

# Bassøe Friday Report

Week 38 – 23.09.2005

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Nr 38. Vol 28

## Tanker chartering – Crude

### Market comments

A break-out week for all segments of the crude oil tanker market, sparked by concerns over the impact of Rita on global oil supplies. The VLCC market was in the forefront with charterers moving rapidly to cover October cargoes. Westbound destinations have been particularly popular, which augurs well for a tight tonnage balance going forward. The market has entered a wait-and-see phase toward the end of the week, however, as the uncertainties over the hurricane fall-out loom large. A string of failed fixtures and a somewhat more ample tonnage list have also served to take some of the steam out. The Suezmax market has followed in tune with healthy activity and rates pushing higher. Ditto for Aframaxes, which have been led by strong activity and healthy rate increases in the North Sea.

VLCC (DH)		Current trend: <b>Firm</b>		
Route	WS today	Last week	USD/day	
270' MEG – Korea	110.0	92.5	55,855	
275' MEG – UKC	90.0	80.0	53,459	
260' Bonny – LOOP	95.0	95.0	46,403	

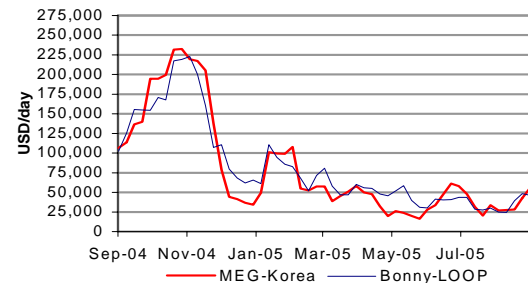
Suezmax (DH)		Current trend: <b>Firm</b>		
Route	WS today	Last week	USD/day	
130' Bonny – Phila.	150.0	115.0	39,236	
130' MAF – Ningpo	120.0	120.0	25,867	
135' Novo – Augusta	135.0	105.0	48,595	

Aframax (DH)		Current trend: <b>Firm</b>		
Route	WS today	Last week	USD/day	
80' TEES – R.dam	155.0	112.5	46,446	
70' PLC – Texas	180.0	155.0	23,326	
80' MEG – Singapore	200.0	195.0	32,344	

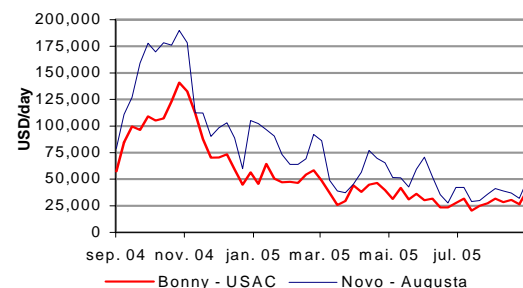
VLCC availability in MEG (# vessels)		
	Single hull	Double hull
Spot	2	0
Next 30 days	25	16

Bunkers (USD/mt)			
	Fujairah		Rotterdam
	324		291

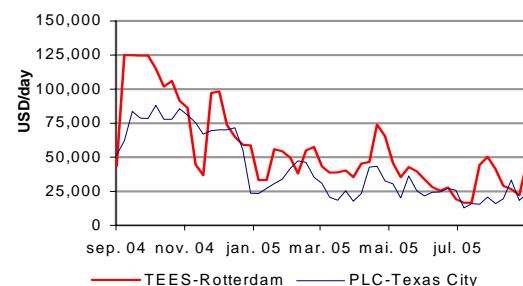
### VLCC earnings



### Suezmax earnings

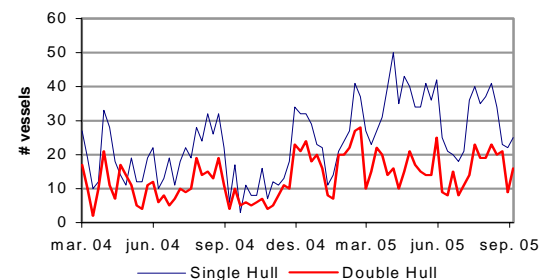


### Aframax earnings



### VLCC availability in MEG

# vessels next 30 days ex. FRO and TI



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# Tanker chartering – Clean

## Market Comment

Cont/US rates turned around big time last night, and WS 425 was fixed. Paper is still very active in TC2, and everyone in the west are watching Rita. Car/USAC rates have been dropping, but will have to turn north. All eastern markets remain very strong.

