

Bassøe Friday Report

Week 41 – 14.10.2005

www.pfbassoe.no

Nr 41. Vol 28

Tanker chartering – Crude

Market comments

Is the glass half full or half empty? VLCC rates out of the Middle East Gulf, although improving this week, continue to lag the more vital performance in other sectors. Activity has been relatively modest during the past couple of weeks, which may be seen as a tad disappointing given the time of the year. On the other hand, the list of available tonnage has failed to lengthen appreciably. The latter, combined with the psychological cushion of booming rates everywhere else, is providing VLCC owners with a healthy amount of confidence. Activity has shown clear signs of improvement in recent days. If that continues into next week, owners would appear well positioned to reap further gains. Suezmaxes have seen their rate gains capped by slower activity, but they remain at quite lofty levels. Aframaxes, in contrast, continue their march to new highs for the year in the North Sea as well as in the Caribs.

VLCC (DH)		Current trend: Firming		
Route	WS today	Last week	USD/day	
270' MEG – Korea	110.0	102.5	57,396	
275' MEG – UKC	97.5	90.0	62,495	
260' Bonny – LOOP	135.0	145.0	79,461	

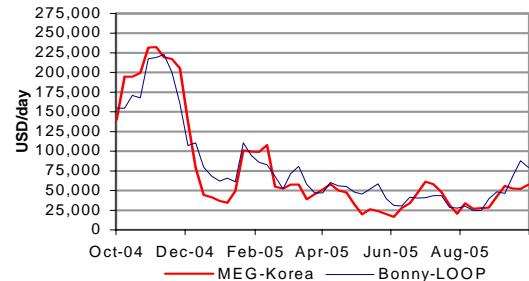
Suezmax (DH)		Current trend: Softer		
Route	WS today	Last week	USD/day	
130' Bonny – Phila.	182.5	205.0	52,358	
130' MAF – Ningpo	150.0	120.0	38,215	
135' Novo – Augusta	170.0	210.0	68,600	

Aframax (DH)		Current trend: Booming		
Route	WS today	Last week	USD/day	
80' TEES – R.dam	245.0	175.0	98,002	
70' PLC – Texas	382.5	250.0	70,929	
80' MEG – Singapore	210.0	205.0	35,132	

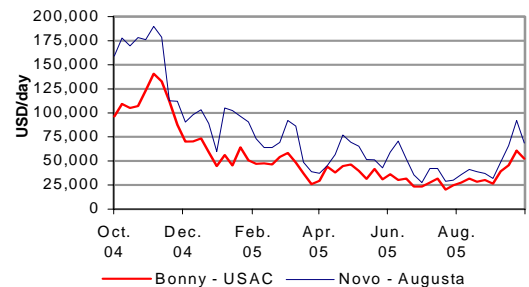
VLCC availability in MEG (# vessels)		
	Single hull	Double hull
Spot	1	0
Next 30 days	30	18

Bunkers (USD/mt)			
Fujairah	307	Rotterdam	284

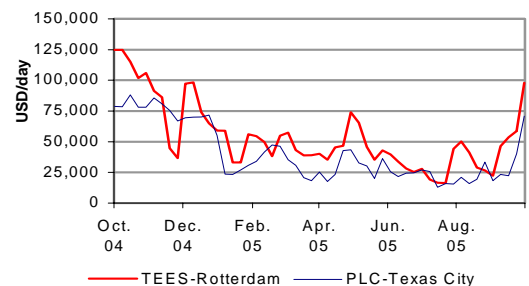
VLCC earnings



Suezmax earnings

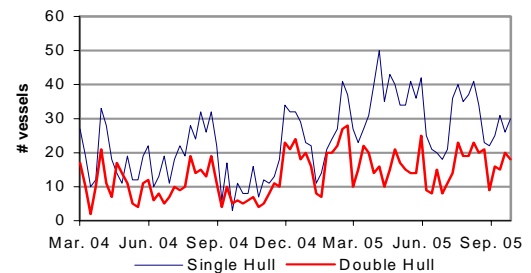


Aframax earnings



VLCC availability in MEG

vessels next 30 days ex. FRO and TI



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Tanker chartering – Clean

Market Comment

BITR clean index hit all time high (1955) Dec 27th 2000. We are about to reach that level again, yesterday being recorded at 1911. It is just strong all over, and the below numbers speak for themselves!

