# Bassøe Friday Report

Week 34 – 26.08.2005 www.pfbassoe.no Nr 34. Vol 28


## Tanker chartering – Crude

### Market comments

Last week's upswing in the VLCC market came to a halt this week, with very little fresh enquiry. Nervous owners, of especially s/h ships, accepted lower rates for every new fixture. The upcoming 'Bankholiday' in London will test Owners' patience. About 50 deals have been concluded thus far for September. With about 80 VLCC's left able to give September canceling in the MEG, it appears demand will have to stay very strong should Owners hope for any improvement in ratelevels.

Not a very active week in the Suezmax market. Rates, however, are up in all areas, mainly due to shortage of tonnage with loading dates prior to the 20th September. Aframax market is down especially in the Med and Caribs. Cross-Nsea is also slightly down, whilst Baltic is unchanged. East of Suez remains unchanged from last week.

| VLCC (DH) | Current trend: Weaker | | |
|---|---|---|---|
| Route | WS today | Last week | USD/day |
| 270' MEG – Korea | 70.0 | 77.5 | 26,790 |
| 275' MEG – UKC | 65.0 | 67.5 | 31,104 |
| 260' Bonny – LOOP | 65.0 | 70.0 | 25,005 |

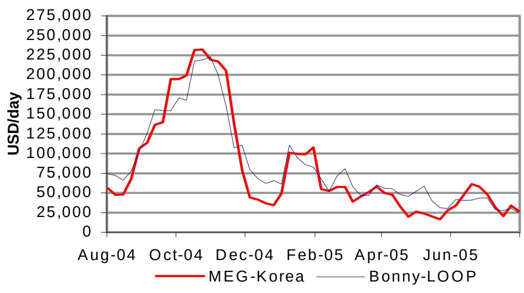
| Suezmax | Current trend: Improving | | |
|---|---|---|---|
| Route | WS today | Last week | USD/day |
| 130' Bonny – Phila. | 125.0 | 112.5 | 31,746 |
| 130' MAF – Ningpo | 145.0 | 115.0 | 36,994 |
| 135' Novo – Augusta | 120.0 | 110.0 | 41,242 |

| Aframax | Current trend: Weaker | | |
|---|---|---|---|
| Route | WS today | Last week | USD/day |
| 80' TEES – R.dam | 145.0 | 160.0 | 41,296 |
| 70' PLC – Texas | 142.5 | 162.5 | 15,853 |
| 80' MEG – Singapore | 175.0 | 170.0 | 27,765 |

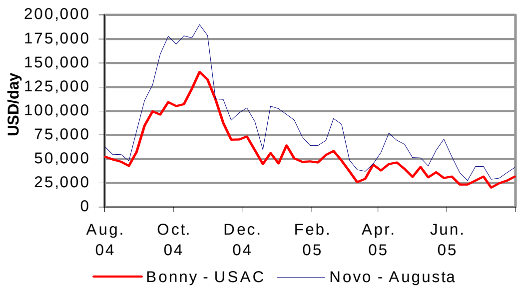
| VLCC availability in MEG (# vessels) | | |
|---|---|---|
| | Single hull | Double hull |
| Spot | 3 | 0 |
| Next 30 days | 41 | 23 |

| Bunkers (USD/mt) | | | |
|---|---|---|---|
| Fujairah | 294 | Rotterdam | 273 |

