

Bassøe Friday Report

Week 26 – 01.07.2005

www.pfbassoe.no

Nr 26. Vol 28

Tanker chartering – Crude

Market comments

For the first time in a couple of months the VLCC market has experienced back-to-back weeks of strong activity. While rate increases are still relatively moderate, keeping the volatility of this market in mind, the demand/supply balance has definitely improved from owners' perspective. Tonnage availability is thinning fast, in part due to hefty fixing from West Africa, and is now back down to levels not seen since before the explosive February rally. The timing of August cargoes will be the key to rate developments near-term. Suezmax activity has been slow, in contrast, and competition from VLCCs has added to downward rate pressures. Aframaxes have seen strength in the Caribs and the Med and have steadied in the North Sea. East of Suez remains flat.

VLCC (DH)		Current trend: Firmer		
Route	WS today	Last week	USD/day	
270' MEG – Korea	75.0	67.5	33,756	
275' MEG – UKC	62.5	60.0	31,556	
260' Bonny – LOOP	82.5	70.0	41,403	

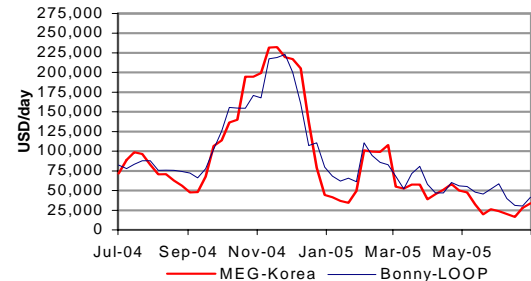
Suezmax		Current trend: Softer		
Route	WS today	Last week	USD/day	
130' Bonny – Phila.	120.0	117.5	31,759	
130' MAF – Ningpo	97.5	110.0	20,611	
135' Novo – Augusta	137.5	170.0	52,342	

Aframax		Current trend: Mixed		
Route	WS today	Last week	USD/day	
80' TEES – R.dam	120.0	130.0	28,175	
70' PLC – Texas	175.0	165.0	24,400	
80' MEG – Singapore	130.0	130.0	18,830	

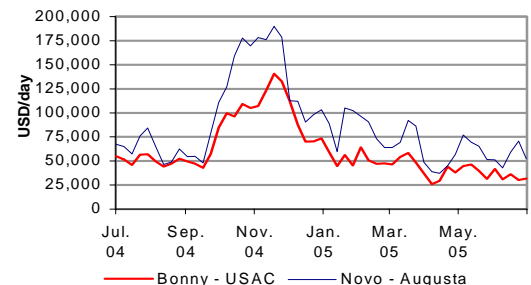
VLCC availability in MEG (# vessels)		
	Single hull	Double hull
Spot	1	0
Next 30 days	19	7

Bunkers (USD/mt)			
	Fujairah	Rotterdam	
	261	236	

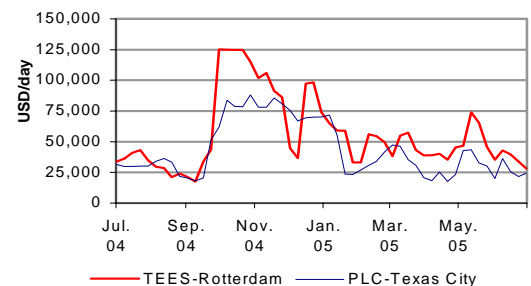
VLCC earnings



Suezmax earnings

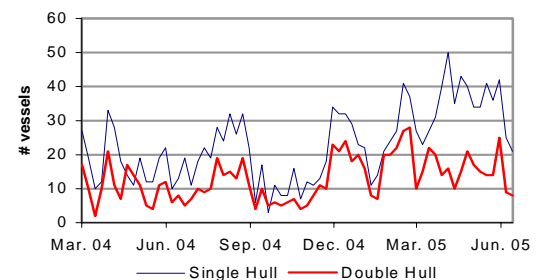


Aframax earnings



VLCC availability in MEG

vessels next 30 days ex. FRO and TI



P.F. Bassøe AS
Enterprise Number: NO-927161052
P O Box 1723 Vika
N-0121 Oslo, Norway
Dronning Mauds gt. 3
Phone +47 22 01 08 00
Fax +47 22 01 08 10
Telex +56 76766 basso n

E-mail Internet bassoe@pfbassoe.no
E-mail Comtext A43NN076
www.pfbassoe.no



Tanker chartering – Clean

Market Comment

Cont/US motor gasoline activity this week has been dominated by panamaxes, and low activity on MR-size soften forward positions somewhat. LR1 and 2 in the Meg showing a strong undertone and the rates for MRs in the area are very firm.

