

Bassøe Friday Report

Week 33 – 19.08.2005

www.pfbassoe.no

Nr 33. Vol 28

Tanker chartering – Crude

Market comments

VLCC rates have enjoyed a solid improvement this week. Activity remained high through the first half, driven by usual mid-month release of Middle East stem dates. The market is ending the week on a quiet, but firm note. Tonnage availability has not changed much and is still on the high side. A continuation of this week's pace of cargo flows is thus needed if owners are to keep the upper hand.

Suezmax rates continue their recovery, supported by healthy demand and little competition from VLCCs in West Africa. Aframax rates in the North Sea continued their climb early in the week before flattening out.

VLCC (DH)		Current trend: Firm		
Route	WS today	Last week	USD/day	
270' MEG – Korea	77.5	60.0	33,838	
275' MEG – UKC	67.5	60.0	34,683	
260' Bonny – LOOP	70.0	67.5	29,793	

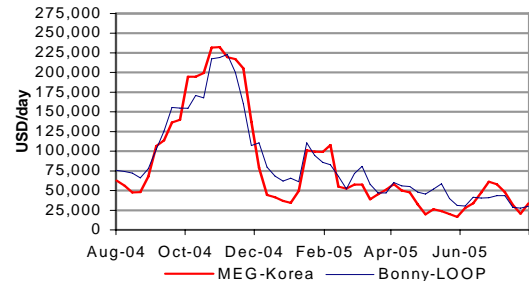
Suezmax		Current trend: Improving		
Route	WS today	Last week	USD/day	
130' Bonny – Phila.	112.5	105.0	27,500	
130' MAF – Ningpo	115.0	100.0	26,179	
135' Novo – Augusta	110.0	100.0	35,874	

Aframax		Current trend: Mixed		
Route	WS today	Last week	USD/day	
80' TEES – R.dam	160.0	150.0	50,253	
70' PLC – Texas	162.5	140.0	20,846	
80' MEG – Singapore	170.0	165.0	27,047	

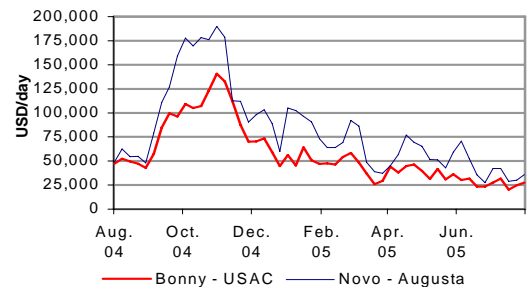
VLCC availability in MEG (# vessels)		
	Single hull	Double hull
Spot	1	0
Next 30 days	37	19

Bunkers (USD/mt)			
	Fujairah		Rotterdam
	282		260

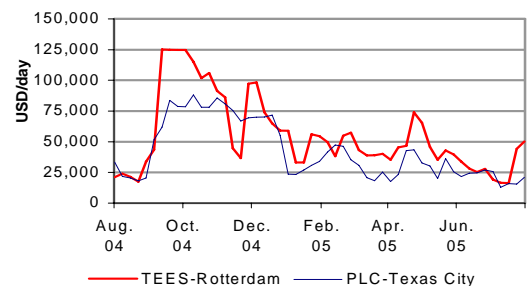
VLCC earnings



Suezmax earnings

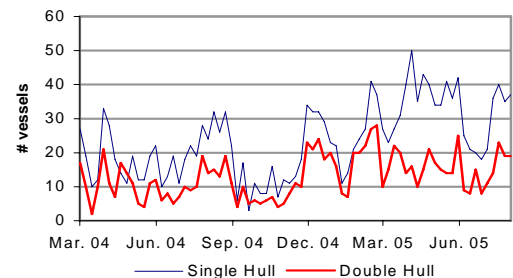


Aframax earnings



VLCC availability in MEG

vessels next 30 days ex. FRO and TI



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Tanker chartering – Clean

Market Comment

A flat ending to an otherwise firm week. We expect US demand to continue to support rates in the west and there are indications that some of the fuel markets are about to turn. MRs Sing/Japan will turn when China decides to begin replenishing its gasoline inventories.

