Bassøe Friday Report

Week 42 – 21.10.2005 www.pfbassoe.no Nr 42. Vol 28

Tanker chartering – Crude

Market comments

“Go West ,young man”. The pressure continues to build in the Atlantic Basin, where tankers of all size-classes are in short supply. VLCCs from West Africa are the stars this week, matching the year’s high with earnings once again back in triple digits. With Asian Charterers also beginning to appear in this market, tonnage is very short indeed. MEG rates are following, although not yet with the same buoyancy. Westbound rates are up, while the availability of single hulls has held eastbound rates in check, so far. The tonnage list has thinned considerably, however, and the pressure is on charterers as the week draws to a close. Suezmaxes are drafting higher behind the VLCCs, and have also enjoyed a rise in Med activity. Aframaxes are making new highs, lifted by an unusually large amount of cargoes, combined with port problems in the Med.

VLCC (DH)	Current trend: Firm		
Route	**WS today**	**Last week**	**USD/day**
270’ MEG – Korea	110.0	110.0	58,485
275’ MEG – UKC	105.0	97.5	71,082
260’ Bonny – LOOP	160.0	135.0	100,779

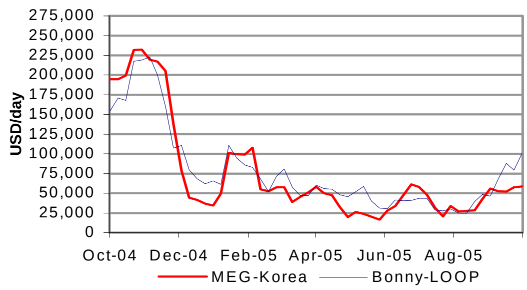
Suezmax (DH)	Current trend: Firm		
Route	**WS today**	**Last week**	**USD/day**
130’ Bonny – Phila.	205.0	182.5	61,914
130’ MAF – Ningpo	150.0	150.0	38,849
135’ Novo – Augusta	230.0	170.0	103,800

Aframax (DH)	Current trend: Firm		
Route	**WS today**	**Last week**	**USD/day**
80’ TEES – R.dam	295.0	245.0	127,141
70’ PLC – Texas	335.0	382.5	60,251
80’ MEG – Singapore	250.0	210.0	44,437

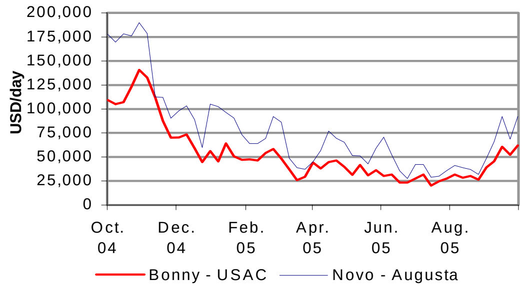
VLCC availability in MEG (# vessels)		
	Single hull	**Double hull**
Spot	1	0
Next 30 days	23	10