Market assessment – MR			
Route	WS today	Last week	USD/day
30' Spore - Japan	515.0	470.0	36,620
37' Cont. - US	425.0	400.0	39,569
38' Car. - USAC	310.0	350.0	24,810

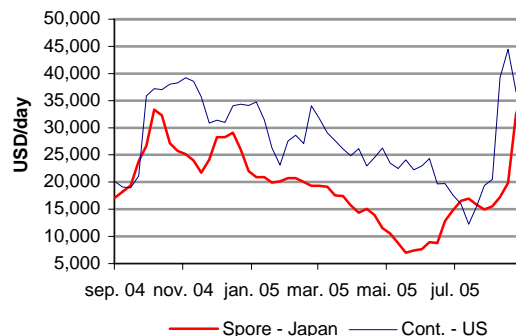
Market assessment – LR			
Route	WS today	Last week	USD/day
55' MEG – Japan	370.0	365.0	46,489
75' MEG – Japan	317.5	315.0	52,861

## Freight derivatives

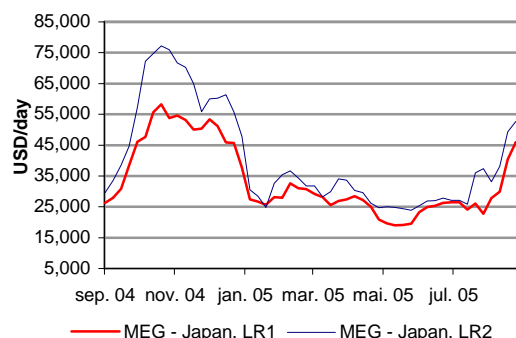
Trading activity was surprisingly good, especially midweek, considering the number of social events in Singapore. TD3 traded up on the back of stronger underlying market while TC2 moved up on expectations and later confirmed by a significant physical turnaround. The week ended on a quiet note, however, due to holidays in the east and in the west market participants nervously awaiting more news on the direction and strength of Rita.

Weekly change in key FFA contracts					
Oct	Nov	Q4	Q1'06	Q2'06	CAL06
<b>TD3 MEG-Japan, 250' dwt</b>					
123.0	125.0	124.0	109.0	87.5	92.0
3.0	-	-3.0	-1.0	-2.5	0.0
<b>TD 5 West Africa – USAC, 130' dwt</b>					
157.5	175.0	172.5	152.5	127.5	135.0
3.5	-	7.5	0	0	0.0
<b>TD 7, North Sea, UKC, 80' dwt</b>					
185.0	195	195	180	135.0	150.0
17.5	-	10.0	7.5	0	0
<b>TC 2 Cont-USAC, 37' dwt</b>					
425.0	405.0	355.0	332.5	260.0	270.0
23.0	-	-42.5	2.5	0	0
<b>TC 5, MEG-Japan, 55' dwt</b>					
365.0	365	365	295	245.0	245
25	-	20.0	5	0	-5.0

