

Bassøe Friday Report

Week 3 – 21.01.2005

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Nr 3. Vol 28

Tanker chartering – Crude

Market comments

Robust activity, but soft rates, continues to be the theme in the VLCC market. Another busy week with close to 40 fixtures completed. Rates, however, were stuck in the low WS 70s before slipping lower at the end of the week. Hardly a convincing trend for owners. The culprit is the amount of available tonnage, which has declined only modestly despite the heavy activity. More frigid weather in the US and Asia is needed in order to raise the temperature of this market

Suezmax rates have done better, rising sharply on a combination of strong activity and delays in the Bosphorous. Only competition from VLCCs has prevented rates from going higher. Aframaxes were steady in the North Sea but sharply lower in the Caribs and MEG.

VLCC		Current trend: Soft		
Route	WS today	Last week	USD/day	
270' MEG – Korea	68.0	70.0	34,270	
275' MEG – UKC	67.5	70.0	42,566	
260' Bonny – LOOP	105.0	100.0	65,759	

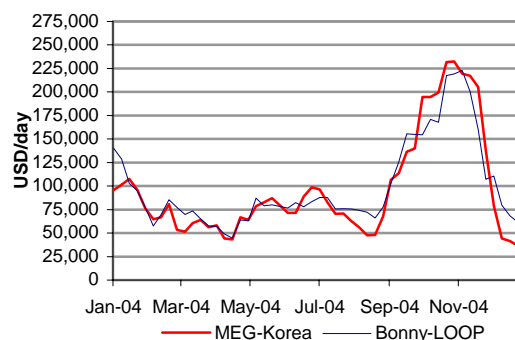
Suezmax		Current trend: Stronger		
Route	WS today	Last week	USD/day	
130' Bonny – Phila.	175.0	145.0	56,287	
130' MAF – Ningpo	115.0	130.0	30,831	
135' Novo - Augusta	225.0	145.0	105,249	

Aframax		Current trend: Mixed		
Route	WS today	Last week	USD/day	
80' TEES – R.dam	170.0	170.0	64,294	
70' PLC – Texas	160.0	295.0	23,529	
80' MEG - Singapore	140.0	165.0	23,266	

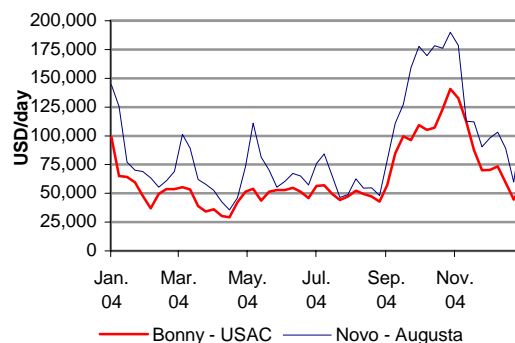
Availability in MEG (# vessels)			
	VLCC		ULCC
	Single hull	Double hull	
Spot	1	0	0
Next 30 days	22	16	1

Bunkers (USD/mt)			
Fujairah	194	Rotterdam	168

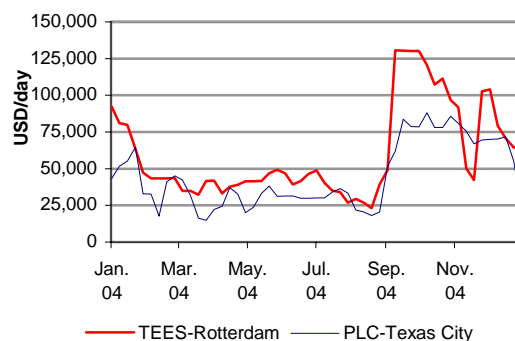
VLCC earnings



Suezmax earnings



Aframax earnings



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Tanker chartering – Clean

Market Comment

A discouraging week east of Suez, where lack of activity has forced rates down some 35-50 WS pts. Western markets have fared better, and with little tonnage and cold weather beginning to bite in the US, could the market be shortly be expected to move?