Bunkers (USD/mt)			
Fujairah	295	**Rotterdam**	264

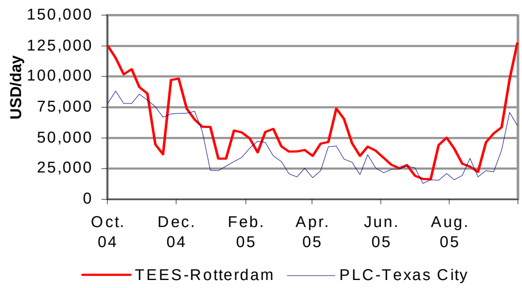
VLCC earnings



Suezmax earnings

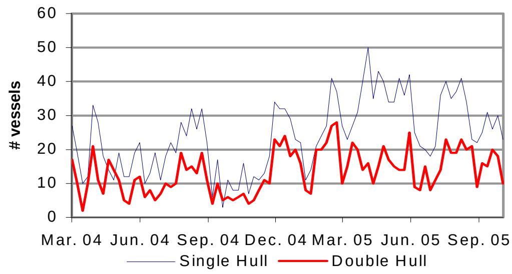


Aframax earnings



VLCC availability in MEG

vessels next 30 days ex. FRO and TI



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Tanker chartering – Clean

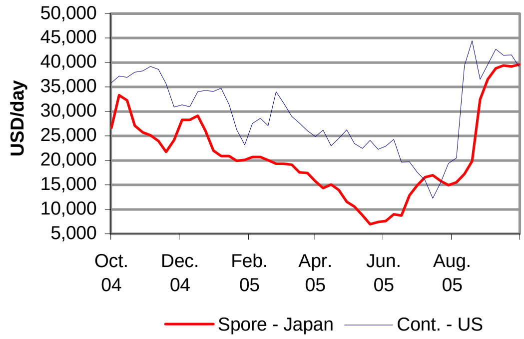
Market Comment

LR1 and 2 MEG/East ends strong and Sing/Japan is flat. Crosstrading in the Far East though, is concluded at record high numbers. Car/USAC and Cont/US dropped this week, whilst the shorthaul markets in Europe are tight, especially in the Med. US east coast ports are still congested with tankers anchored awaiting discharge.

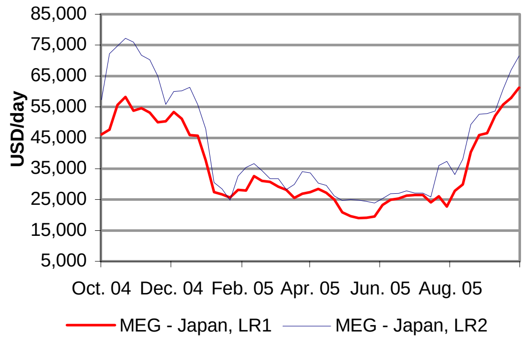
Market assessment – MR			
Route	**WS today**	**Last week**	**USD/day**
30’ Spore - Japan	545.0	542.5	39,595
37’ Cont. - US	415.0	440.0	39,148
38’ Car. - USAC	320.0	350.0	26,477

Market assessment – LR			
Route	**WS today**	**Last week**	**USD/day**
55’ MEG – Japan	460.0	440.0	61,189
75’ MEG – Japan	400.0	380.0	71,519

MR earnings



LR earnings

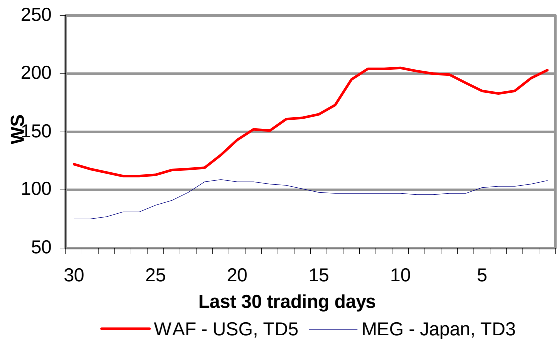


Freight derivatives

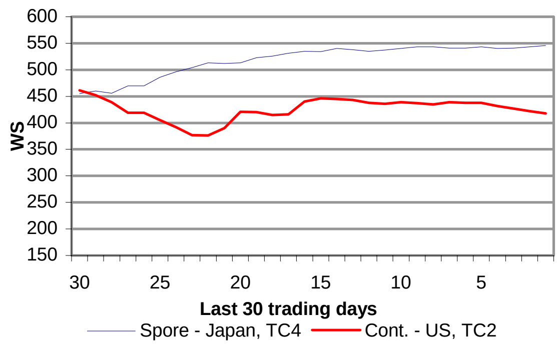
Big waves in the North Sea; front end TD7 reached new highs with a steep hike in physical rates. TD5 dipped as Atlantic markets softened mid-week, but ended the week on a strong note as rumors of another strike in Lavera arose. TD3 has been active and trading high on strong optimism that the VLs will follow the other markets. Eastern clean markets still strong, while TC2 is coming down.