Market assessment – MR

Route	WS today	Last week	USD/day
30' Spore - Japan	277.5	287.5	14,931
37' Cont. - US	250.0	220.0	19,383
38' Car. - USAC	240.0	165.0	17,324

Market assessment – LR

Route	WS today	Last week	USD/day
55' MEG – Japan	210.0	230.0	22,726
75' MEG – Japan	237.5	230.0	37,364

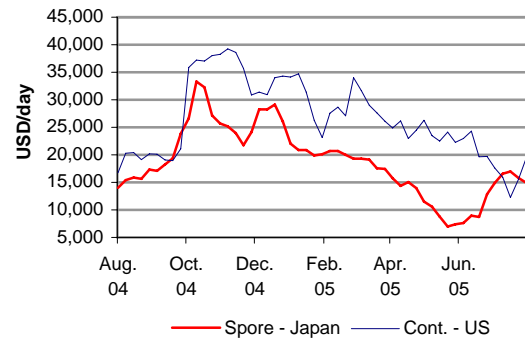
Freight derivatives

TD3 started the week on an optimistic note and was actively traded up until Wednesday, as new and higher fixtures were pumped into the market. The revival was halted when the physical market took a breather, and levels dropped below where we started the week. TD5 swung down and then up as both WAF and Med is looking tighter. TD7 has finished its end-month rally and dipped slightly through the week. TC2 strengthened on the prompt side, while eastern LR routes rebounded sharply.

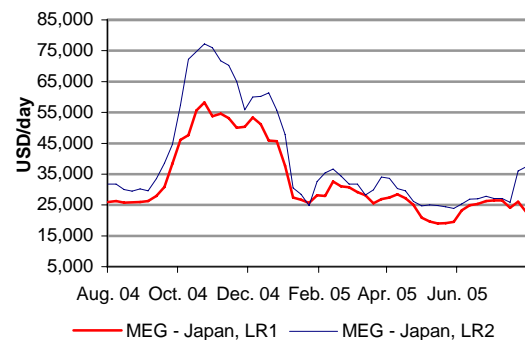
Weekly change in key FFA contracts

Sep	Oct	Q4	Q1'06	Q2'06	CAL06
TD3 MEG-Japan, 250' dwt					
85.0	100.0	112.5	100.0	87.0	89.0
-4.0	-	-2.5	-2.0	-1.0	-1.0
TD 5 West Africa – USAC, 130' dwt					
122.0	150.0	165.0	152.5	126.0	135.0
-3.0	-	2.5	0.0	-1.5	-2.5
TD 7, North Sea, UKC, 80' dwt					
139.0	160.0	170.0	165.0	131.0	142.5
-8.5	-	-7.5	0.0	-4.0	-0.5
TC 2 Cont-USAC, 37' dwt					
270.0	290.0	307.0	292.5	247.5	249.0
10.0	-	-5.5	2.5	2.5	1.0
TC 5, MEG-Japan, 55' dwt					
247.5	270.0	282.5	262.5	220.0	225.0
17.5	-	22.5	10.0	0.0	5.0