Market assessment – MR

Route	WS today	Last week	USD/day
30' Spore - Japan	320.0	360.0	22,011
37' Cont. - US	350.0	350.0	34,100
38' Car. - USAC	300.0	300.0	26,830

Market assessment – LR

Route	WS today	Last week	USD/day
55' MEG – Japan	290.0	340.0	37,659
75' MEG – Japan	270.0	305.0	47,838

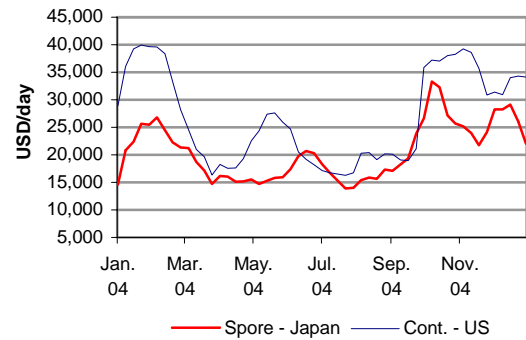
Freight derivatives

The bulls of last week did not run very far! This week TD3 was still very active but took a serious beating. The prompt months on TD5 improved end week while TD7 saw little change. All the clean routes were really hammered, throughout the curve.

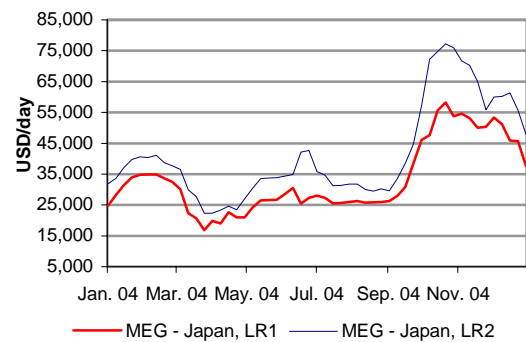
Weekly change in key FFA contracts

Feb	Mar	Q2	Q3	Q4	CAL05
TD3 MEG-Japan, 250' dwt					
90.0	95.0	91.0	85.0	105.0	100.0
-30.0	-	-19.0	-22.0	-	-12.0
TD 5 West Africa – USAC, 130' dwt					
175.0	162.5	145.0	115.0	150.0	142.5
15.0	-	-10.0	-15.0	-	-2.5
TD 7, North Sea, UKC, 80' dwt					
200.0	175.0	150.0	115.0	145.0	147.5
-7.5	-	0.0	-2.0	-	-2.5
TC 2 Cont-USAC, 37' dwt					
340.0	320.0	270.0	230.0	255.0	275.0
-20.0	-	5.0	10.0	-	0.0
TC 4, Spore-Japan, 30' dwt					
285.0	280.0	245.0	235.0	280.0	265.0
-70.0	-	-10.0	0.0	-	-15.0

