

Bassøe Friday Report

Week 36 – 09.09.2005

www.pfbassoe.no

Nr 36. Vol 28

Tanker chartering – Crude

Market comments

Unlike their smaller brethren, VLCCs have experienced an unexciting week. Owners have been unable to capitalize on the tailwind they had at the end of last week, and the MEG market is closing on a sluggish note.

Owners should not feel too downbeat, however. Rates in West Africa have made significant gains and the number of vessels arriving in the MEG over the next 30 days is at its lowest level in two months. The way forward will depend on charterers' next move, however. Suezmax rates in the Atlantic have improved on higher activity. The Caribbean Aframax market has made a sharp jump, driven by the scramble to replenish US supplies. North Sea market on the other hand has been quiet with rates under downward pressure.

VLCC (DH)		Current trend: Firmer		
Route	WS today	Last week	USD/day	
270' MEG – Korea	75.0	75.0	28,405	
275' MEG – UKC	75.0	70.0	38,792	
260' Bonny – LOOP	85.0	67.5	39,632	

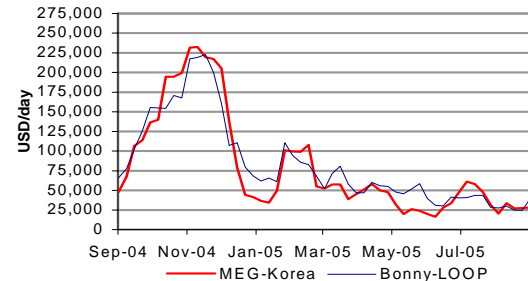
Suezmax (DH)		Current trend: Mixed		
Route	WS today	Last week	USD/day	
130' Bonny – Phila.	125.0	120.0	30,426	
130' MAF – Ningpo	120.0	125.0	26,078	
135' Novo – Augusta	115.0	117.5	37,021	

Aframax (DH)		Current trend: Mixed		
Route	WS today	Last week	USD/day	
80' TEES – R.dam	120.0	125.0	26,542	
70' PLC – Texas	220.0	162.5	33,273	
80' MEG – Singapore	195.0	170.0	31,362	

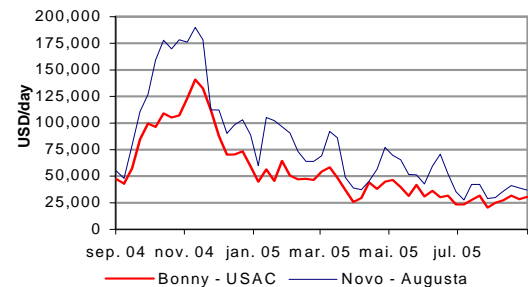
VLCC availability in MEG (# vessels)		
	Single hull	Double hull
Spot	3	0
Next 30 days	23	21

Bunkers (USD/mt)			
Fujairah	320	Rotterdam	289

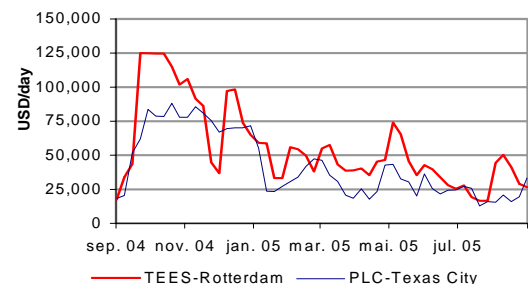
VLCC earnings



Suezmax earnings

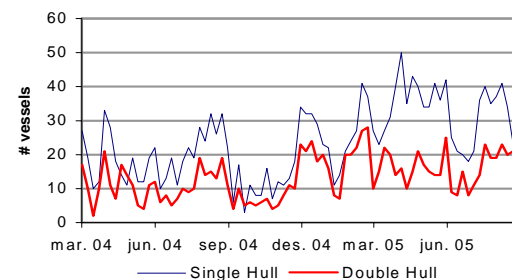


Aframax earnings



VLCC availability in MEG

vessels next 30 days ex. FRO and TI



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Tanker chartering – Clean

Market Comment

BITR clean index went from 1290 last Thursday to 1631 last night. In one week LR2 MEG/Japan has gone up 50 WS points, LR1 65. Cont/US moved some 30-40 points and Car/USAC almost 100. The past two weeks have been the most active in clean FFA's ever.