Market assessment – MR			
Route	WS today	Last week	USD/day
30' Spore - Japan	542.5	535.0	39,209
37' Cont. - US	440.0	435.0	41,580
38' Car. - USAC	350.0	345.0	29,857

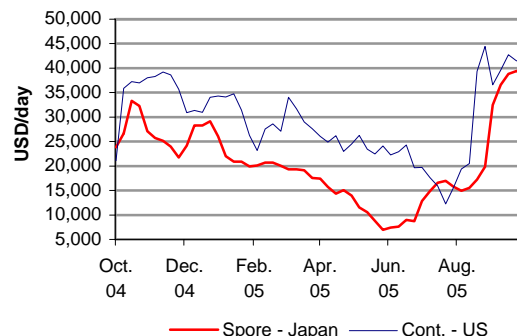
Market assessment – LR			
Route	WS today	Last week	USD/day
55' MEG – Japan	440.0	425.0	57,764
75' MEG – Japan	380.0	350.0	66,790

Freight derivatives

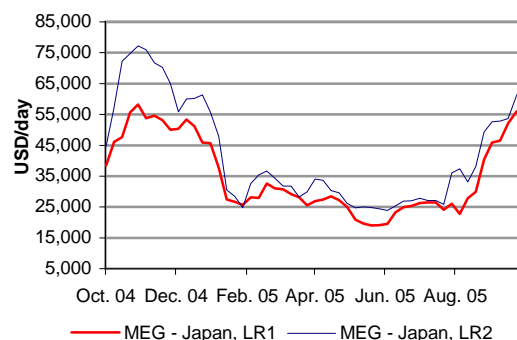
Aframaxes continued their bullrun, and TD7 climbed further. TD5 however, went all quiet and was hardly traded after the physical market softened. TD3 fell on flat ratelevels, with a slight rebound on Friday supported by higher VL rates. Eastern clean markets have all been very strong and the rising trend continued on paper. Nervous trading in TC2 but the week ends on a weakening note.

Weekly change in key FFA contracts					
Oct	Nov	Q4	Q1'06	Q2'06	CAL06
TD3 MEG-Japan, 250' dwt					
103.0	125.0	117.0	103.0	83.0	89.0
-7.0	-7.0	-8.0	-2.0	0	-1.0
TD 5 West Africa – USAC, 130' dwt					
185.0	188.0	185.0	155.0	121.0	134.0
-14.0	-11.0	-11.0	-7.5	-9.0	-1.0
TD 7, North Sea, UKC, 80' dwt					
225.0	217.5	220.0	167.5	133.0	142.5
25.0	7.5	15.0	-7.5	-2.0	-2.5
TC 2 Cont-USAC, 37' dwt					
435.0	425.0	422.5	347.5	249.0	269.0
-5.0	5.0	7.5	10.0	4.0	0
TC 5, MEG-Japan, 55' dwt					
425.0	420.0	405.0	307.5	235.0	252.5
12.5	25.0	10.0	2.5	-15.0	2.5