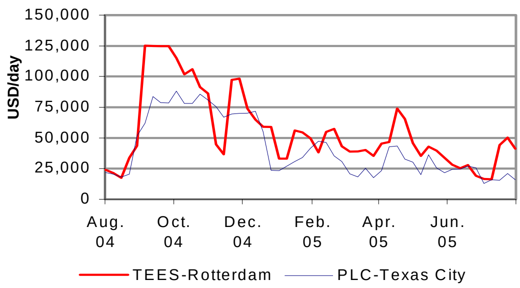
### VLCC earnings




### Suezmax earnings

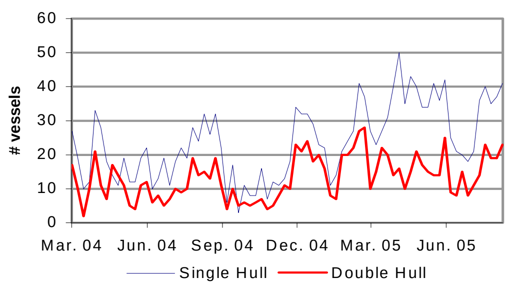



### Aframax earnings




### 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

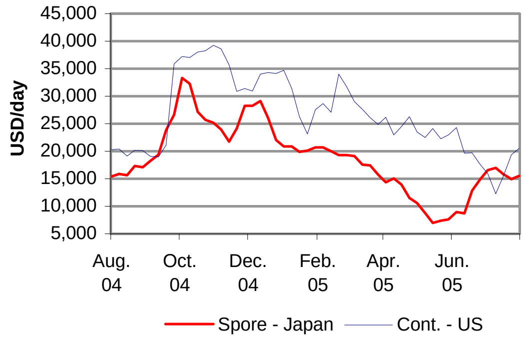
## Market Comment

The rates in all main clean product trades went up this week. US gasoline demand pushes the Transatlanctic and Car/US rates up and we have also seen an improvement in the European shorthaul markets. LR1 and 2 East are firm and MR Sing/Japan picked up late in the week.

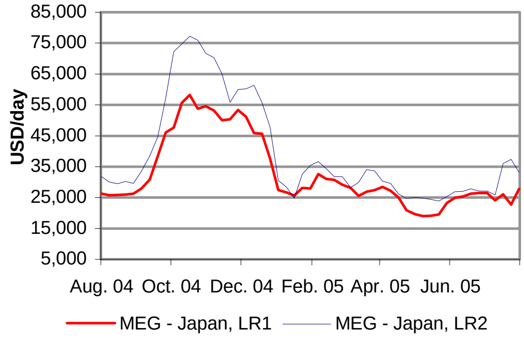
| Market assessment – MR | | | |
|---|---|---|---|
| Route | WS today | Last week | USD/day |
| 30' Spore - Japan | 290.0 | 277.5 | 15,514 |
| 37' Cont. - US | 262.5 | 250.0 | 20,512 |
| 38' Car. - USAC | 245.0 | 240.0 | 17,726 |
| | | | |

| Market assessment – LR | | | |
|---|---|---|---|
| Route | WS today | Last week | USD/day |
| 55' MEG – Japan | 245.0 | 210.0 | 27,845 |
| 75' MEG – Japan | 220.0 | 237.5 | 33,131 |

### MR earnings




### LR earnings

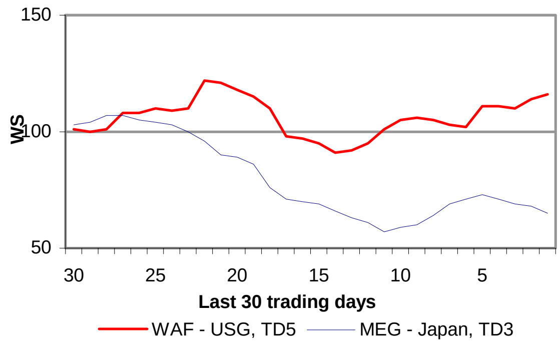



# Freight derivatives

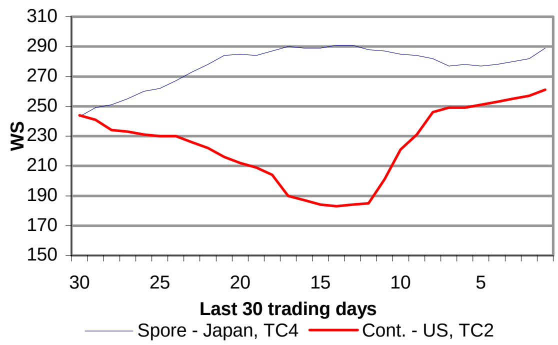
Bullish clean, Crude in the doldrums. This has been the general sentiment of the market this week. TD3, usually by far the most actively traded route, has been bypassed by the clean routes both in terms of activity and market movement. Especially the far eastern crude routes gathered strong momentum. On the crude side TD5 prompt showed a end of week rally, while VLCC's remained stable - especially for the Q4 which seems very well supported at the WS110.