Market assessment – MR

Route	WS today	Last week	USD/day
30' Spore - Japan	345.0	320.0	19,864
37' Cont. - US	465.0	425.0	44,447
38' Car. - USAC	420.0	325.0	38,651

Market assessment – LR

Route	WS today	Last week	USD/day
55' MEG – Japan	330.0	265.0	40,366
75' MEG – Japan	300.0	250.0	49,264

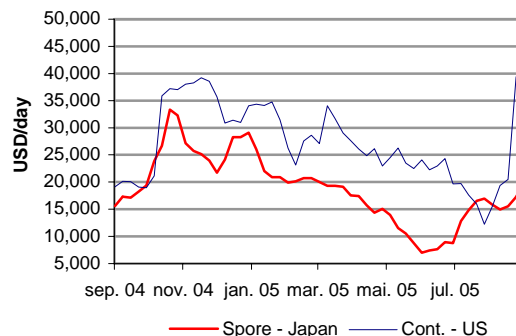
Freight derivatives

Liquidity has again been substantial in the clean routes, particularly in TC2, which has been extremely nervous with huge intraday volatility. Profit taking and hedging results in a correction in last week's spike. Crude routes have been less active, with the exception of TD3. All crude routes seem a bit softer.

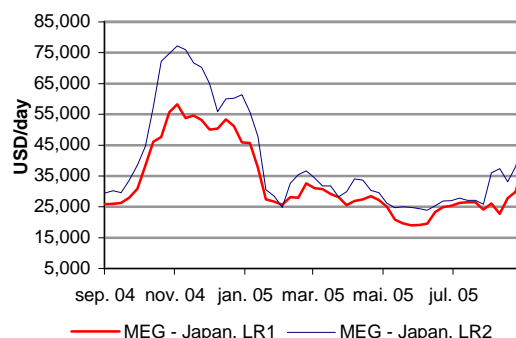
Weekly change in key FFA contracts

Sep	Oct	Q4	Q1'06	Q2'06	CAL06
TD3 MEG-Japan, 250' dwt					
82.0	109.0	121.0	107.0	90.0	93.0
-13.0	-11.0	-12.0	0	0	-1.0
TD 5 West Africa – USAC, 130'dwt					
135.0	158.0	172.5	152.5	127.5	135.0
-5.0	0	-5.5	0	2.5	1.0
TD 7, North Sea, UKC, 80'dwt					
140.0	167.5	185.0	172.5	135.0	146.0
-12.5	-7.5	2.5	2.5	3.0	2.0
TC 2 Cont-USAC, 37' dwt					
450.0	425.0	407.5	345.0	260.0	272.5
-5.0	-15.0	-17.5	7.5	-2.5	0
TC 5, MEG-Japan, 55' dwt					
315.0	300.0	375.0	290.0	245.0	245.0
5.0	10.0	25.0	10.0	0	0