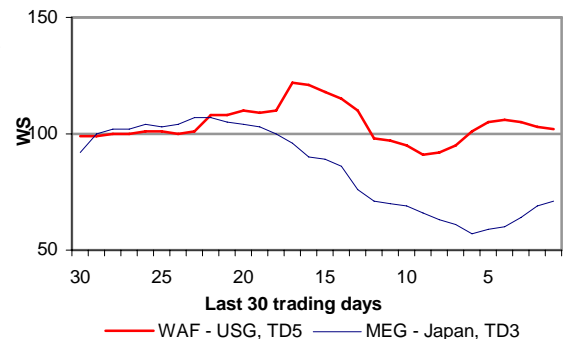
MR earnings



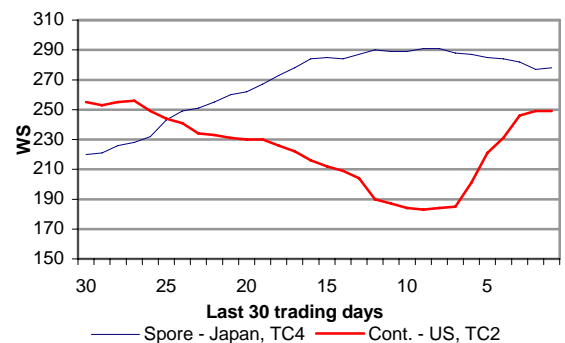
LR earnings



BITR rates, crude



BITR rates, clean



Sale and purchase

Market comment

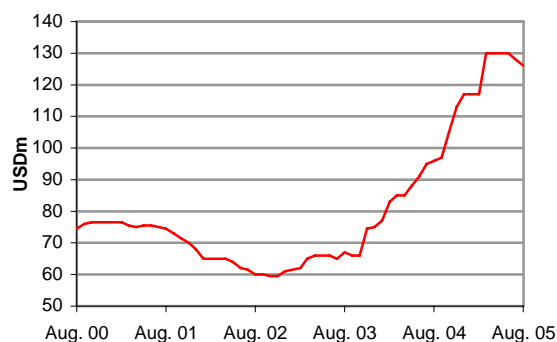
Prices are under pressure. In the wet sector the prevailing lack of transactions is making it difficult to quantify the drop in values depending on vessels vintage and specifications.

For dry bulkers we note that prices have slipped some 10 to 20 percent on average from the peak in April/May.

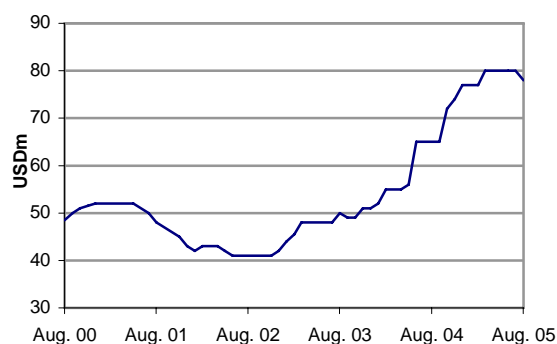
The key to the further development is what kind of autumn market we will see. Predictions vary from bust to boom, so at present uncertainty is the name of the game.

Second hand values					
Vessel /USDm	Latest	1 mth	2 mth	3 mth	12 mth
300' D/D 3 yrs	126.0	128.0	130.0	130.0	96.0
300' D/D 10	96.0	98.0	100.0	100.0	68.0
280' S/S 1990	52.0	56.0	56.0	58.0	47.0
150' D/D 3 yrs	78.0	80.0	80.0	80.0	65.0
150' D/D 10	64.0	66.0	66.0	67.0	50.0
140' S/S 1990	26.0	28.0	28.0	29.0	23.0
105' D/D 3 yrs	64.0	65.0	65.0	65.0	54.0
95' D/D 10yrs	46.0	46.0	46.0	47.0	37.0
95' S/S 1990	20.0	21.0	21.0	23.0	21.0
70' D/D 3 yrs	48.0	48.0	48.0	48.0	40.0
47' D/D 3 yrs	45.0	45.0	45.0	45.0	37.5
45' D/D 10 yrs	33.0	33.0	33.0	33.0	24.0
40' S/S 1990	14.0	15.0	15.0	16.0	13.0

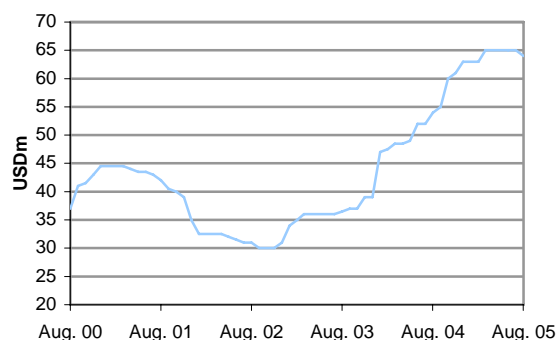
VLCC – 3 year old



Suezmax – 3 year old



Aframax – 3 year old



S&P Transactions

Tankers

M/T "MELOR" - 87,768 TDW, BUILT 1986 ISHIKAWAJIMA AIOI (COILED) SOLD TO UNDISCLOSED BUYERS FOR USD 11,5 MILL

M/T "MARATHON" - 7,031 TDW, BUILT 1995 ASAKAWA SOLD TO STEALTH GAS FOR USD 15 MILL

Bulkers

M/S "MIN NOBLE" - 65,785 TDW, BUILT 1981 NAMURA IMARI SOLD TO CHINESE BUYERS FOR USD 6,5 MILL

M/S "WESTERN MUSE" - 48,500 TDW, BUILT 2001 ISHIKAWAJIMA TOKYO (DOUBLE BOTTOM, CR 4X30T) SOLD TO GERMAN BUYERS FOR USD 34,5 MILL