Market assessment – MR

Route	WS today	Last week	USD/day
30' Spore - Japan	210.0	200.0	8,962
37' Cont. - US	285.0	275.0	24,296
38' Car. - USAC	282.5	225.0	22,938

Market assessment – LR

Route	WS today	Last week	USD/day
55' MEG – Japan	220.0	210.0	24,872
75' MEG – Japan	185.0	177.5	26,933

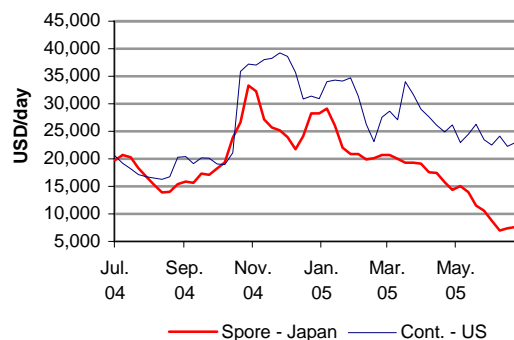
Freight derivatives

This week TD3 again proved to be the most liquid route. Last week's rate increase continued and consequently so did the trading of both FFAs and Options in TD3. The other crude routes were less active. TC2 players did not manage to move the market in spite of decent number of transactions.

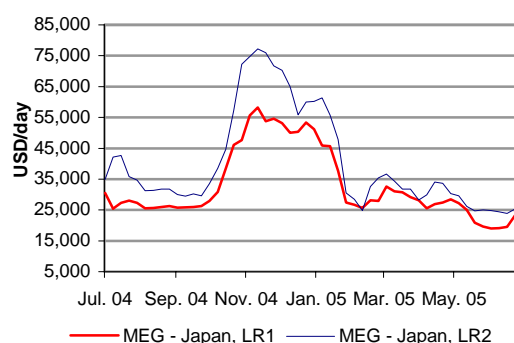
Weekly change in key FFA contracts

Jul	Aug	Q3	Q4	Q1'06	CAL06
TD3 MEG-Japan, 250' dwt					
82.0	87.0	89.0	116.5	98.0	87.0
8.0	7.0	10.0	7.5	3.0	2.0
TD 5 West Africa – USAC, 130'dwt					
127.5	128.0	129.0	162.0	150.0	133.0
2.5	4.0	4.0	2.0	0.0	-1.0
TD 7, North Sea, UKC, 80'dwt					
135.0	124.0	134.0	168.0	160.0	140.0
-2.0	0.0	1.5	-2.0	0.0	0.0
TC 2 Cont-USAC, 37' dwt					
260.0	252.0	258.0	297.5	290.0	245.0
-5.0	-0.5	0.5	5.0	7.5	0.0
TC 4, Spore-Japan, 30' dwt					
227.5	255.0	255.0	300.0	290.0	257.5
-7.5	0.0	-2.5	10.0	-5.0	0.0