| Weekly change in key FFA contracts | | | | | |
|---|---|---|---|---|---|
| Sep | Oct | Q4 | Q1'06 | Q2'06 | CAL06 |
| **TD3 MEG-Japan, 250' dwt** | | | | | |
| 81.0 | 98.0 | 112.5 | 100.0 | 86.0 | 89.0 |
| -4.0 | -2.0 | 0.0 | 0.0 | -1.0 | 0.0 |
| **TD 5 West Africa – USAC, 130'dwt** | | | | | |
| 127.5 | 145.0 | 165.0 | 152.5 | 126.0 | 133.0 |
| 5.5 | -5.0 | 0.0 | 0.0 | 0.0 | -2.0 |
| **TD 7, North Sea, UKC, 80'dwt** | | | | | |
| 128.0 | 153.0 | 170.0 | 165.0 | 131.0 | 142.0 |
| -11.0 | -7.0 | 0.0 | 0.0 | 0.0 | -0.5 |
| **TC 2 Cont-USAC, 37' dwt** | | | | | |
| 284.0 | 305.0 | 316.0 | 297.5 | 255.0 | 253.0 |
| 14.0 | 15.0 | 9.0 | 5.0 | 7.5 | 4.0 |
| **TC 5, MEG-Japan, 55' dwt** | | | | | |
| 265.0 | 290.0 | 300.0 | 272.5 | 220.0 | 230.0 |
| 17.5 | 20.0 | 17.5 | 15.0 | 0.0 | 5.0 |

### BITR rates, crude




### BITR rates, clean




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

# Sale and purchase

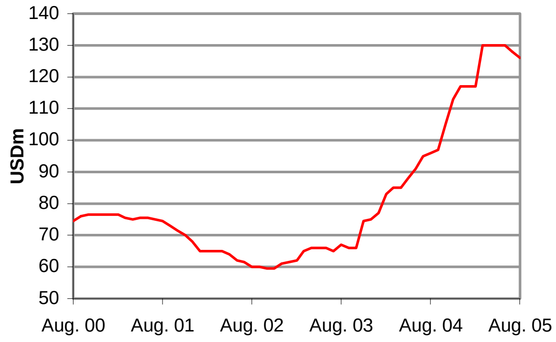
**Market comment**

Little activity in both the wet and the dry sector this week with only a few sales to report. Both sellers and buyers are showing only minor interest as uncertainty continues to be the dominant factor.

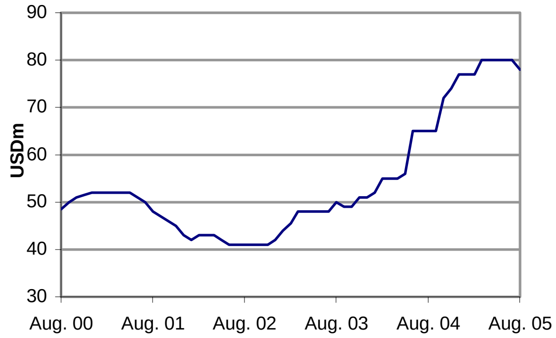
## Second hand values

| 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 |

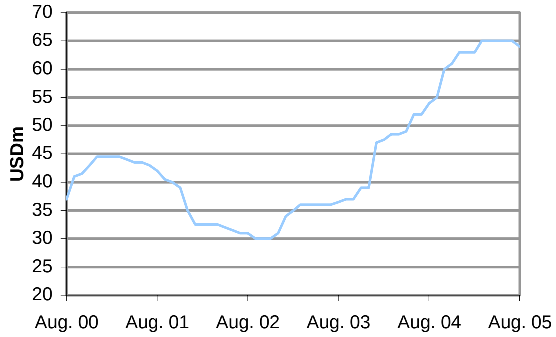
**VLCC – 3 year old**




**Suezmax – 3 year old**




**Aframax – 3 year old**




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

# S&P Transactions

## Tankers

M/T "TORRES SPIRIT" - 96,144 TDW, BUILT 1990 NAMURA IMARI (COILED) SOLD USD 21/22 MILL TO NANJING.

M/T "CHALLENGE EXPRESS" - 68,536 TDW, BUILT 1991 NAMURA IMARI (DOUBLE HULL, COILED, COATED) SOLD USD 24.2 MILL TO B+H OCEAN CARRIERS

M/T "TARNSUND" - 8,828 TDW, BUILT 1989 AUKRA INDUSTRIER (DOUBLE HULL, COILED) SOLD USD 15 MILL TO ALBA SHIPPING

## Bulkers

MS "CAPE LILA" - 149,511 TDW, BUILT 1989 CHINA SB CORP SOLD USD 27 MILL TO POLEMBROS SHIPPING, GREECE.