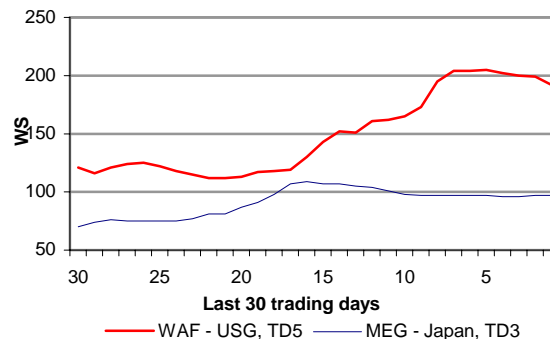
MR earnings



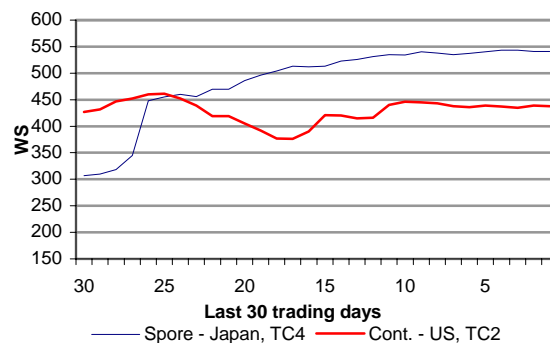
LR earnings



BITR rates, crude



BITR rates, clean

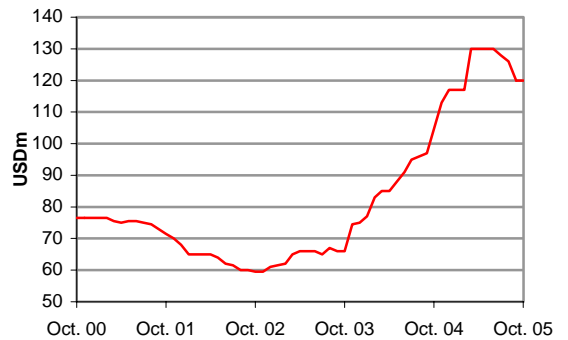


Sale and purchase

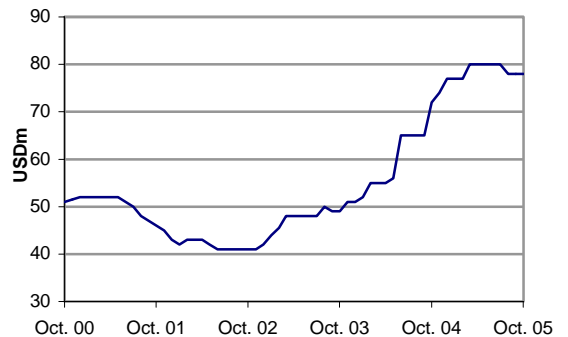
Market comment

“Hot on the heels” of last week’s sale of Fred Olsen’s 3 double hull Suezmaxes to TOP, Tanker Pacific are demonstrating their belief in a continued strong freight market by paying close to USD 300 mio en-bloc for Genmar’s fleet of non-double hull Suezmaxes – 6 vessels with double sides and 4 vessels with single skin, presumably all with prompt delivery.

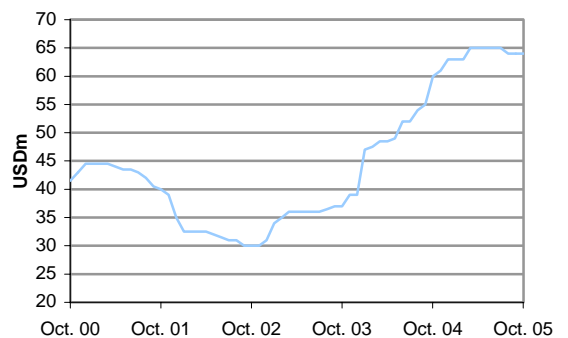
VLCC – 3 year old



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	120.0	120.0	126.0	128.0	105.0
300' D/D 10	90.0	90.0	96.0	98.0	80.0
280' S/S 1990	52.0	52.0	52.0	56.0	54.0
150' D/D 3 yrs	78.0	78.0	78.0	80.0	72.0
150' D/D 10	62.0	62.0	64.0	66.0	57.0
140' S/S 1990	26.0	26.0	26.0	28.0	32.0
105' D/D 3 yrs	64.0	64.0	64.0	65.0	60.0
95' D/D 10yrs	46.0	46.0	46.0	46.0	42.0
95' S/S 1990	20.0	20.0	20.0	21.0	24.0
70' D/D 3 yrs	50.0	50.0	48.0	48.0	42.0
47' D/D 3 yrs	49.0	49.0	45.0	45.0	40.0
45' D/D 10 yrs	37.0	37.0	33.0	33.0	26.0
40' S/S 1990	14.0	14.0	14.0	15.0	15.0