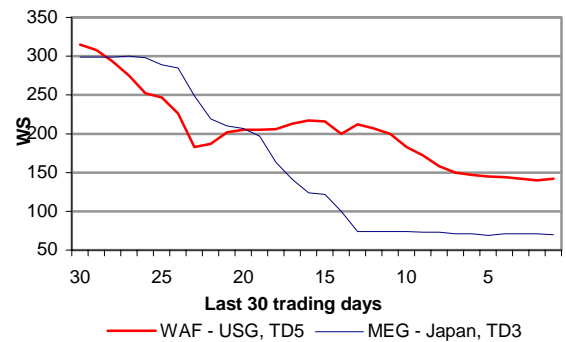
MR earnings



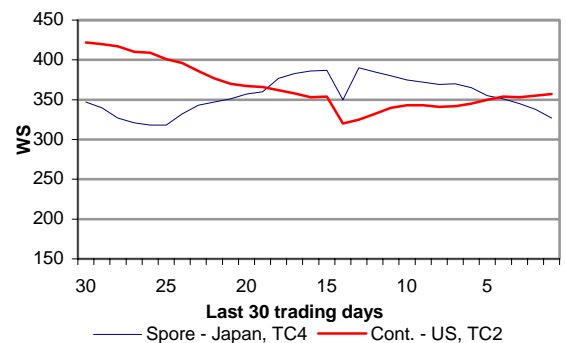
LR earnings



BITR rates, crude



BITR rates, clean



Sale and purchase

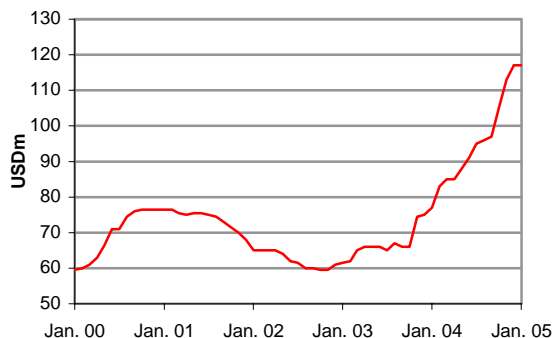
Market comment

The soft tanker freight market has started to spread uncertainty in the second-hand market. This is reflected in a wait-and-see attitude among buyers whilst values are beginning to come under pressure. This being said, there are a number of ships and fleets being closely monitored by potential buyers if or when the freight market leaps back to previous strength.

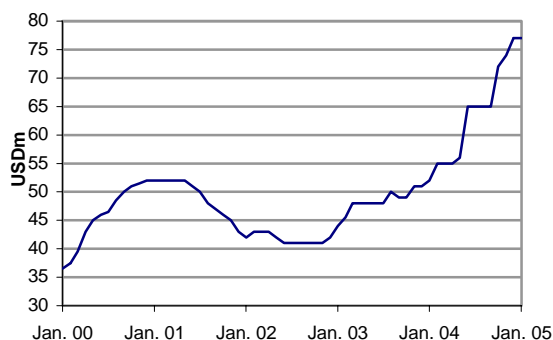
In the dry sector the momentum is back with a positive start to the year, both in terms of rates and values. The last week, however, there are some signs of a softer spot market resulting in fewer sales transactions.

Second hand values					
Vessel /USDm	Latest	1 mth	2 mth	3 mth	12 mth
300' D/D 3 yrs	117.0	117.0	113.0	105.0	77.0
300' D/D 10	86.0	86.0	85.0	80.0	53.0
280' S/S 1990	58.0	60.0	59.0	54.0	33.0
150' D/D 3 yrs	77.0	77.0	74.0	72.0	52.0
150' D/D 10	63.0	63.0	60.0	57.0	38.0
140' S/S 1990	37.0	39.0	36.0	32.0	20.0
105' D/D 3 yrs	63.0	63.0	61.0	60.0	47.0
95' D/D 10yrs	46.0	46.0	44.0	42.0	27.0
95' S/S 1990	27.0	29.0	28.0	24.0	19.0
70' D/D 3 yrs	45.0	45.0	42.0	42.0	32.0
47' D/D 3 yrs	43.0	43.0	40.0	40.0	33.0
45' D/D 10 yrs	30.0	30.0	28.0	26.0	21.0
40' S/S 1990	15.0	16.0	16.0	15.0	14.0

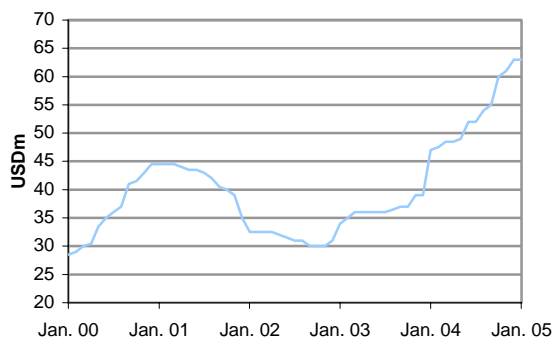
VLCC – 3 year old



Suezmax – 3 year old



Aframax – 3 year old



S&P Transactions

Tankers

M/T "FRONT FIGHTER" - 153,181 TDW, BUILT 1998 HYUNDAI HI (DOUBLE BOTTOM, DOUBLE SIDES, COILED) SOLD USD 68,25 MILL TO NORDIC AMERICAN TANKERS WITH DELIVERY MARCH 2005

