Bassøe Friday Report

Week 37 – 16.09.2005 | www.pfbassoe.no | Nr 37. Vol 28

Tanker chartering – Crude

Market comments

Slowly, but surely, the tide appears to be turning in the VLCC market. Another week of healthy activity, partially supported by a round of somewhat unexpected late-September cargoes, has tightened the market quite nicely. Charterers seeking double hull vessels have particularly slim pickings for October liftings. The week is ending on a quiet note but for the first time in a while owners, rather than Charterers, are holding back. Suezmax rates have slipped back, but appear likely to firm if the current pace of activity can be kept up. The same goes for Aframaxes in the North Sea, where rates are gaining towards the end of the week. The Caribs market has taken a beating, however, as the Katrina panic has faded somewhat.

VLCC (DH)	Current trend: Firm		
Route	WS today	Last week	USD/day
270' MEG – Korea	92,5	75,0	42 674
275' MEG – UKC	80,0	75,0	44 159
260' Bonny – LOOP	95,0	85,0	48 214

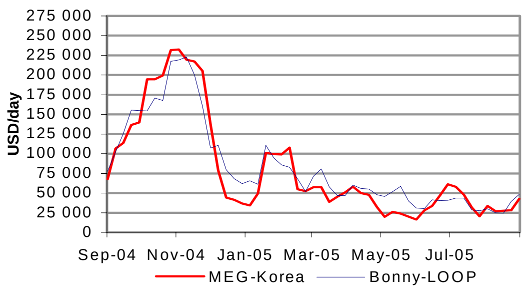
Suezmax (DH)	Current trend: Flat		
Route	WS today	Last week	USD/day
130' Bonny – Phila.	115,0	125,0	26 331
130' MAF – Ningpo	120,0	120,0	26 290
135' Novo – Augusta	105,0	115,0	31 893

Aframax (DH)	Current trend: Flat		
Route	WS today	Last week	USD/day
80' TEES – R.dam	112,5	120,0	22 263
70' PLC – Texas	155,0	220,0	18 265
80' MEG – Singapore	195,0	195,0	31 494

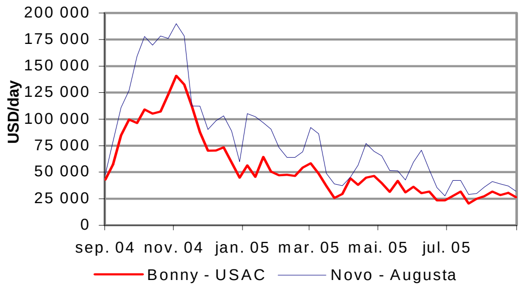
VLCC availability in MEG (# vessels)		
	Single hull	Double hull
Spot	3	0
Next 30 days	22	9