Demolition

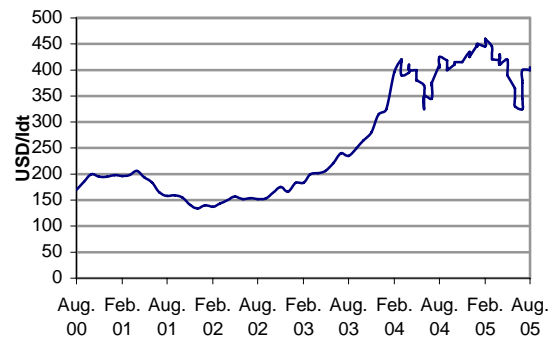
Prices are firming in Bangladesh, as evidenced by the recent sale of prod tanker M/T "Mario" 29,000 tdw blt 78, abt 10,000/ldt for a price reported to be as high as USD 410/ldt. The increased price level is a consequence of a general lack of tonnage for some time. Apart from this sale the market remains quiet and prices for other destinations are steady.

Demolition volume		
# vessels	YTD	Year ago
VLCC	1	4
Suezmax	2	9
Aframax	17	16

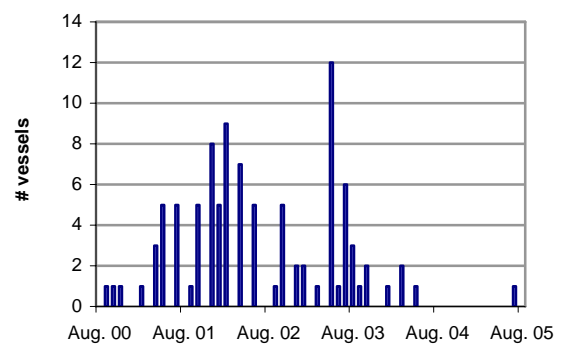
Demolition prices (tankers, USD/ldwt)			
China	India	Pakistan	Bangladesh
310	330	360	405

Transactions

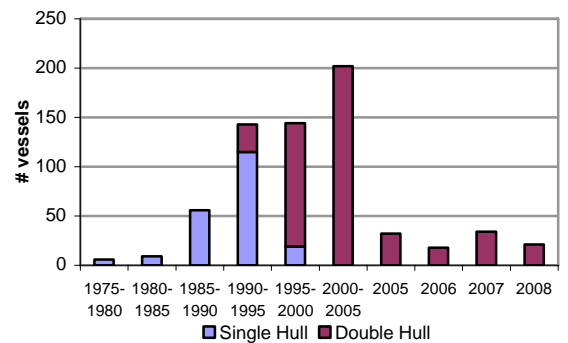
Demolition prices (VLCC, Bangladesh)



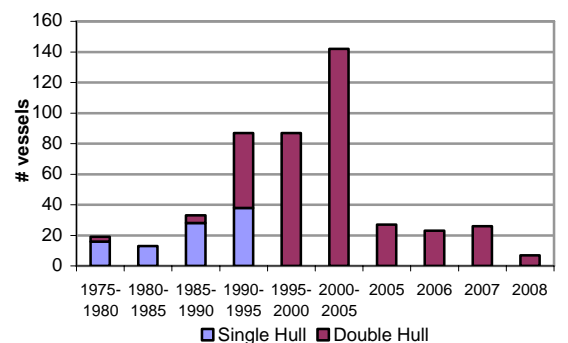
VLCCs sold for demolition



VLCC fleet – Age distribution



Suezmax fleet – Age distribution



Research

Product tankers have been the standout performer in this year's market with average rates YTD slightly ahead of last year's record. This compares favorably to the performance of crude tankers, where earnings are down by an average of 20%. Deepening constraints in the downstream part of the market is the explanation. The US is a prime example; oil demand is rising at a clip of 1-1.5%. Refinery processing continues to lag last year, however, down 1-2% y/y since April. The gap has been closed by a sharp 10% jump in product imports. Despite this, gasoline stocks will be near all-time lows coming out of the driving season. That in itself should continue to support robust demand for product tankers going into the winter. The difference between a good and potentially great winter market is still likely to rest with China, however, where deepening fuel shortages indicate growing pressure on the government to boost imports.