MT "NORDIC SARITA" - 124,472 TDW, BUILT 1986 DAEWOO SB/HM (DOUBLE BOTTOM, DOUBLE SIDES) REPORTED SOLD IN THE LOW USD 20'S MILL TO KNUTSEN OAS

M/T "MONTE ROSA" - 39,711 TDW, BUILT 1982 3 MAJ (DOUBLE BOTTOM, COILED , IMO2, IMO3) SOLD USD 8,1 MILL TO UNDISCLOSED BUYERS

Bulkers

M/S "CORONA FORTUNE" - 172,972 TDW, BUILT 1993 CONSTANTZASOLD TO CLIENTS OF STAMFORD NAVIGATION FOR REGION USD 30 MILL

M/S "LOWLANDS ROSE" - 171,039 TDW, BUILT 1996 ISHIKAWAJIMA KURESOLD LAST WEEK CLIENTS OF SAMMY OFER FOR USD 32 MILL INCLUDING T/C UNTIL 8/2009 AT USD 14,900/DAY

M/S "BEHEMOTH" - 155,982 TDW, BUILT 1984 HYUNDAI SOLD FOR MID USD 20'S TO OLDENDORF INCLUDING BALANCE TC TO COECLERICI AT AN UNDISCLOSED RATE

M/S "KING ARTHUR" - 72,873 TDW, BUILT 1997 CHINA SB KEELUNG (DOUBLE BOTTOM) REPORTED SOLD FOR USD 38,5 MILL TO UNDISCLOSED BUYERS.

SISTERS M/S "ELECTRA"/"EKAVI" - 52,000 TDW, BUILT 2004 ONOMICHI (4 X 30 TS CRS) SOLD FOR USD 40 MILL EACH TO KOREAN BUYERS

M/S "KOOPERATSIYA" - 52,580 TDW, BUILT 1989 OKEANSOLD USD 16 MILL TO UNNAMED BUYERS

M/S "FREE CHAMPION" - 44,782 TDW, BUILT 1985 VEROLME GROUP NETHERL. (CR 4X25T) SOLD USD 14,9 MILL TO UNDISCLOSED BUYERS

M/S "BLUE PRIDE" - 36,202 TDW, BUILT 1983 IMABARI MARUGAME (CR 5X25T) REPORTED SOLD USD 10 MILL TO FAR EAST BUYERS

M/S "PANAGIA" - 33,663 TDW, BUILT 1976 KANASASHI ZOSEN TOYOHA (DR 5X15T) SOLD USD 6,25 MILL TO UNNAMED BUYERS

M/S "CYNTHIA MELODY" - 23,712 TDW, BUILT 1995 KANASASHI TOYOHASHI (CR 4X30T) SOLD USD 17 MILL TO EUROPEAN BUYERS

Demolition

A couple of sales of tankers. Activity seems to pick up a little. Prices are unchanged.

Demolition volume		
# vessels	YTD	Year ago
VLCC	-	1
Suezmax	-	-
Aframax	3	2

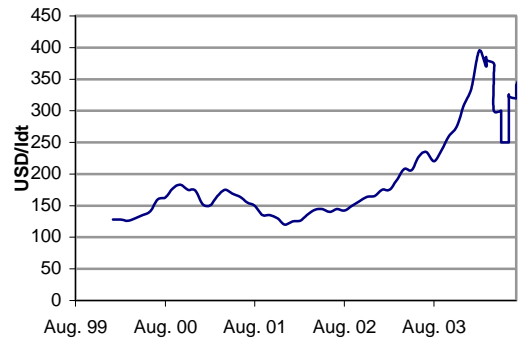
Demolition prices (tankers, USD/ldwt)			
China	India	Pakistan	Bangladesh
370	390	390	445