Weekly change in key FFA contracts					
Nov	**Dec**	**Q1’06**	**Q2’06**	**Q3’06**	**CAL06**
TD3 MEG-Japan, 250’ dwt					
140.0	136.0	107.0	83.0	71.5	89.5
15.0	-	4.0	0.0	-	0.5
TD 5 West Africa – USAC, 130’dwt					
222.5	215.0	165.0	120.0	113.0	134.0
34.5	-	10.0	-1.0	-	0.0
TD 7, North Sea, UKC, 80’dwt					
260.0	240.0	178.0	120.0	113.0	146.0
42.5	-	10.5	-1.0	-	3.5
TC 2 Cont-USAC, 37’ dwt					
392.0	380.0	340.0	343.0	221.0	269.0
-33.0	-	-7.5	-6.0	-	0
TC 5, MEG-Japan, 55’ dwt					
420.0	390.0	307.5	235.0	205.0	250.0
0.0	-	0.0	0.0	-	-2.5

BITR rates, crude



BITR rates, clean



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Sale and purchase

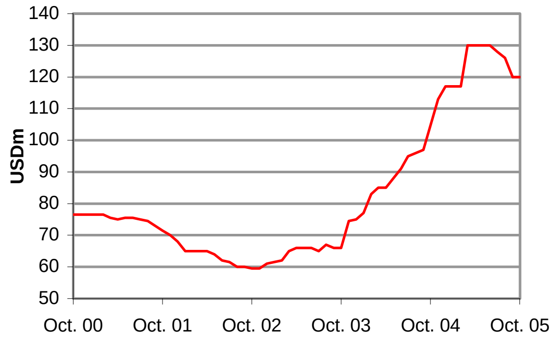
Market comment

Low activity for tankers, no doubt influenced by the high price expectations from sellers – we generally see a mis-match between realistic earnings and 2nd hand prices. Higher activity for bulkers with a new benchmark sale of 2 modern Panamaxes.

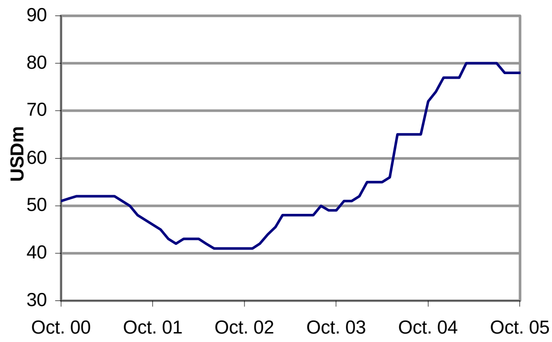
Second hand values

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

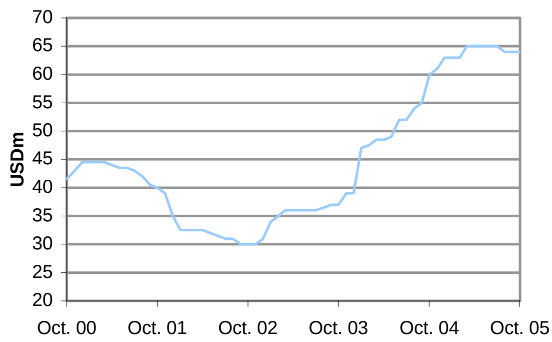
VLCC – 3 year old



Suezmax – 3 year old



Aframax – 3 year old



S&P Transactions

Tankers

M/T "GIORGOS M" - 39,989 TDW, BUILT 1988 HYUNDAI HEAVY IND (DOUBLE SIDES, COATED EPOXY) SOLD USD 16.25 MILL TO AK SHIPPING

Bulkers

M/S "ORIENT ALLIANCE" - 152,065 TDW, BUILT 1990 MITSUI CHIBA ICHIHARA SOLD USD 30.5 MILL TO UNDISCLOSED BUYERS, INCLUDING BALANCE TC FOR 13 MONTHS AT USD 30,000/DAY

M/S "CMB FLORENTINA" - 76,838 TDW, BUILT 2004 OSHIMA SHIPBUILDING AND

M/S "CMB PHILLIPE" - 76,838 TDW, BUILT 2004 OSHIMA SHIPBUILDING

SOLD USD 82 MILL ENBLOC TO DIANA SHIPPING, GREECE.