Bunkers (USD/mt)			
Fujairah	316	Rotterdam	289

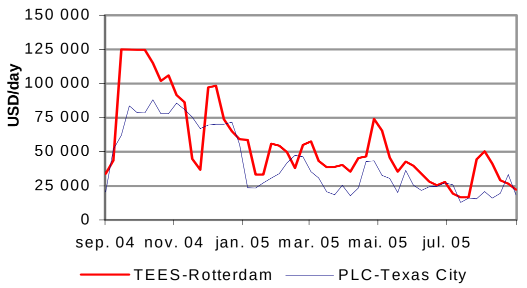
VLCC earnings



Suezmax earnings

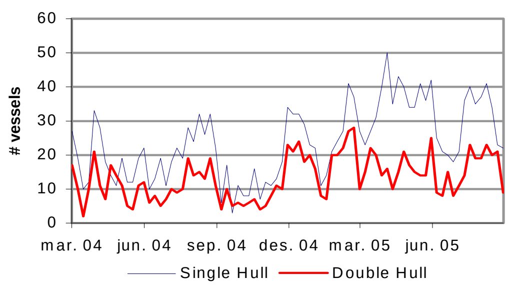


Aframax earnings



VLCC availability in MEG

vessels next 30 days ex. FRO and TI



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Tanker chartering – Clean

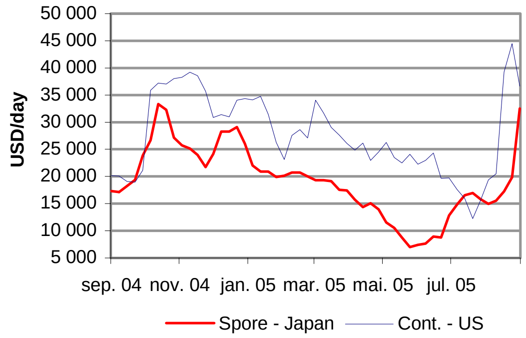
Market Comment

The Western markets are falling, albeit from sky-high levels, while all segments in the East are climbing. 38' tons are on subs at WS 350 for Caribs-USAC and releat tonnage was yesterday talking WS 400 for 37' tons transatlantic.

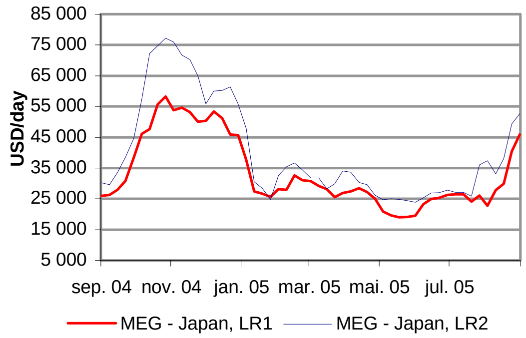
Market assessment – MR			
Route	**WS today**	**Last week**	**USD/day**
30' Spore - Japan	470,0	345,0	32 502
37' Cont. - US	400,0	465,0	36 615
38' Car. - USAC	350,0	420,0	30 224

Market assessment – LR			
Route	**WS today**	**Last week**	**USD/day**
55' MEG – Japan	365,0	330,0	45 933
75' MEG – Japan	315,0	300,0	52 642

MR earnings



LR earnings

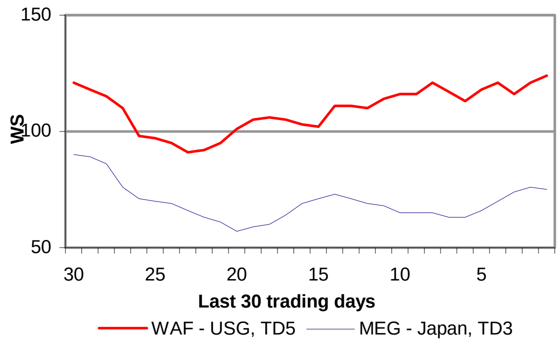


Freight derivatives

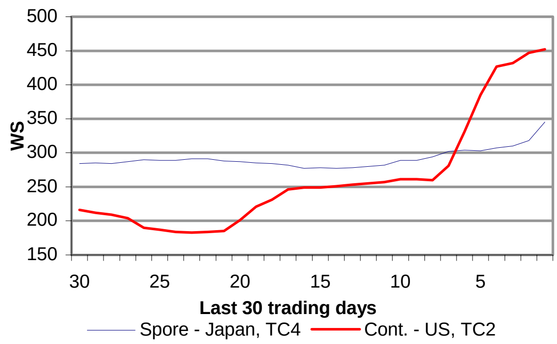
Another week with good liquidity in the clean routes, particularly MRs west and east - TC2 witnessing quite massive selling pressure. TD3 has been generally positive through the week, as seasonal positioning brings out the buyers. TD5 and TD7 both firmed up on Friday on the back of positive fixtures both on Suez- and Aframax. Expect to see these at higher levels next week.

Weekly change in key FFA contracts					
Sep	**Oct**	**Q4**	**Q1'06**	**Q2'06**	**CAL06**
TD3 MEG-Japan, 250' dwt					
84.0	120.0	127.0	110.0	90.0	92.0
2.0	11.0	6.0	3.0	0	-1.0
TD 5 West Africa – USAC, 130'dwt					
125.0	154.0	165.0	152.5	127.5	135.0
-10.0	-4.0	-7.5	0	0	0.0
TD 7, North Sea, UKC, 80'dwt					
135.0	167.5	185.0	172.5	135.0	146.0
-5.0	0	0	0	0	0
TC 2 Cont-USAC, 37' dwt					
400.0	403.0	355.0	330.0	260.0	270.0
-50.0	-22.0	-42.5	-15.0	0	-2.5
TC 5, MEG-Japan, 55' dwt					
315.0	340.0	345.0	290.0	245.0	250.0
0	40.0	25.0	0	0	5.0