Transactions

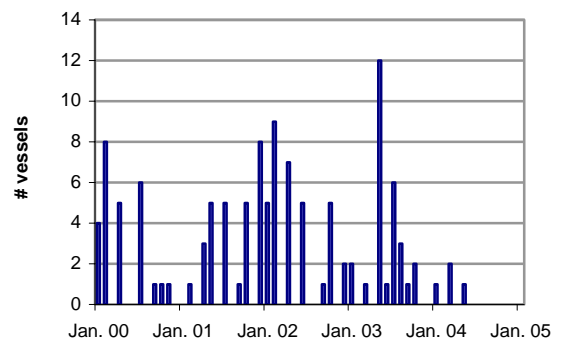
M/T "GRACIA" - 87,607 TDW, BUILT 1977
 ONOMICHSOLD AS IS AG FOR ABT USD
 435/LDT - VESSEL WILL END UP IN
 BANGLADESH

M/T "NICOPOLIS" - 60,525 TDW, BUILT 1983
 ISHIKAWAJIMA AIOISOLD FOR USD 444/LDT
 TO BANGLADESH - VESSEL ABT 13,000 LDT

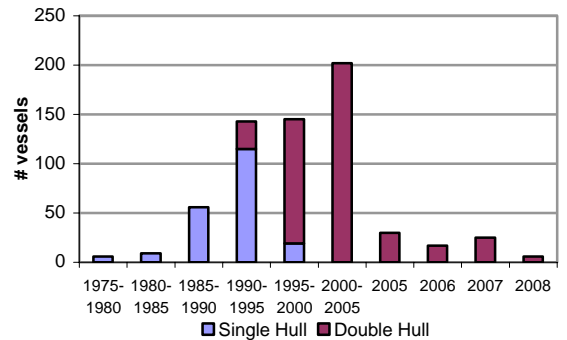
Demolition prices (VLCC, China)



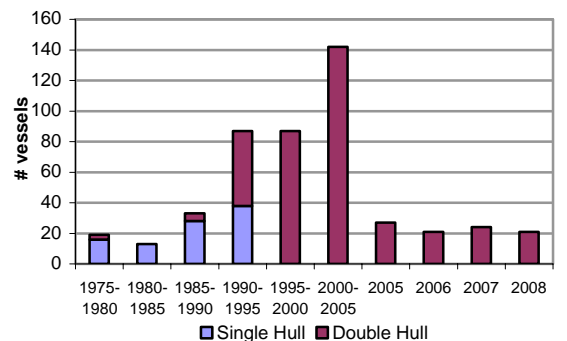
VLCCs sold for demolition



VLCC fleet – Age distribution



Suezmax fleet – Age distribution



Research

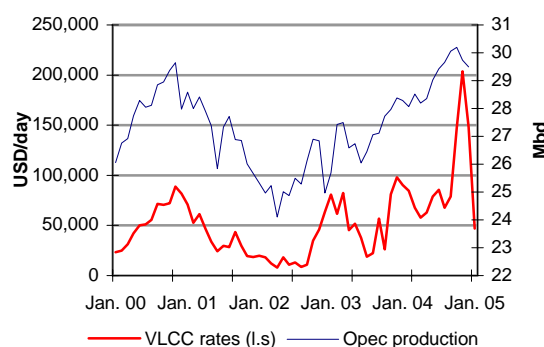
Oil market indicators offer a highly diverging set of views on the state of the market early in the new year. Prices say “full steam ahead”, recently sniffing on the \$50 level. Data flows have been reasonably supportive, although the early Q4 rise in stocks is indeed a worry. The freight market, on the other hand has taken a decidedly dismal view of the world with a sharp plunge. Who gives the correct view of the world? We are tempted to settle for the fundamentals; Demand is looking very firm, in the US as well as China, and the expectation of a significant slowdown remains just that, for the time being. The recent data flow simply does not support that view. Relatively high inventory levels are the potential culprit, however, potentially “stealing” from demand strength. If demand indeed is solid, inventories should begin to drop significantly in coming weeks. In that case, tanker demand will remain firm through Q1. If not....