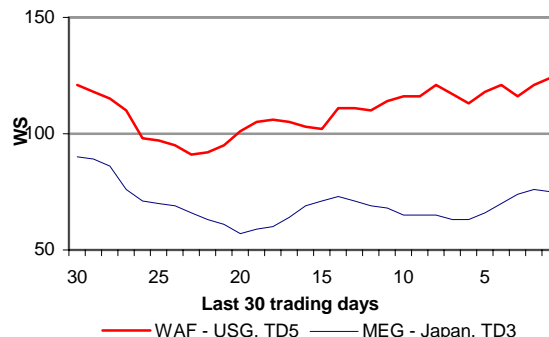
MR earnings



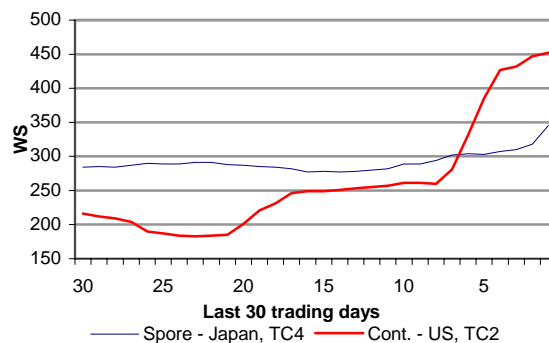
LR earnings



BITR rates, crude



BITR rates, clean



Sale and purchase

Market comment

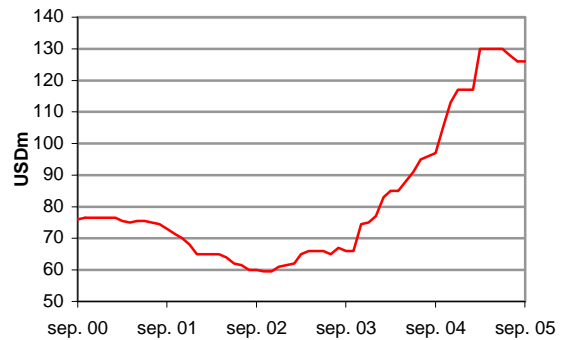
Activity picked up after the summer, especially for dry bulk vessels.

The sale of a double hull Suezmax vessel confirms the current price level. The 98 built M/T “PECOS” – 157,000 DWT, was sold for USD 71.5 mill.

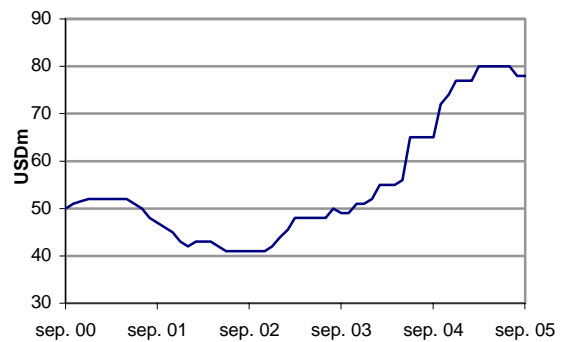
Second hand values

Vessel /USDm	Latest	1 mth	2 mth	3 mth	12 mth
300' D/D 3 yrs	126.0	126.0	128.0	130.0	97.0
300' D/D 10	96.0	96.0	98.0	100.0	70.0
280' S/S 1990	52.0	52.0	56.0	56.0	49.0
150' D/D 3 yrs	78.0	78.0	80.0	80.0	65.0
150' D/D 10	64.0	64.0	66.0	66.0	50.0
140' S/S 1990	26.0	26.0	28.0	28.0	27.0
105' D/D 3 yrs	64.0	64.0	65.0	65.0	55.0
95' D/D 10yrs	46.0	46.0	46.0	46.0	38.0
95' S/S 1990	20.0	20.0	21.0	21.0	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	38.0
45' D/D 10 yrs	33.0	33.0	33.0	33.0	25.0
40' S/S 1990	14.0	14.0	15.0	15.0	14.0

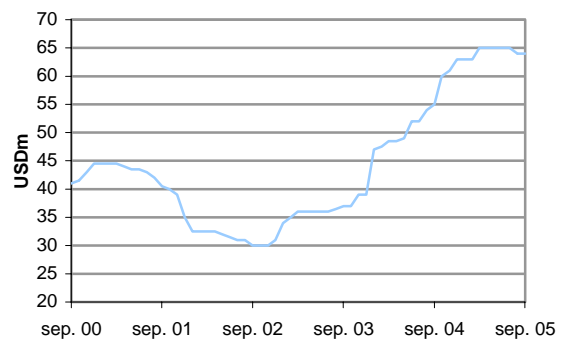
VLCC – 3 year old



Suezmax – 3 year old



Aframax – 3 year old



S&P Transactions

Tankers

M/T "PECOS" - 157,406 TDW, BUILT 1998 DAEWOO HI (DOUBLE HULL) SOLD LAST WEEK FOR USD 71.5 MILL TO PAPACHRISTIDES, GREECE

Bulkers

M/S "LOWLANDS TRADER" - 172,517 TDW, BUILT 2001 NIPPON KOKAN TSU SOLD TO NISSHIN SHIPPING, JAPAN, FOR FIRM PRICE OF USD 62/63 MILL

M/S "WELSPRING" - 73,040 TDW, BUILT 1995 SAMSUNG HI SOLD USD 30.5 MILL TO GERMAN INTERESTS.