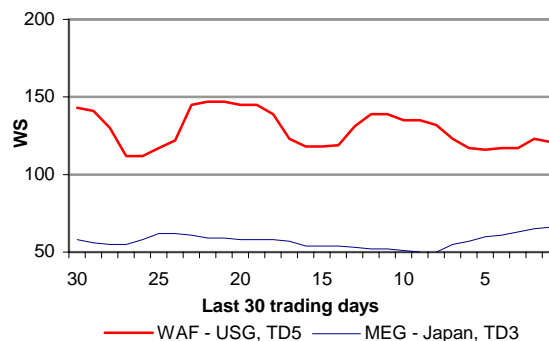
MR earnings



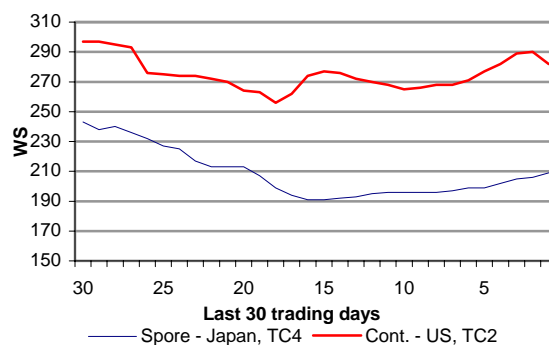
LR earnings



BITR rates, crude



BITR rates, clean



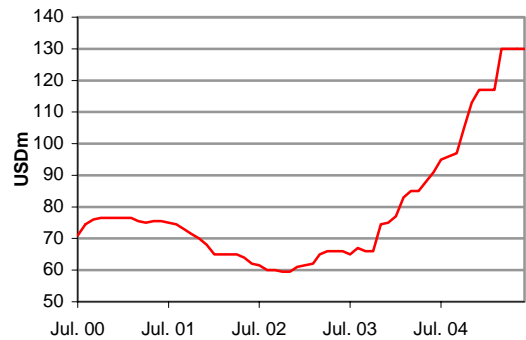
Sale and purchase

Market comment

Another quiet week in the secondhand market in general, but specially for tankers. This is a reaction of the current uncertainty among buyers where the market is heading. We also see the little activity as the market steps into summer mood.

There are many rumors and uncertainties going in the market around the possible sale of resale "Formosapetro Forever" to Europeans for USD 135 to 136 mill.

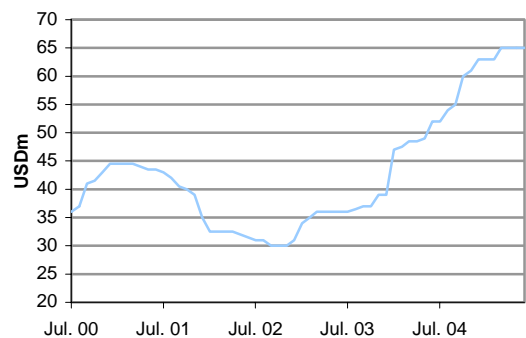
VLCC – 3 year old



Suezmax – 3 year old



Aframax – 3 year old



Second hand values

Vessel /USDm	Latest	1 mth	2 mth	3 mth	12 mth
300' D/D 3 yrs	N/A	130.0	130.0	130.0	95.0
300' D/D 10	N/A	100.0	100.0	100.0	67.0
280' S/S 1990	N/A	56.0	58.0	60.0	44.0
150' D/D 3 yrs	N/A	80.0	80.0	80.0	65.0
150' D/D 10	N/A	66.0	67.0	67.0	49.0
140' S/S 1990	N/A	28.0	29.0	30.0	22.0
105' D/D 3 yrs	N/A	65.0	65.0	65.0	52.0
95' D/D 10yrs	N/A	46.0	47.0	47.0	35.0
95' S/S 1990	N/A	21.0	23.0	25.0	20.0
70' D/D 3 yrs	N/A	48.0	48.0	47.0	39.0
47' D/D 3 yrs	N/A	45.0	45.0	46.0	37.0
45' D/D 10 yrs	N/A	33.0	33.0	32.0	23.0
40' S/S 1990	N/A	15.0	16.0	16.0	14.0

S&P Transactions

Tankers

M/T "COMMUTER" - 38,565 TDW, BUILT 1981 ONOMICHI (SINGLE HULL, COATED) SOLD USD 8.25 MILL TO GREEK BUYERS.

M/T "ZENGYOREN MARU II" - 5,810 TDW, BUILT 1998 USUKI ZOSENSHO (DOUBLE HULL, COILED) SOLD USD 9.5 MILL TO MALAYSIAN BUYERS.

Bulkers

M/S "NORITA" - 38,891 TDW, BUILT 1984 ISHIKAWAJIMA AIOI (CR 4X25T) SOLD USD 13.75 MILL TO UNDISCLOSED BUYERS.

M/S "NOBLE LIGHT" - 23,581 TDW, BUILT 1997 SAIKI JUKOGYO (CR 4X30T) SOLD USD 22.45 MILL TO UNDISCLOSED BUYERS.

M/S "RUBIN LARK" - 18,315 TDW, BUILT 1996 SHIKOKU DOCKYARD (CR 3X30T) SOLD USD 16.5 MILL TO UNDISCLOSED BUYERS.