S&P Transactions

Tankers

M/T "GENMAR CONQUEROR" - 159,878 TDW, BUILT 1993 SOLISNOR (DOUBLE SIDES)
M/T "GENMAR HONOUR" - 159,719 TDW, BUILT 1992 SOLISNOR (DOUBLE SIDES)
M/T "GENMAR MACEDON" - 155,547 TDW, BUILT 1990 IHI (SINGLE HULL)
M/T "GENMAR SPARTIATE" - 155,150 TDW, BUILT 1991 ISHIBRAS (SINGLE HULL)
M/T "GENMAR ZOE" - 155,103 TDW, BUILT 1991 ISHIBRAS (SINGLE HULL)
M/T "GENMAR PROMETHEUS" - 152,412 TDW, BUILT 1988 DAEWOO (DOUBLE SIDES)
M/T "GENMAR KESTREL" - 152,385 TDW, BUILT 1989 DAEWOO (DOUBLE SIDES)
M/T "GENMAR SKY" - 151,803 TDW, BUILT 1987 DAEWOO (DOUBLE SIDES)
M/T "GENMAR ARISTON" - 149,999 TDW, BUILT 1989 DAEWOO (DOUBLE SIDES)
M/T "GENMAR ALTA" - 146,251 TDW, BUILT 1990 MITSUBISHI NAGASAKI (SINGLE HULL)
SOLD USD 299 MILL ENBLOC TO TANKER PACIFIC, SINAPORE.

M/T "BOW TRANSPORTER" – 39738 DWT, BUILT 1984 (DOUBLE BOTTOM, IMO2)
M/T BOW PETROS - 39722 DWT, BUILT 1984 (DOUBLE BOTTOM, IMO2)
SOLD USD 22 MILL ENBLOC TO CHINESE BUYERS

M/T "ALIOTH STAR" - 16,421 TDW, BUILT 1985 SPLIT (DOUBLE BOTTOM)
M/T "ATAIR STAR" - 16,354 TDW, BUILT 1984 SPLIT (DOUBLE BOTTOM) SOLD USD 6 MILL
EACH TO UNDISCLOSED BUYERS.

MT "NEWBUILDING RESALE" – 12,600 TDW, DELIVERY 21 ST CENTURY 2006 (IMO2) SOLD
AT UNDISCLOSED PRICE TO CAMILLO EITZEN.

Bulkers

M/S "NEW HALCYON" - 149,477 TDW, BUILT 1993 CHINA SB KEELUNG SOLD USD 35 MILL TO PACIFIC KING, CHINA.

2 X M/S "NEWBUILDING RESALES" – 82,300 TDW, DELIVERY TSUNEISHI 2006/2007 SOLD USD 40.5 MILL TO ITALIAN BUYERS.

M/S "JI MEI HUA" - 69,149 TDW, BUILT 1994 IMABARI MARUGAME SOLD USD 26 MILL TO CHINESE BUYERS.

M/S "EVER BLESSING" - 66,734 TDW, BUILT 1983 CHINA SB KAOHSIUNG SOLD USD 12 MILL TO UNDISCLOSED BYERS.

M/S "VASALIOS" – 64,000 TDW, BUILT 1989 SOLD USD 18.6 MILL TO UNDISCLOSED BUYERS.

M/S "NEWBUILDING RESALE" – 52500 DELIVERY TSUNEISHI 2006 SOLD USD 33.5 MILL TO UNDISCLOSED BUYERS

M/S "YASA AYSEN" - 46,800 TDW, BUILT 2000 TSUNEISHI SHIPBUILDING (CR 4X30T)

M/S "YASA ILHAN" - 46,800 TDW, BUILT 2001 TSUNEISHI SHIPBUILDING (CR 4X30T) SOLD USD 63 MILL ENBLOC TO UNDISCLOSED BUYERS.

M/S "SEA CATTLEYA" - 38,885 TDW, BUILT 1984 ISHIKAWAJIMA AIOI (CR 4X25T) SOLD USD 10 MILL TO TBS SHIPPING, USA.