BITR rates, crude



BITR rates, clean



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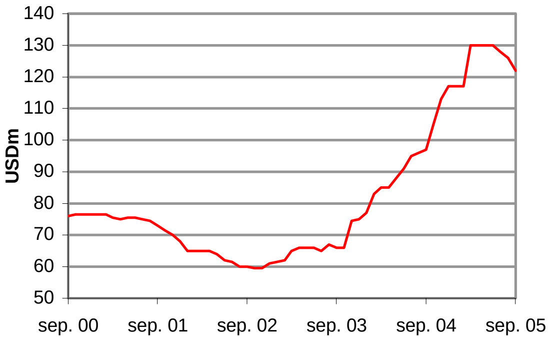
Sale and purchase

Market comment

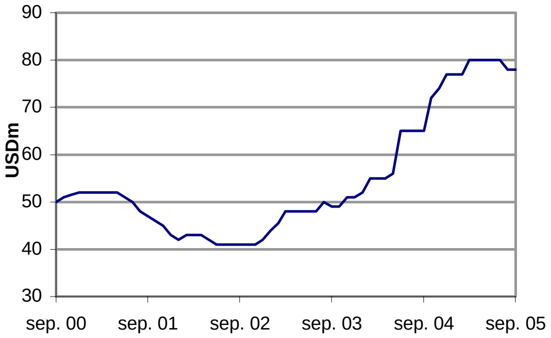
2nd hand values for modern tankers and dry bulk vessels remain strong as evidenced by several transactions reported this week. Public listed companies are particularly active and we expect to see continued buying activity from such companies provided modern vessels with prompt delivery are available.

Rumors that Middle Eastern buyers have committed the VLCC's "ELSE MAERSK"/ "ELISABETH MAERSK" blt 1999 and 2000 respectively for USD 115 mill each are as yet unsubstantiated..

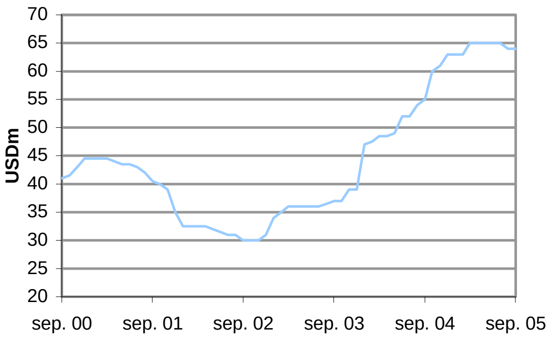
VLCC – 3 year old



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	122,0	126,0	128,0	130,0	97,0
300' D/D 10	92,0	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	61,0	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

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S&P Transactions

Tankers

M/T "MINERVA SYMPHONY" - 150,038 TDW, BUILT 1993 MITSUI CHIBA ICHIHARA (DOUBLE HULL, COILED) SOLD USD 56 MILL TO TOP TANKERS.

M/T "DIFKO BIRTHA" - 83,870 TDW, BUILT 1987 B&W (DOUBLE HULL, COATED) SOLD USD 24.5 MILL TO PRIME.

M/T "STENA COMPASS"/"STENA COMPASSION" - 72,000 TDW, BUILT 2004/2006 DALIAN (DOUBLE HULL, COATED) SOLD USD 55 MILL EACH TU US BUYERS INCL BB BACK.

M/T "JAG PRAKASH" - 46,349 TDW, BUILT 2003 HANJIN HEAVY PUSAN (DOUBLE HULL, COATED) SOLD USD 52 MILL TO TOP TANKERS

Bulkers

“N/B RESALE” - 176,000 TDW, DELIVERY EX UNIVERSAL 2006 SOLD USD 66 MILL TO METROSTAR.

M/S “THALLASINI AVRA”/”THALLASINI DOXA” – 165,000 TDW, BLT CSBC 1991 SOLD USD 137 MILL ENBLOC TO QUINTANA INCLUDING 5 YRS TC USD 36500/DAY FOR T. AVRA.

“N/B RESALE” – 55,000 TDW, DELIVERY EX NANTONG 2005 SOLD USD 35.5 MILL TO GOUMAS.