Demolition

The demolition market is starting to come alive again. Main event this week is that the previous announced cartel in Bangladesh has been dissolved and the buyers are now free to offer whatever price they feel viable. This meant Bangladesh is back competing with India as the most competitive destination.

There are unconfirmed reports that MT "Ocean Liberty" 29,999 tdw (abt 6,000 ldt) blt Saint John 81 has been sold for USD 325/ldt basis as is where is Fujairah.

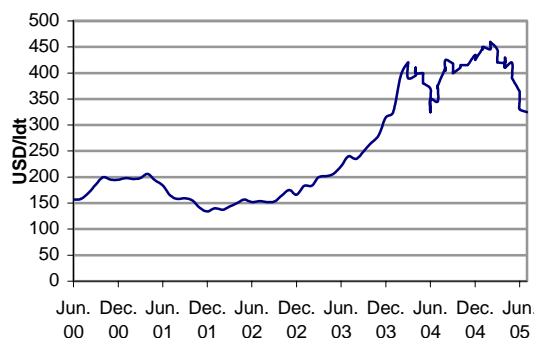
We anticipate more activity in the weeks ahead and prices are likely to firm somewhat.

Demolition volume		
# vessels	YTD	Year ago
VLCC	-	4
Suezmax	2	9
Aframax	16	14

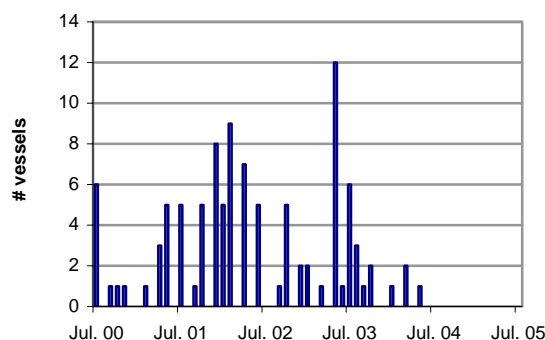
Demolition prices (tankers, USD/ldwt)			
China	India	Pakistan	Bangladesh
275	330	300	325

Transactions

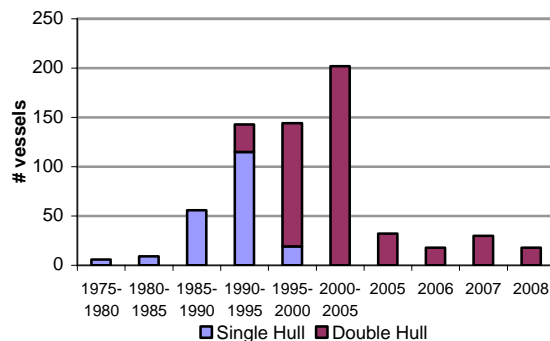
Demolition prices (VLCC, Bangladesh)



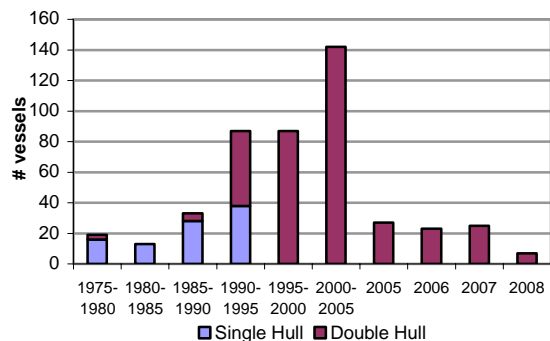
VLCCs sold for demolition



VLCC fleet – Age distribution



Suezmax fleet – Age distribution



Research

The tanker market is putting behind it a very strong first half of the year. In absolute figures it is topped only by last year's record run. Yet, if looking at market trends, the closest parallel is 2001, not 2004, and that is more worrying. In 2001, the market also began sinking during the second quarter, but never recovered. The most obvious culprit was of course September 11th. Yet, one should not forget that the global economy was already in a rapidly softening trend, hurting amongst other things, the stock market crash. The result was slowing freight demand, which only was made worse by the 9/11 tragedy. The latter aside, we subscribe to the view that the current freight market foundations are stronger than they were four years ago. The oil market is set to tighten during the third quarter and although inventories have improved, more oil will have to be shipped ahead of the winter. Thus, the nice overlays of the 2001 and 2005 freight charts from the first half are unlikely to make a similar match during the next six months.