Demolition

Market comment

Another quiet week, and prices remain steady in all regions. No news from the cartel in Bangladesh, and owners are still waiting. No sales to report!

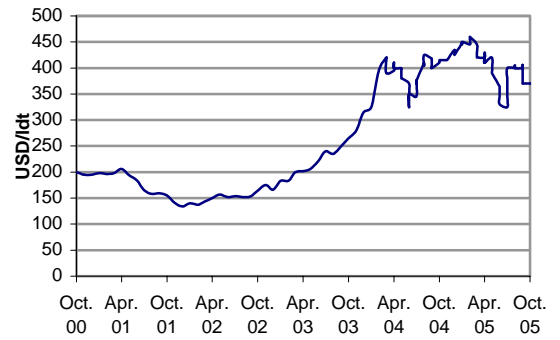
Demolition volume		
# vessels	YTD	Year ago
VLCC	1	4
Suezmax	2	10
Aframax	17	20

Demolition prices (tankers, USD/ldwt)			
China	India	Pakistan	Bangladesh
290	365	340	370

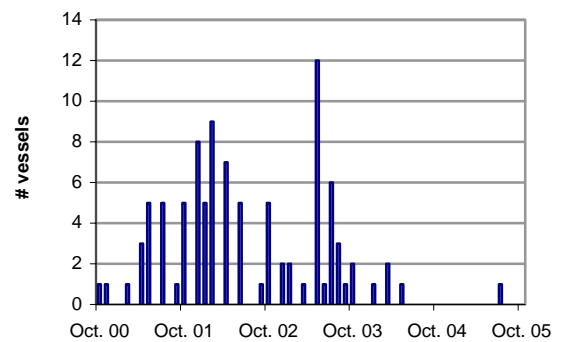
Transactions

No transactions to report.

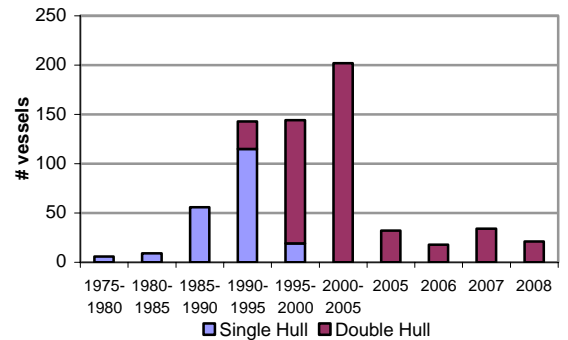
Demolition prices (VLCC, Bangladesh)



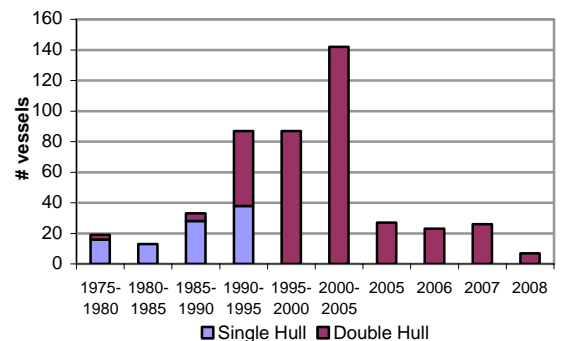
VLCCs sold for demolition



VLCC fleet – Age distribution



Suezmax fleet – Age distribution



Research

Oil is not equal. This fact is being effectively demonstrated in the current tanker market through some relatively unusual rate differentials. Quite simply, crude tanker rates in the Atlantic continue to outperform everything else by a wide margin. Meanwhile, VLCCs in the MEG, traditionally the frontrunner in the tanker market, has failed to catch onto the latest dynamics. At least part of the reason for this divergence can be explained by the disproportional rise in demand for the light sweet crudes mainly found in the Atlantic. These are of course particularly valuable for refiners who are still facing very strong margins, even after this week's sell-off. As always, the degree of urgency for oil companies in obtaining supplies has immediate implications for transportation capacity. In contrast, the sour crudes predominantly traded out of the MEG, plentiful in the first place, have become even more so after US demand dropped in the wake of the hurricanes. We expect that seasonal factors eventually will benefit sour as well. The recent drop in prices cannot hurt either.