M/S "PROSPEROUS" - 149,498 TDW, BUILT 1990 CHINA SB KAOHSIUNG SOLD REGION USD 31/32 MILL TO GREEK BUYERS.

M/V "STAR OF EMIRATES" - 75,000 TDW, BUILT 2004 SANOYAS SOLD USD 41 MILL TO GREEK BUYERS.

M/V "PEARL OF FUJAIRAH" - 65,000 TDW, BUILT 1987 JIANGNAN SOLD USD 15 MILL INCLUDING TC UNTIL JANUARY 06 AT USD 16,000/DAY TO UNDISCLOSED BUYERS.

M/S "MARITIME LIGHT" - 71,037 TDW, BUILT 1990 NAMURA IMARI SOLD USD 24 MILL TO UNDISCLOSED BUYERS.

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

# Demolition

### Market comment

There are a few more sales concluded or about to be done in the scrap market, but only smaller size vessels. Generally prices are drifting sideways.

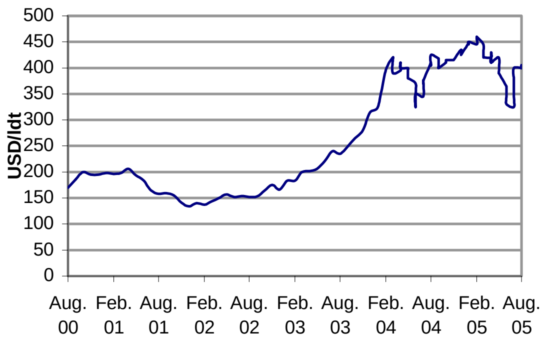
| Demolition volume | | |
|---|---|---|
| **# vessels** | **YTD** | **Year ago** |
| **VLCC** | 1 | 4 |
| **Suezmax** | 2 | 9 |
| **Aframax** | 17 | 16 |

| Demolition prices (tankers, USD/ldwt) | | | |
|---|---|---|---|
| **China** | **India** | **Pakistan** | **Bangladesh** |
| 310 | 330 | 330 | 400 |

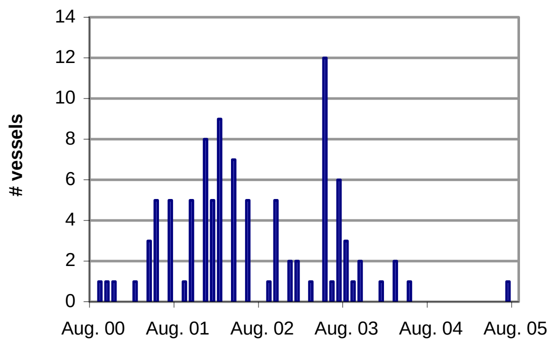
## Transactions

No transactions to report!

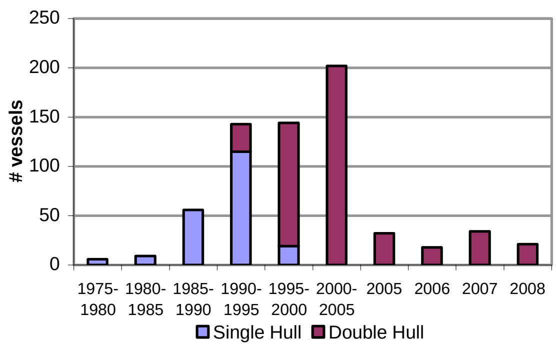
**Demolition prices (VLCC, Bangladesh)**