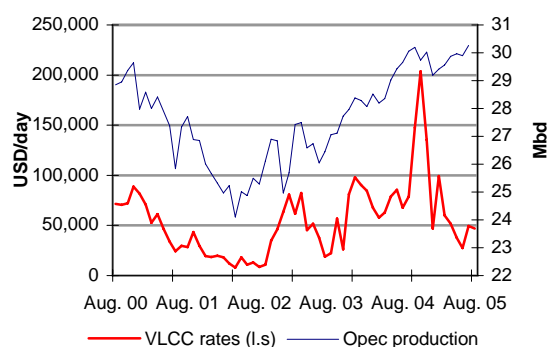
Key market drivers

	2003	2004	2004E	2005E
World oil demand (%)	+2.3 %	+3.6 %	+2.1 %	+2.0 %
USA	+1.4 %	+3.5 %	+1.6 %	+1.2%
Europe	+1.6 %	+1.0 %	+0.2%	+0.1%
China	+11.0 %	+15.4%	+9.4%	+7.2%
Japan	+2.2 %	-2.7 %	+0.6 %	0.0%
Opec production (mbd)	27.1	29.1	29.9	30.5
FSU production (mbd)	10.3	11.2	11.6	11.7
Fleet statistics	Current	2005P	2006E	2007E
VLCC fleet (# vessels)	459			
Orderbook	94			
Deliveries		32	21	30
Suezmax fleet (# vessels)	316			
Orderbook	77			
Deliveries		30	23	25

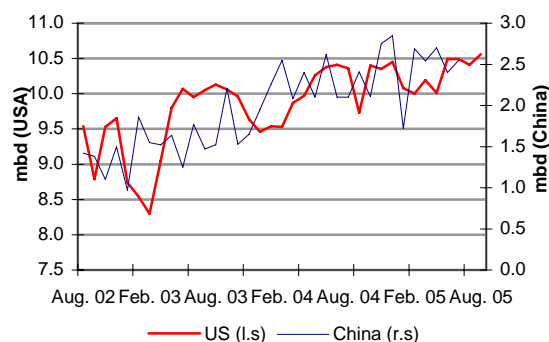
Average earnings

	2003	2004	2005 YTD
VLCC, MEG – Korea	56,233	97,657	47,965
Suezmax, Bonny – Phila.	39,619	65,965	39,696
Aframax, TEES – R.dam	42,127	56,610	42,814

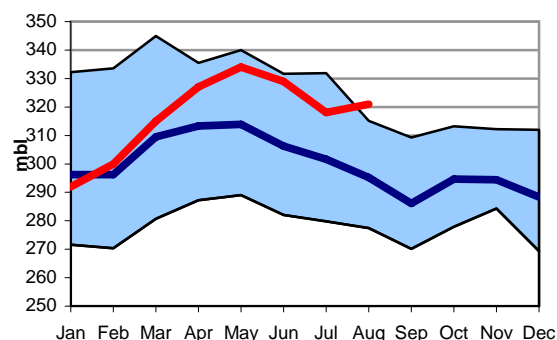
VLCC rates vs. Opec production



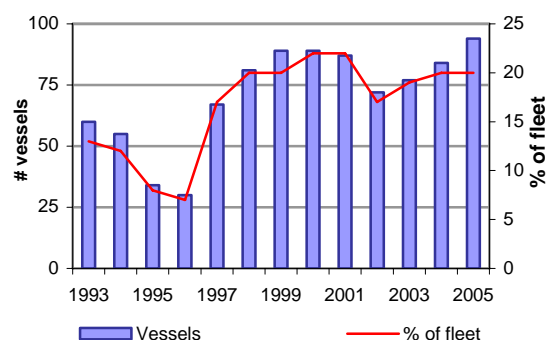
Crude oil imports



Crude oil inventories - USA



VLCC orderbook



Source: IEA, DoE, Bassøe

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
Fredrik Sagen Andersen	41 23 30 29	41 23 30 29
Nils Andreas Arnesen	22 43 05 25	90 18 46 49
Magnus Dehli	92 45 92 90	92 45 92 90
Alf Fjetland	92 63 44 95	92 63 44 95
TANKER CHARTERING	22 01 08 20	
Gerhard N. Dahl	22 95 19 94	91 16 42 35
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
David Sand	66 82 01 05	90 14 34 31
Inge Wallentin	22 73 27 20	90 89 99 28
OPERATION	22 01 08 30	
Gustav Myreng	67 14 92 37	90 12 19 47
Åge Johnny Haug	69 88 56 80	90 03 55 40
Øystein Heggen	67 12 46 51	90 12 19 46
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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