Key market drivers

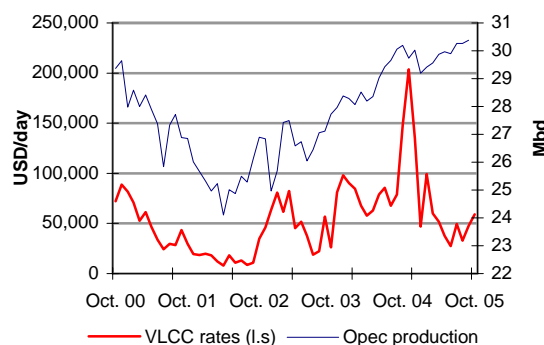
	2003	2004	2005E	2006E
World oil demand (%)	+2.3 %	+3.7 %	+1.6 %	+2.1 %
USA	+1.4 %	+3.5 %	+0.9 %	+1.4%
Europe	+1.6 %	+1.1 %	+0.0%	+0.2%
China	+11.0 %	+15.4%	+3.4%	+7.5%
Japan	+2.2 %	-2.7 %	+0.9 %	0.1%
Opec production (mbd)	27.1	29.1	29.9	30.5
FSU production (mbd)	10.3	11.2	11.6	12.1
Fleet statistics	Current	2005P	2006E	2007E
VLCC fleet (# vessels)	461			
Orderbook	99			
Deliveries		32	18	34
Suezmax fleet (# vessels)	329			
Orderbook	70			
Deliveries		27	23	27

Average earnings

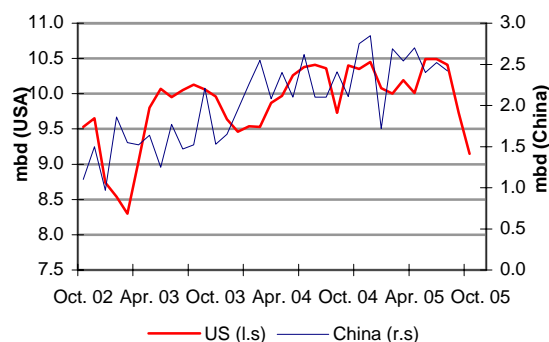
	2003	2004	2005 YTD
VLCC, MEG – Korea	56,233	97,657	46,972
Suezmax, Bonny – Phila.	39,619	65,965	39,627
Aframax, TEES – R.dam	42,127	56,610	43,630

Source: IEA, DoE, Bassøe

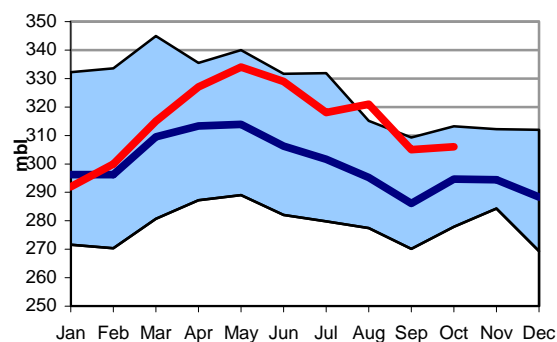
VLCC rates vs. Opec production



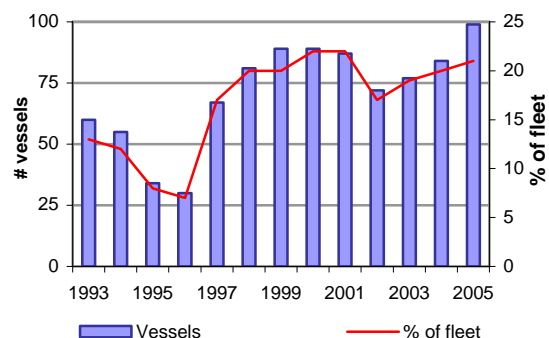
Crude oil imports



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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