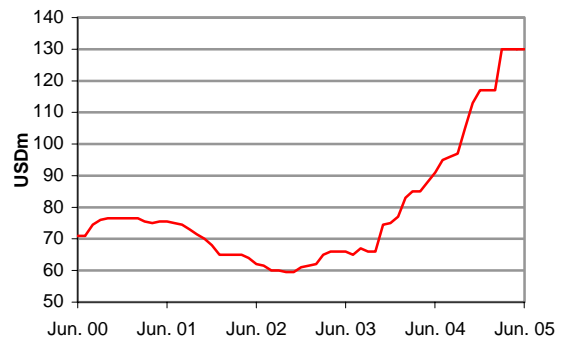
Due to a combination of Nor-shipping and weak earnings in the spot market, the market for second-hand sales remains fairly silent.

However, there are rumors that newbuilding M/T “Formosapetro Forever” – 300,000 TDW, delivery IHI Aug 05 has been sold at the firm level of USD 135 mill.

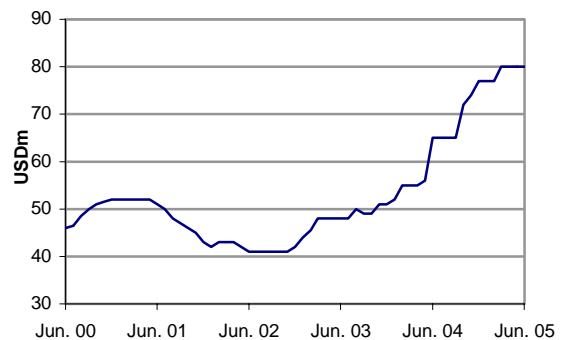
### Second hand values

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

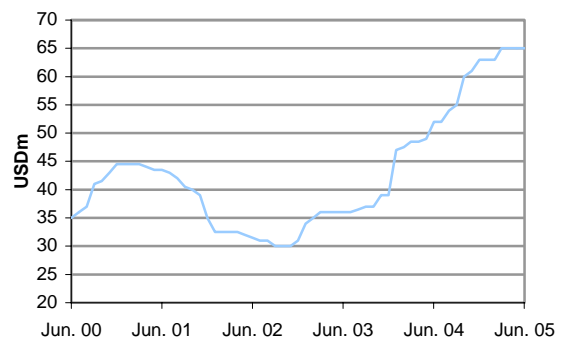
VLCC – 3 year old



Suezmax – 3 year old



Aframax – 3 year old



## S&P Transactions

### Tankers

M/T "TEAM ANMAJ" - 44,773 TDW, BUILT 1988 DAEWOO SB/HM (DOUBLE SIDES, COATED) SOLD USD 18.5 MILL TO GREEK BUYERS.

M/T "FAIR LUNA" - 39,931 TDW, BUILT 1982 MITSUBISHI NAGASAKI (DOUBLE SIDES) SOLD USD 8.8 MILL TO MIDDLE EAST BUYERS.

M/T "SKOLTEN" – 17,600 TDW, BUILT 1983 SOLD USD 3.3 MILL TO UNDISCLOSED BUYERS.

### Bulkers

M/S "ARK" - 26,867 TDW, BUILT 1978 NAMURA OSAKA (CR 5X10T) SOLD REGION USD 7 MILL TO UNDISCLOSED BUYERS.

M/S "WHITE GUARDIAN" - 21,973 TDW, BUILT 1981 TOHOKU SB. (DR 4X25T) SOLD USD 6.15 MILL TO UNDISCLOSED BUYERS.

## Demolition

Another silent weak in the demolition market. Prices remain volatile due to the upcoming budget and dollar shortage in Bangladesh. There are no sales of any significance to report this week.

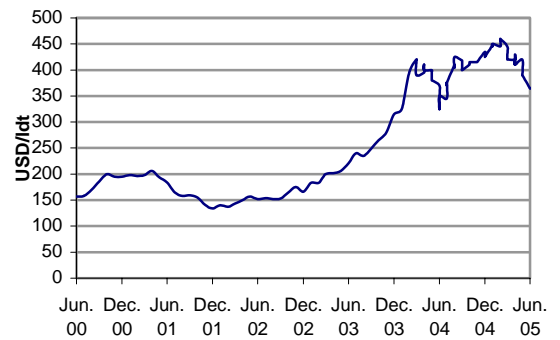
Demolition volume		
# vessels	YTD	Year ago
VLCC	-	4
Suezmax	2	8
Aframax	16	12

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

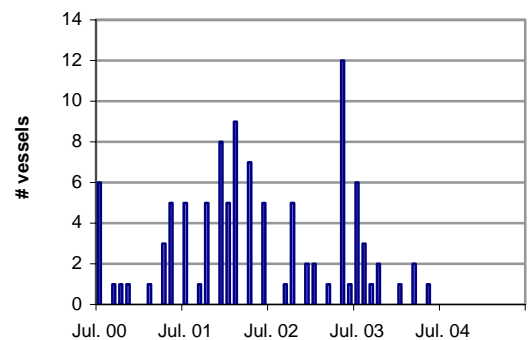
## Transactions

No transactions to report!