M/S "CATHARINA OLDENDORFF" - 46,886 TDW, BUILT 2004 JIANGYANG SOLD USD 42 MILL TO LIMITED PARTNERSHIP IDEENKAPITAL MARINE FINANCE

M/S "TETE OLDENDORFF" - 31,651 TDW, BUILT 2000 SAIKI JUKOGYO (CR 4X30T) SOLD USD 26 MILL TO UNDISCLOSED BUYERS.

M/S "MECTA SEA" - 27,721 TDW, BUILT 1983 HITACHI INNOSHIMA (CR 4X25T) SOLD USD 8.5 MILL TO UNDISCLOSED BUYERS.

Demolition

Market comment

Few sales have been concluded this week, and we report no sales of crude tankers.

Demolition volume

# vessels	YTD	Year ago
VLCC	1	4
Suezmax	2	10
Aframax	17	18

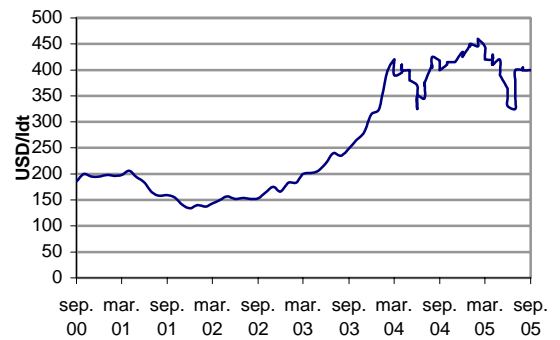
Demolition prices (tankers, USD/ldwt)

China	India	Pakistan	Bangladesh
290	345	330	400

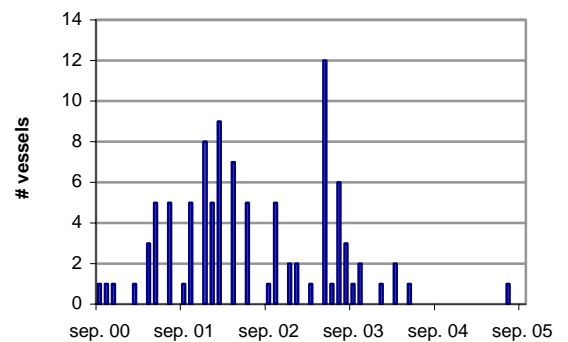
Transactions

No transactions to report!

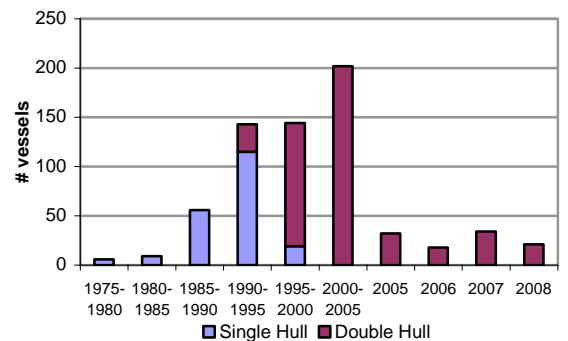
Demolition prices (VLCC, Bangladesh)