Key market drivers				
	2002	2003	2004E	2005E
World oil demand (%)	+0.8 %	+2.4 %	+3.3 %	+1.7 %
USA	+0.6 %	+1.4 %	+2.4 %	+0.8 %
Europe	-0.1 %	+1.2 %	+1.6 %	+0.5 %
China	+6.3 %	+11.0%	+15.4%	+5.7 %
Japan	-1.7 %	+2.2 %	-2.1 %	-2.0 %
Opec production (mbd)	26.3	27.2	29.0	29.5
FSU production (mbd)	9.4	10.3	11.2	11.8
Fleet statistics				
	Current	2004P	2005E	2006E
VLCC fleet (# vessels)	441			
Orderbook	84			
Deliveries		30	30	17
Suezmax fleet (# vessels)	309			
Orderbook	78			
Deliveries		27	27	21

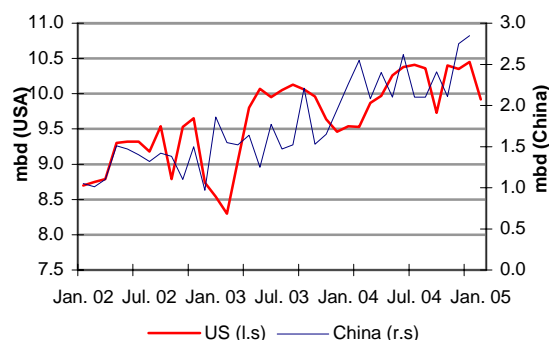
Average earnings	2003	2004	2005 YTD
VLCC, MEG – Korea	56,233	97,657	37,440
Suezmax, Bonny – Phila.	39,619	65,965	53,420
Aframax, TEES – R.dam	42,127	61,800	66,462

Source: IEA, DoE, Bassøe

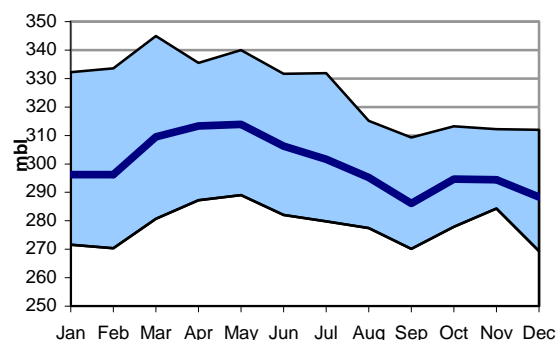
VLCC rates vs. Opec production



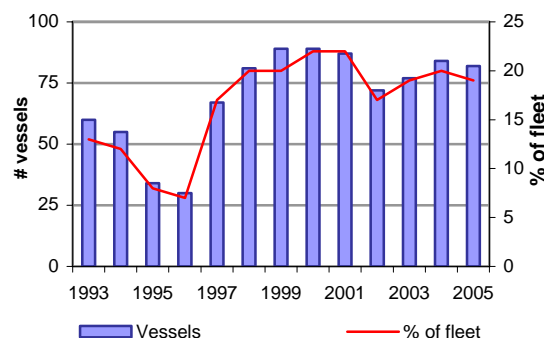
Crude oil imports



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
Einar B. Danbolt - Managing Director	22 44 62 81	92 05 08 08
SALE & PURCHASE / NEWBUILDING / PROJECT	22 01 08 25	
Richard Fuglesang	67 53 48 87	90 77 57 59
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
Frederik Mathiesen	21 90 58 88	95 93 37 63
Bjørn-Erik Løkken	22 92 14 74	90 18 80 44
Morten Røine	67 59 11 11	90 61 44 72
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
Sebastian Venjar	98 62 41 50	98 62 41 50
RESEARCH	22 01 09 06	
Ole-Rikard Hammer	66 90 49 91	97 54 06 82

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