M/S "CMB TALENT" - 46,719 TDW, BUILT 2001 HASHIHAMA TADOTSU (CR 4X30T) SOLD USD 33 MILL TO GENCO INCL 10 MOS TC AT USD USD 23500/DAY

M/S "TALISMAN" - 45,693 TDW, BUILT 1995 TSUNEISHI (CR 4X30T) SOLD 24 MILL TO UNDISCLOSED BUYERS.

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Demolition

Market comment

The existing shortage of vessels for demolition is causing prices in all regions to strengthen. Even so, a couple of sales were reported early this week, and we expect a few sales to be reported next week.

Demolition volume		
# vessels	**YTD**	**Year ago**
VLCC	1	4
Suezmax	2	10
Aframax	17	19

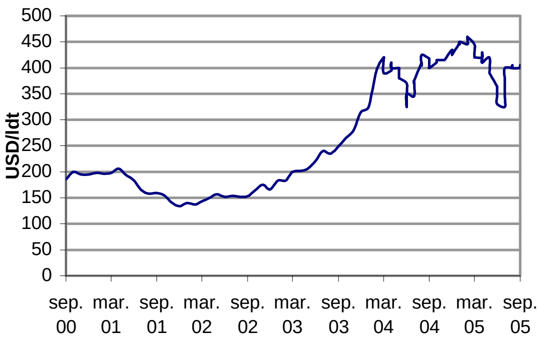
Demolition prices (tankers, USD/ldwt)			
China	**India**	**Pakistan**	**Bangladesh**
290	355	340	405

Transactions

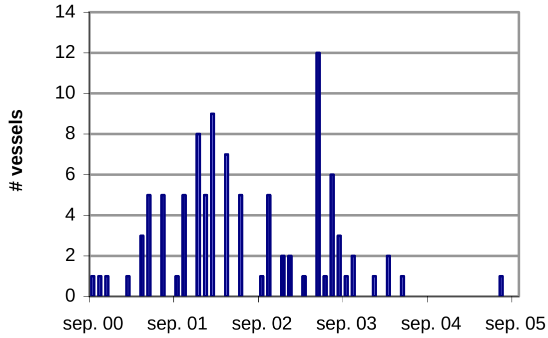
M/T "CAVOSOTEL" - 36,520 TDW, BUILT 1977 BAZAN EL FERROL SOLD "AS IS" FUJAIRAH TO BANGLADESH FOR USD 390/LDT.

M/T "BAHIA DE POZUELOS" – 64,000 TDW, BUILT 1983 SOLD "AS IS" ARUBA TO BANGLADESH FOR USD 390/LDT.

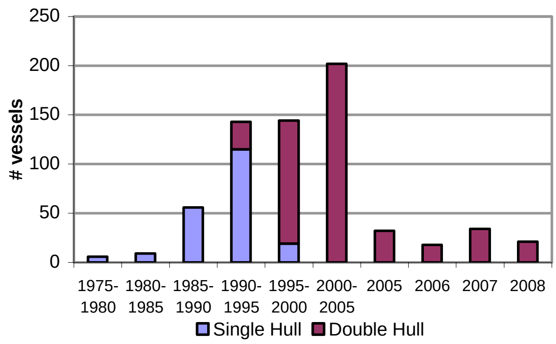
Demolition prices (VLCC, Bangladesh)



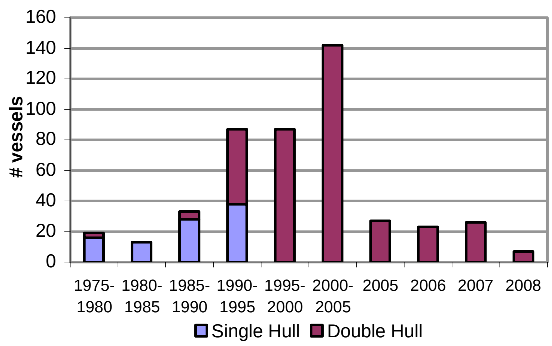
VLCCs sold for demolition



VLCC fleet – Age distribution



Suezmax fleet – Age distribution



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Research

Opec's Annual Statistical Bulletin was out this week and it makes for happy reading among shipowners. According to Opec, its members raised crude oil output and exports last year by a bigger volume than estimated by other sources. Crude oil output was up by 2.7 mbd, supporting a similar sized increase in world crude oil exports. In percentage terms the latter, which is almost all seaborne, gained 7.5%. Ton-miles, a perennial source of disagreement among analysts, also had a banner year. Long-haul exports from the MEG to North America and Europe was up by 1 mbd, or 20%, more than twice the rate of increase to the shorter eastern destinations. The point of looking at this "spilled milk", is of course that, if correct, it confirms the fundamental case for last year's exceptionally strong market. We would also argue that the world has not change that dramatically since then. Consequently the relatively sluggish VLCC market over the summer may indeed not be completely reflective of the true state of affairs