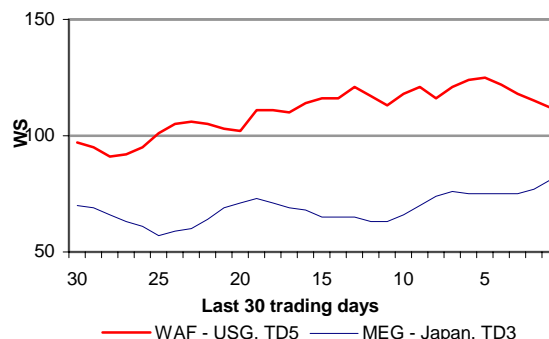
MR earnings



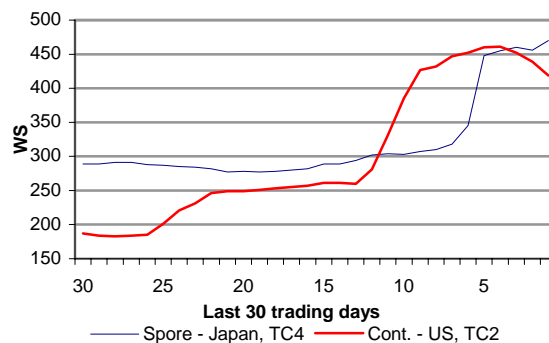
LR earnings



BITR rates, crude



BITR rates, clean



## Sale and purchase

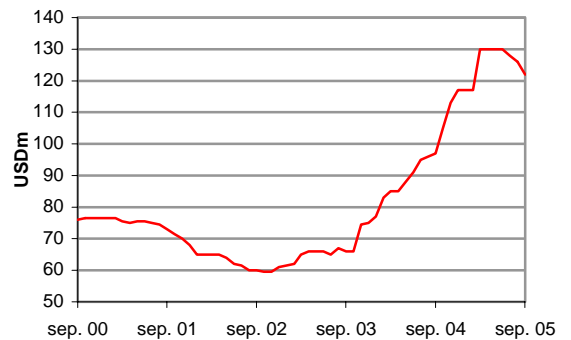
### Market comment

An air of optimism is sweeping the market with strong buying interest for both bulkers and tankers. Bulkers have dominated the news this week with transactions taking place at firm prices indeed. We also expect to see more sales of modern tankers being concluded in the near future. High prices command prompt delivery which is not always easy to match and yards are as such not benefiting from newbuilding orders for bulkers and tankers.

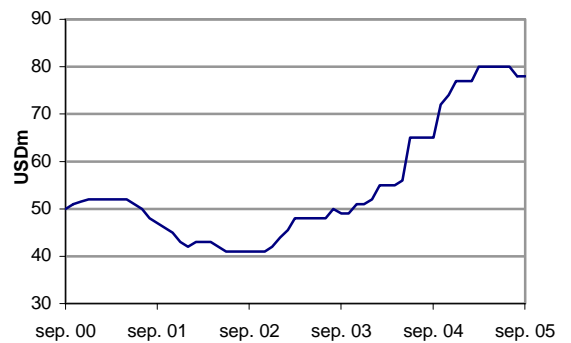
### Second hand values

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

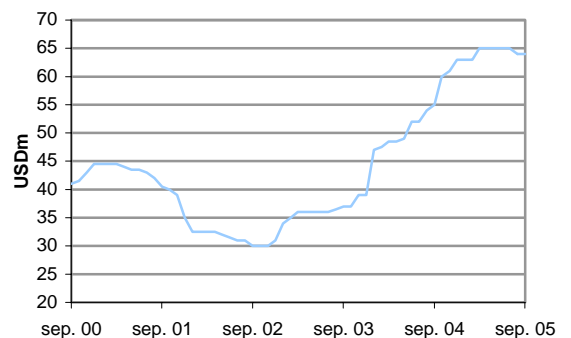
VLCC – 3 year old



Suezmax – 3 year old



Aframax – 3 year old



## S&P Transactions

### Tankers

M/T “NEWBUILDING RESALE” – 160,000 TDW, DELIVERY EX UNIVERSAL, JAPAN END 2007  
SOLD USD 71 MILL TO GERMAN KG BUYERS, INCLUDING 5 YRS TC AT USD 27000/DAY TO  
AGIP

M/T "PACIFIC WAVE" - 96,099 TDW, BUILT 1992 NAMURA IMARI (DOUBLE SIDES, COILED)  
SOLD USD 23 MILL TO CENTROFIN

M/T "WELS" - 23,400 TDW, BUILT 1992 LINDENAU (DOUBLE HULL, IMO1) SOLD USD 24  
MILL TO UNDISCLOSED BUYERS

### Bulkers

M/S "DE HUI HAI" - 74,500 TDW, BUILT 2001 HUDONG SOLD 39 MILL TO GREEK BUYERS

M/S "GUINOMAR BASTION" - 74,193 TDW, BUILT 2001 NAMURA IMARI SOLD USD 38 MILL  
TO G. LEMOS

M/V “VENETICO BREEZE” – 45,217 TDW, BUILT KANASASHI 1996 SOLD USD 26 MILL TO  
CENTURIAN MARITIME.