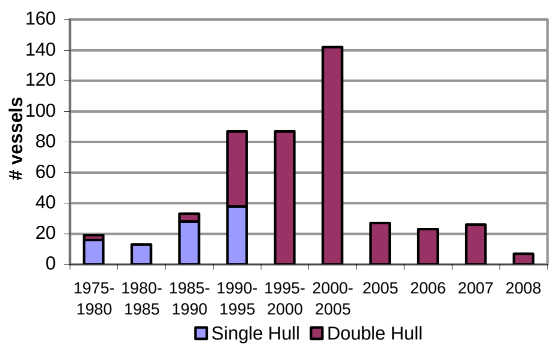

**VLCCs sold for demolition**




**VLCC fleet – Age distribution**




**Suezmax fleet – Age distribution**




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

# Research

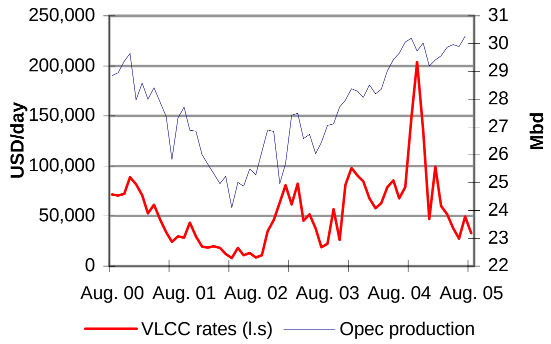
US natural gas prices crossed the $10/mbbtu threshold this week due to very strong demand driven by extreme US summer heat.  The current price is the highest level in more than two years, and is up some 40% in just over a month. In fact, natural gas prices exceed heavy fuel oil prices in thermal value comparisons of energy prices. Heavy fuel oil costs about $98.21/MWh, while natural gas has reached $105/MWh. This should therefore be seen as bullish for the product tanker markets as it becomes comparably cheaper to use fuel oil. We expect fuel oil imports to rise as US refineries are already operating close to their limit. This is further supported by the historical strong correlation between the product tanker market and the natural gas price. In addition, the price structure in China with slowly rising retail gasoline prices and a revaluated currency should give a boost to their hunger for product 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) | 461 | | | |
| Orderbook | 95 | | | |
| Deliveries | | 32 | 18 | 34 |
| | | | | |
| Suezmax fleet (# vessels) | 329 | | | |
| Orderbook | 70 | | | |
| Deliveries | | 27 | 23 | 27 |

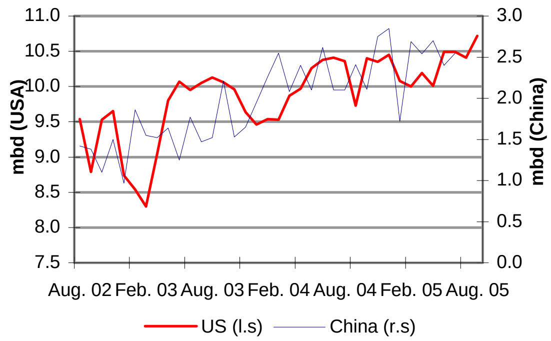
| Average earnings | 2003 | 2004 | 2005 YTD |
|---|---|---|---|
| VLCC, MEG – Korea | 56,233 | 97,657 | 47,342 |
| Suezmax, Bonny – Phila. | 39,619 | 65,965 | 39,462 |
| Aframax, TEES – R.dam | 42,127 | 56,610 | 42,769 |

Source: IEA, DoE, Bassøe

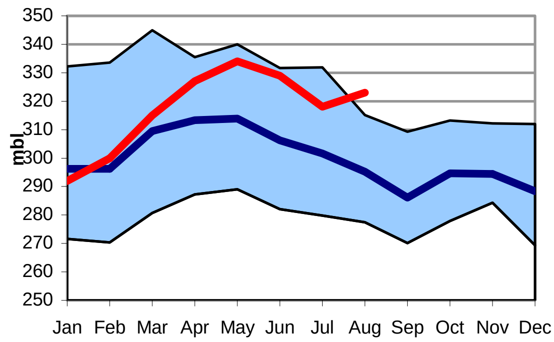
**VLCC rates vs. Opec production**



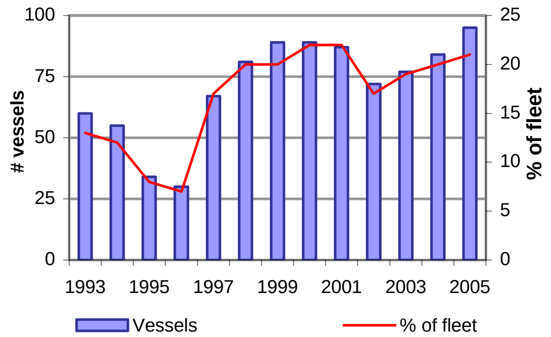

**Crude oil imports**




**Crude oil inventories - USA**




**VLCC orderbook**




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

# 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 |