M/S "CHINESE PHOENIX" - 69,337 TDW, BUILT 1990 IMABARI MARUGAME SOLD USD 21 MILL TO GREEK BUYERS

M/S "SUNNY STAR" - 28,387 TDW, BUILT 1996 IMABARI IMABARI (CR 4X30.5T) SOLD USD 21.5 MILL TO GREEK BUYERS

M/S "DIMITRIS Y" - 28,192 TDW, BUILT 1983 HITACHI ZOSEN (CR 4X25T) SOLD USD 7.5 MILL TO UNDISCLOSED BUYERS.

Demolition

Market comment

The market continued without any sales this week. Despite the fact that buyers are not attracting any sellers, the cartel reduced their price, causing prices in both Bangladesh and India to soften further.

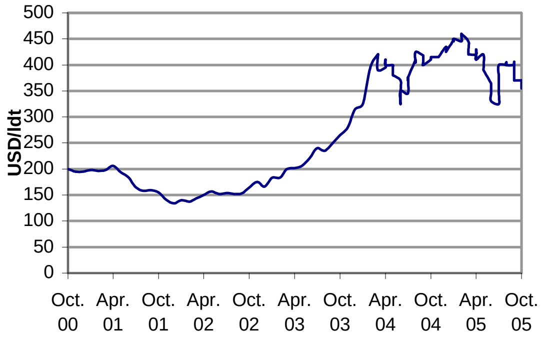
Demolition volume		
# vessels	YTD	Year ago
VLCC	1	4
Suezmax	2	10
Aframax	17	21

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

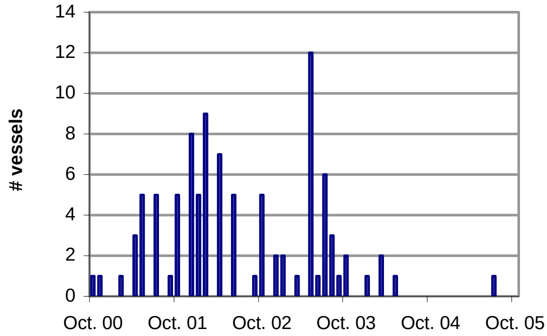
Transactions

No transactions to report.

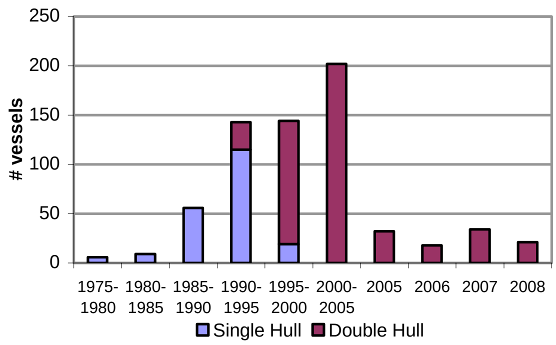
Demolition prices (VLCC, Bangladesh)