Key market drivers

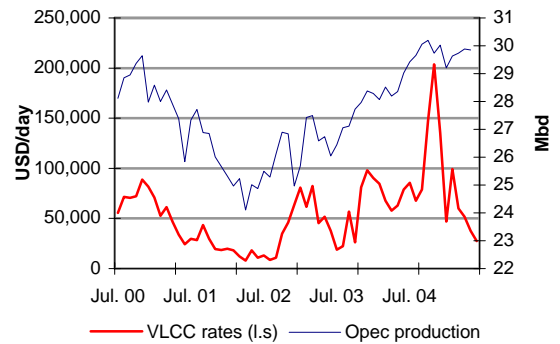
	2002	2003	2004P	2005E
World oil demand (%)	+0.8 %	+2.4 %	+3.5 %	+2.2 %
USA	+0.6 %	+1.4 %	+2.4 %	+1.3%
Europe	-0.1 %	+1.2 %	+1.6%	+2.8%
China	+6.3 %	+11.0%	+15.6%	+7.4%
Japan	-1.7 %	+2.2 %	-2.7 %	0.0%
Opec production (mbd)	26.3	27.2	29.0	29.9
FSU production (mbd)	9.4	10.3	11.2	11.7
Fleet statistics	Current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

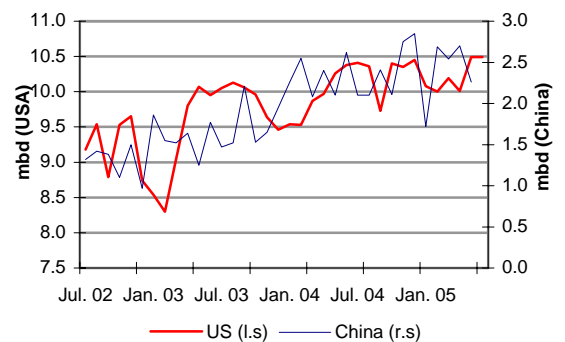
	2003	2004	2005 YTD
VLCC, MEG – Korea	56,233	97,657	49,322
Suezmax, Bonny – Phila.	39,619	65,965	43,503
Aframax, TEES – R.dam	42,127	56,610	46,651

Source: IEA, DoE, Bassøe

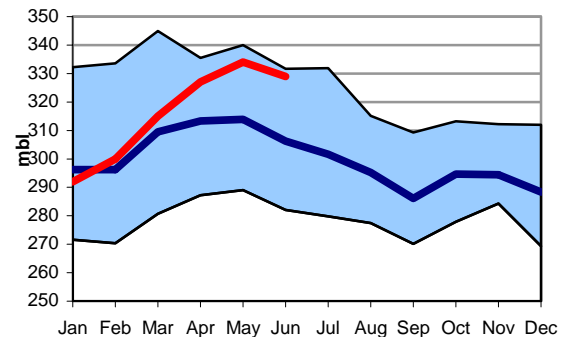
VLCC rates vs. Opec production



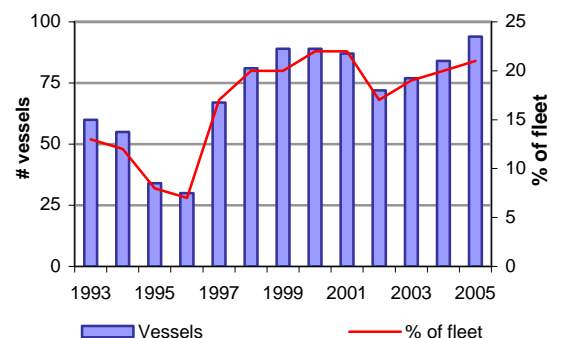
Crude oil imports



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

Disclaimer

This e-mail/fax is based on information obtained from sources which P.F.Bassøe AS believes to be reliable, but P.F.Bassøe AS does not represent or warrant its accuracy. The opinions and estimates contained in this e-mail/fax represent the views of P.F.Bassøe AS of the date of the e-mail/fax, and may be subject to change without prior notice. P.F.Bassøe AS will not be responsible for the consequence of reliance upon any opinion or statement contained in this e-mail/fax. This e-mail/fax is confidential, and may not be reproduced, in whole or in part, without the prior written permission of P.F.Bassøe AS.