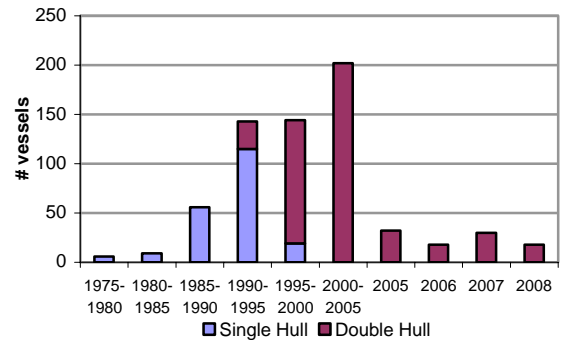
### Demolition prices (VLCC, Bangladesh)



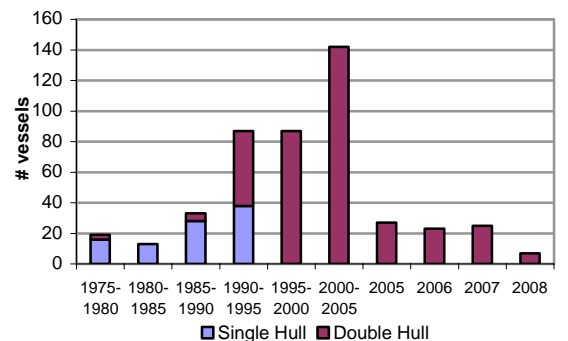
### VLCCs sold for demolition



### VLCC fleet – Age distribution



### Suezmax fleet – Age distribution



## Research

The truth about the sharp decline in VLCC freight rates during the second quarter is slowly falling into place. The fundamentals behind a weakening in Q1 – lower MEG exports and more newbuilding deliveries were relatively clear; The continued fall in Q2 is more puzzling, however, as Opec output has been on the rise since March. The increase in MEG portion of this increase has been significantly impacted by the decline in Iraq output (0.5 mbd). This has tempered the revival in VLCC demand. On top of this, tanker demand from Asia has been very disappointing in Q2, thanks to an extended maintenance season and heavy inventory draws. On the bright side, however, oil market balances look better from a freight perspective for the second half. Underlying growth in oil demand remains robust, as confirmed this week by the IEA and DoE, and combined with slow growth in non-Opec output, the prospect for further increases in Call-on-Opec is a distinct possibility. The question is; Can the producers deliver?

### Key market drivers

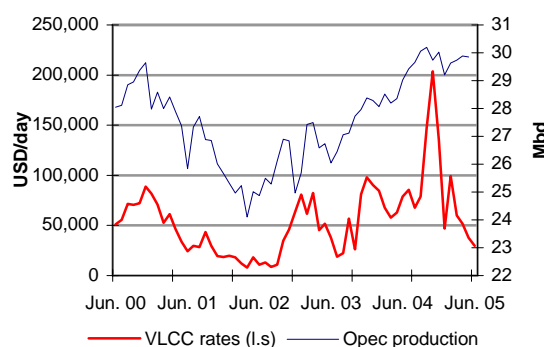
	2002	2003	2004P	2005E
World oil demand (%)	+0.8 %	+2.4 %	+3.5 %	+2.2 %
USA	+0.6 %	+1.4 %	+2.4 %	+1.3%
Europe	-0.1 %	+1.2 %	+1.6%	+2.8%
China	+6.3 %	+11.0%	+15.6%	+7.4%
Japan	-1.7 %	+2.2 %	-2.7 %	0.0%
Opec production (mbd)	26.3	27.2	29.0	29.9
FSU production (mbd)	9.4	10.3	11.2	11.7
<b>Fleet statistics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

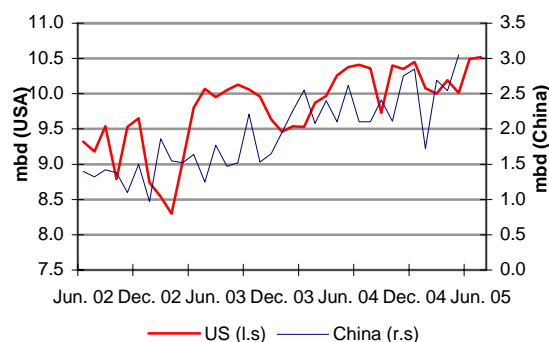
	2003	2004	2005 YTD
VLCC, MEG – Korea	56,233	97,657	52,369
Suezmax, Bonny – Phila.	39,619	65,965	44,907
Aframax, TEES – R.dam	42,127	56,610	48,319

Source: IEA, DoE, Bassøe

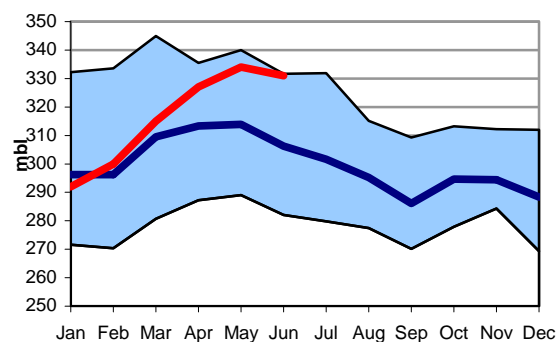
### VLCC rates vs. Opec production



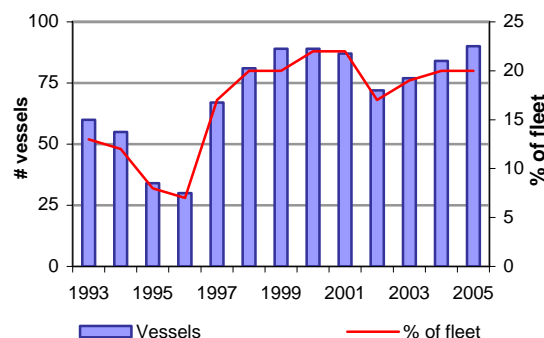
### Crude oil imports



### 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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