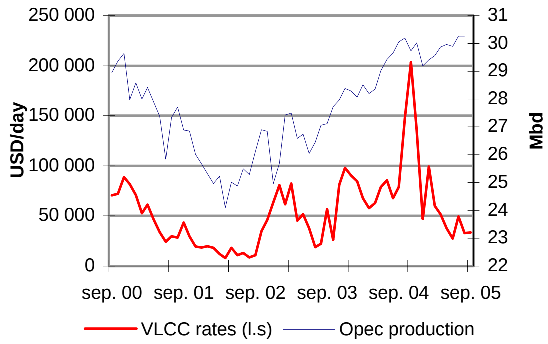
Key market drivers

	2003	2004	2005E	2006E
World oil demand (%	+2.3 %	+3.7 %	+1.6 %	+2.1 %
USA	+1.4 %	+3.5 %	+0.9 %	+1.4%
Europe	+1.6 %	+1.1 %	+0.0%	+0.2%
China	+11.0 %	+15.4%	+3.4%	+7.5%
Japan	+2.2 %	-2.7 %	+0.9 %	0.1%
Opec production (mbd)	27.1	29.1	29.9	30.5
FSU production (mbd)	10.3	11.2	11.6	12.1
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

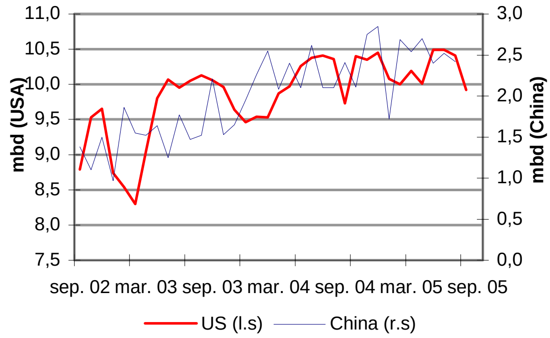
Average earnings	2003	2004	2005 YTD
VLCC, MEG – Korea	56 233	97 657	46 168
Suezmax, Bonny – Phila.	39 619	65 965	38 562
Aframax, TEES – R.dam	42 127	56 610	41 406

Source: IEA, DoE, Bassøe

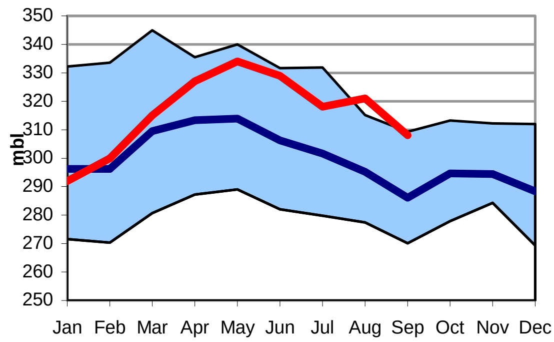
VLCC rates vs. Opec production



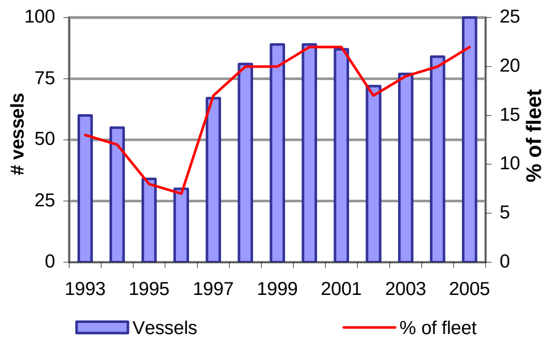
Crude oil imports



Crude oil inventories - USA



VLCC orderbook



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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
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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
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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
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