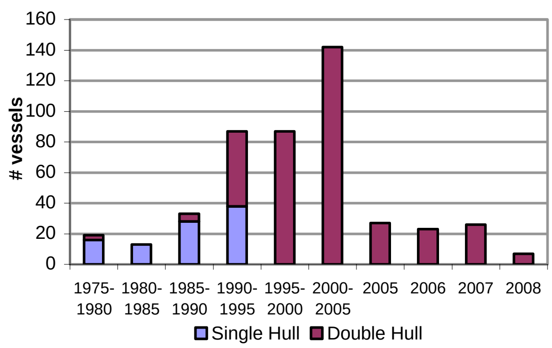
VLCCs sold for demolition



VLCC fleet – Age distribution



Suezmax fleet – Age distribution



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Research

Don't be fooled by China's absence. The past year has been dominated by speculation on whether the Chinese "bubble" has burst or will burst. This week's figures should put the fear mongers at rest. GDP growth for Q3 came in at a surprisingly strong 9.4% y/y. The figures are doubly convincing because they have been accompanied by reports from the field that commodity demand is on the rise again. Indeed, copper prices hit new highs this week partly on falling Chinese inventories. So far, the tanker market has benefited relatively little from all this, however. Imports continue to be flat vs. last year, indicating soft domestic demand. This seems quite at odds with the strong trends in the economy, which are further accentuated by August's data which showed refinery production up 5.6% but crude imports down 7.6%. We continue to believe (admittedly a bit blue in the face) that the foundations for the next leg up in Chinese crude imports ought to be in place,, and can only repeat what we said last week; Falling oil prices can't hurt.

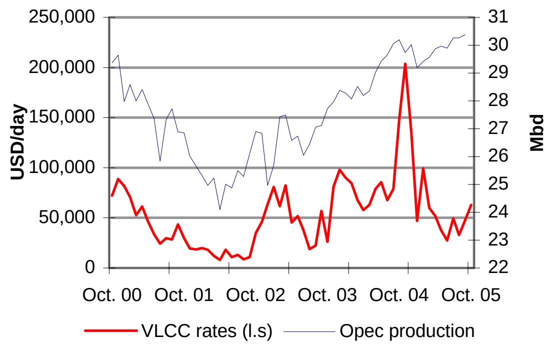
Key market drivers

	2003	2004	2005E	2006E
World oil demand (%	+2.3 %	+3.7 %	+1.6 %	+2.1 %
USA	+1.4 %	+3.5 %	+0.6 %	+1.5%
Europe	+1.6 %	+1.1 %	+0.0%	+0.1%
China	+11.0 %	+15.4%	+3.2%	+7.0%
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

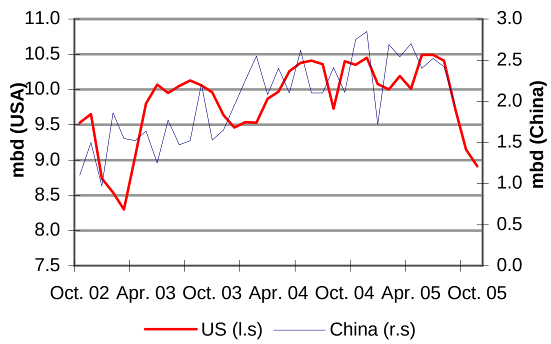
Average earnings	2003	2004	2005 YTD
VLCC, MEG – Korea	56,233	97,657	47,246
Suezmax, Bonny – Phila.	39,619	65,965	40,158
Aframax, TEES – R.dam	42,127	56,610	45,619

Source: IEA, DoE, Bassøe

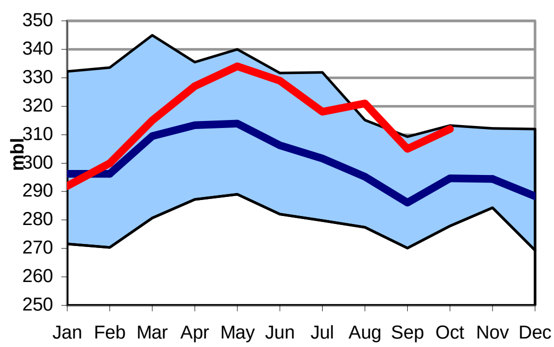
VLCC rates vs. Opec production



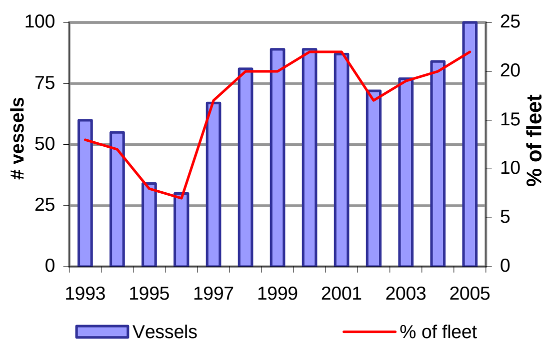
Crude oil imports



Crude oil inventories – USA



VLCC orderbook



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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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