M/S "SEA BLESSING" - 42,637 TDW, BUILT 1987 MITSUI TAMANO (CR 4X25T) SOLD USD 16.8  
TO UNDISCLOSED BUYERS

M/V “ZEFYROS BREEZE – 23,412 DWT, BUILT IMABARI 1982 SOLD USD 7 MILL TO SYRIAN  
BUERS.

# Demolition

## Market comment

After several weeks of market gains, the Bangladesh market crashed last week as cash buyers attempted to form a cartel. As a result owners are waiting until the situation stabilizes.

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	365	340	370

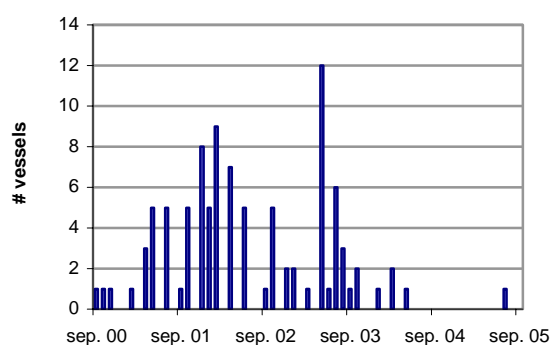
## Transactions

No transactions to report.

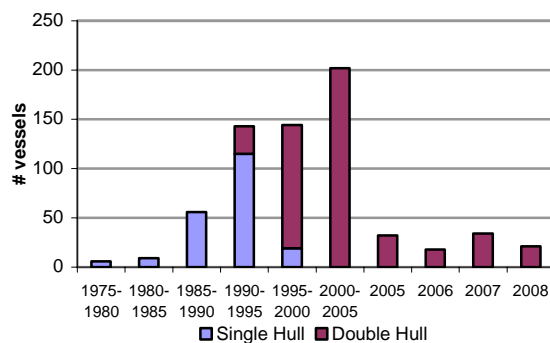
Demolition prices (VLCC, Bangladesh)



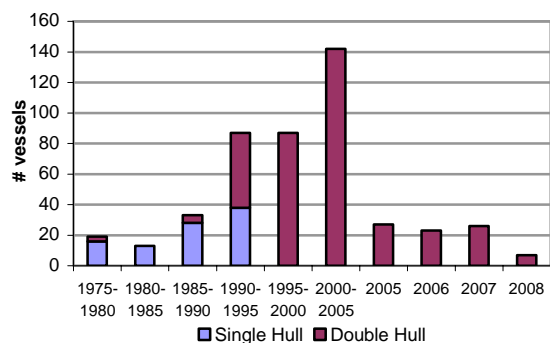
VLCCs sold for demolition



VLCC fleet – Age distribution



Suezmax fleet – Age distribution



## Research

Bad news rarely travels alone. No sooner had the market begun to get a feel for the effects of Katrina than Rita is ready to hit. The only place worse than New Orelans from an oil market standpoint is Texas, home to about one quarter of the US downstream industry. Even under a best case scenario, assuming that there will be no long-term damage to refineries, a fallout in production of 10-15 mbls appears likely. This comes on top of the roughly 30 mbls already lost to Katrina, with another 30-50 mbls expected to come under the now commonly used assumptions that 0.8 mbd will be shut down for three months. An aggregate output loss of as much as 100 mbls could thus be in the ballpark. Some of this will be offset by reduced demand, but we are quite convinced that the recent weakness in US demand statistics overstate the actual loss and will rebound once refilling of empty tanks begins. Only at that time will the supply gap become clear. In our view, only massively higher imports can partially solve the US situation, even assuming a benign outcome from Rita.