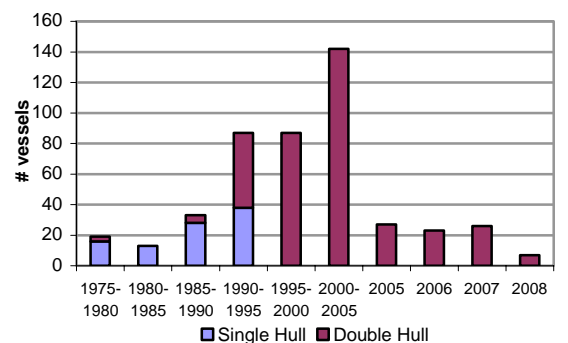
VLCCs sold for demolition



VLCC fleet – Age distribution



Suezmax fleet – Age distribution



Research

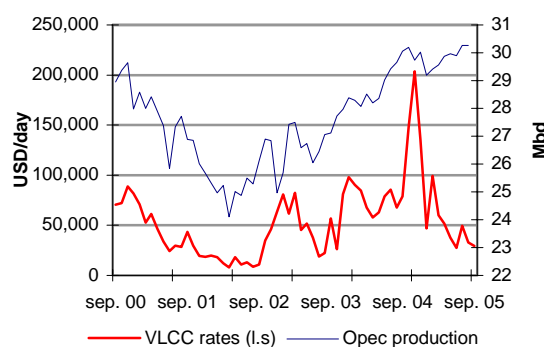
The IEA has committed to release 2 mbd of oil over the next 30 days from strategic inventories, of which 0.7 mbd are refined products. 0.55 mbd of these products will be released from European stocks. Whether or not all of these products will be shipped to the US is up to the market forces. US gasoline prices have surged to record levels, and remain well above European prices, as a result of the Katrina effect on US gasoline supply. As long as these positive differentials spreads between US and European gasoline prices persist, arbitrage possibilities will appear, and market forces will ensure a strong market for product tankers going Transatlantic. Both the freight market and the FFA market show the market for product tankers between Europe and the US has never before been as active as the last two weeks, the exact same period as the gasoline price differentials have provided record arbitrage possibilities. Based on the outlook for a prolonged shutdown of US refining capacity and robust US demand, we believe high price differentials are likely to persist, and market forces will ensure products from the Euro-pean strategic inventories to be transported to the US, causing a strong product tanker market going into the winter season.

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	100			
Deliveries		32	18	34
Suezmax fleet (# vessels)	329			
Orderbook	70			
Deliveries		27	23	27

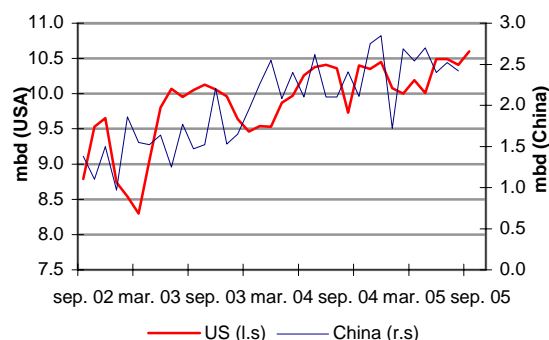
Average earnings	2003	2004	2005 YTD
VLCC, MEG – Korea	56,233	97,657	46,265
Suezmax, Bonny – Phila.	39,619	65,965	38,902
Aframax, TEES – R.dam	42,127	56,610	41,937

Source: IEA, DoE, Bassøe

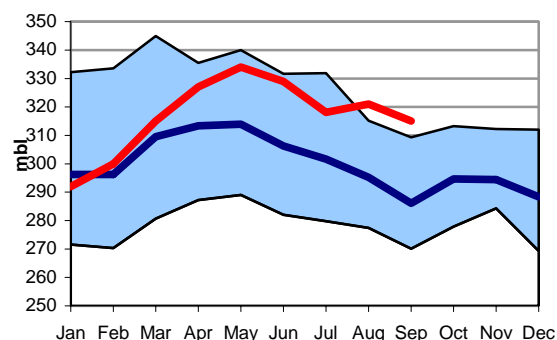
VLCC rates vs. Opec production



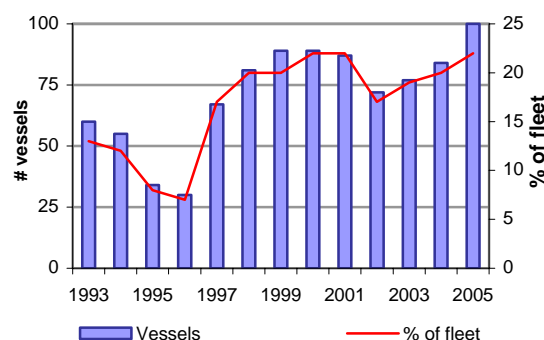
Crude oil imports



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	
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
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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