### Key market drivers

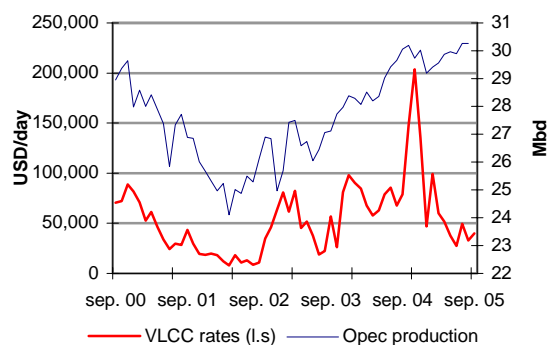
	2003	2004	2005E	2006E
World oil demand (%)	+2.3 %	+3.7 %	+1.6 %	+2.1 %
USA	+1.4 %	+3.5 %	+0.9 %	+1.4%
Europe	+1.6 %	+1.1 %	+0.0%	+0.2%
China	+11.0 %	+15.4%	+3.4%	+7.5%
Japan	+2.2 %	-2.7 %	+0.9 %	0.1%
Opec production (mbd)	27.1	29.1	29.9	30.5
FSU production (mbd)	10.3	11.2	11.6	12.1
<b>Fleet statistics</b>	<b>Current</b>	<b>2005P</b>	<b>2006E</b>	<b>2007E</b>
VLCC fleet (# vessels)	461			
Orderbook	100			
Deliveries		32	18	34
Suezmax fleet (# vessels)	329			
Orderbook	70			
Deliveries		27	23	27

### Average earnings

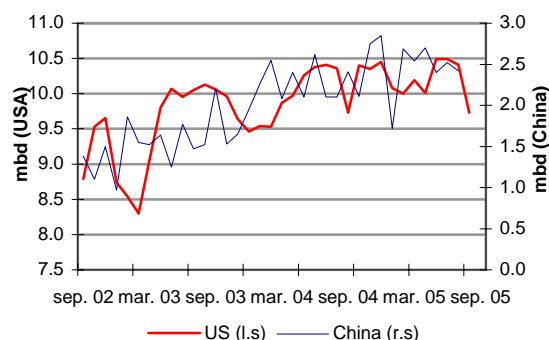
	2003	2004	2005 YTD
VLCC, MEG – Korea	56,233	97,657	46,423
Suezmax, Bonny – Phila.	39,619	65,965	38,580
Aframax, TEES – R.dam	42,127	56,610	41,538

Source: IEA, DoE, Bassøe

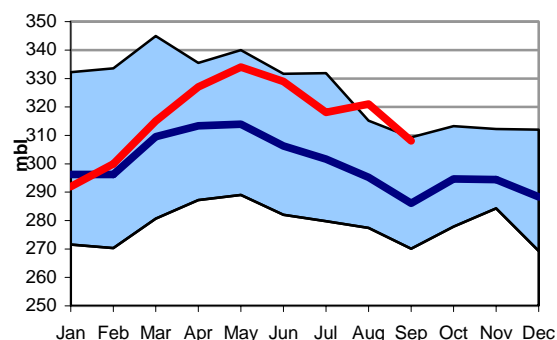
### VLCC rates vs. Opec production



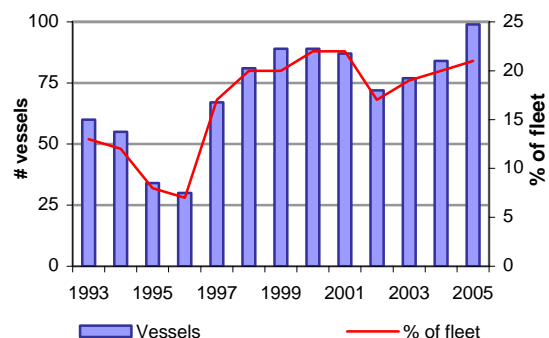
### Crude oil imports



### Crude oil inventories – USA



### VLCC orderbook



## BROKERS OF P. F. BASSØE AS

	<b>AOH (+47)</b>	<b>Mobile (+47)</b>
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
<b>SALE &amp; PURCHASE / NEWBUILDING / PROJECT</b>	<b>22 01 08 25</b>	
Petter A. Thorendahl	22 44 63 83	90 12 33 06
<b>FREIGHT DERIVATIVES</b>	<b>22 01 08 50</b>	
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
<b>TANKER CHARTERING</b>	<b>22 01 08 20</b>	
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
<b>CLEAN</b>	<b>22 01 08 80</b>	
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
<b>OPERATION</b>	<b>22 01 08 30</b>	
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
<b>RESEARCH</b>	<b>22 01 09 06</b>	
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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