# Bassøe Friday Report

Week 43 – 28.10.2005 www.pfbassoe.no Nr 43. Vol 28

## Tanker chartering – Crude

### Market comments

Charterers came to feed *en masse* this week but found few takers. The tonnage list has been shortening steadily of late and with a brisk pick-up in activity, owners were able to push rates decisively beyond the low WS 100-range that has been the ceiling for most of this year. Westbound rates have also increased and with West Africa still very hot, average earnings are revisiting levels not seen since February. The path forward will depend on activity levels, as usual. Owners are presently in firm command and with focus beginning to shift to winter, the market may well have further to run. A similar story for Suezmaxes where rates continue to move higher on very strong activity. Aframaxes, in contrast, have experienced a slower market. Combined with an end to European port problems rates have come down from the peaks.

| VLCC (DH) | Current trend: Firm | | |
|---|---|---|---|
| **Route** | **WS today** | **Last week** | **USD/day** |
| 270' MEG – Korea | 140.0 | 110.0 | 81,689 |
| 275' MEG – UKC | 120.0 | 105.0 | 85,480 |
| 260' Bonny – LOOP | 167.5 | 160.0 | 105,970 |

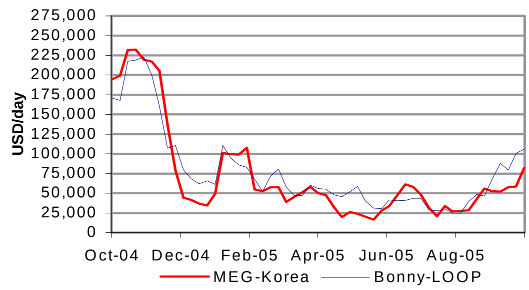
| Suezmax (DH) | Current trend: Firm | | |
|---|---|---|---|
| **Route** | **WS today** | **Last week** | **USD/day** |
| 130' Bonny – Phila. | 215.0 | 205.0 | 66,801 |
| 130' MAF – Ningpo | 180.0 | 150.0 | 49,928 |
| 135' Novo – Augusta | 237.5 | 230.0 | 107,896 |

| Aframax (DH) | Current trend: Softer | | |
|---|---|---|---|
| **Route** | **WS today** | **Last week** | **USD/day** |
| 80' TEES – R.dam | 260.0 | 295.0 | 106,928 |
| 70' PLC – Texas | 285.0 | 335.0 | 48,162 |
| 80' MEG – Singapore | 280.0 | 250.0 | 50,888 |

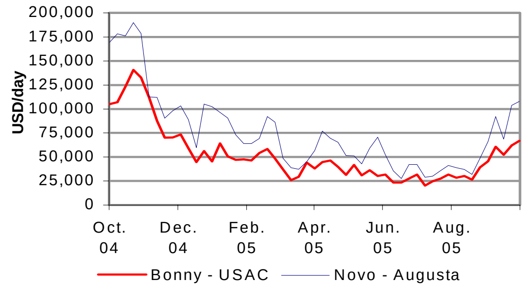
| VLCC availability in MEG (# vessels) | | |
|---|---|---|
| | **Single hull** | **Double hull** |
| **Spot** | 0 | 0 |
| **Next 30 days** | 14 | 8 |

| Bunkers (USD/mt) | | | |
|---|---|---|---|
| **Fujairah** | 302 | **Rotterdam** | 272 |

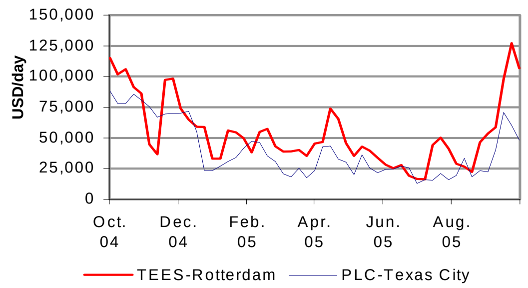
### VLCC earnings




### Suezmax earnings

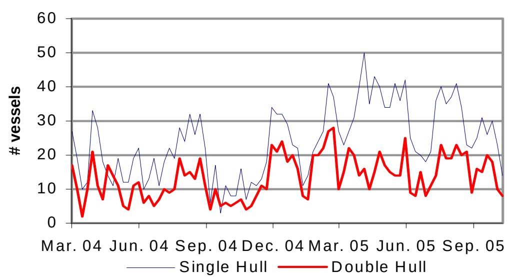



### Aframax earnings




### VLCC availability in MEG

# vessels next 30 days ex. FRO and TI

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# Tanker chartering – Clean

### Market Comment

The MR segment seems to have peaked for this time. Surplus of tonnage and less activity pushes the rates down. LR2 continue to climb and WS420 MEG/Japan is obtainable. LR1 struggling to fix at last done level.

| Market assessment – MR | | | |
|---|---|---|---|
| **Route** | **WS today** | **Last week** | **USD/day** |
| 30' Spore - Japan | 510.0 | 545.0 | 36,366 |
| 37' Cont. - US | 385.0 | 415.0 | 35,301 |
| 38' Car. - USAC | 295.0 | 320.0 | 23,159 |

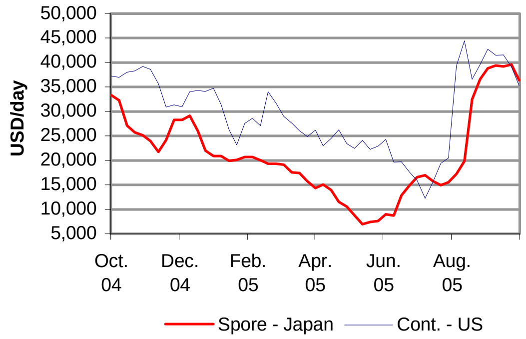
| Market assessment – LR | | | |
|---|---|---|---|
| **Route** | **WS today** | **Last week** | **USD/day** |
| 55' MEG – Japan | 445.0 | 460.0 | 58,795 |
| 75' MEG – Japan | 420.0 | 400.0 | 75,732 |

# Freight derivatives

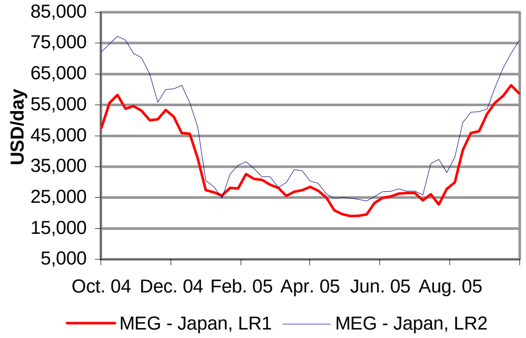
TD3 finally realised what the Q4 contango has indicated all year! Last week's high levels proved to be projected into this week's physical activity. The paper market traded very actively and continued its climb until a quiet Friday. TD5 saw a spur of renewed life and a firming up of the prompt end, while TD7 went all quiet and softening. Clean markets in general are coming off; MRs both east and west are first in line, LRs still withhold but we expect them to be under pressure from their smaller brethren.

| Weekly change in key FFA contracts | | | | | |
|---|---|---|---|---|---|
| **Nov** | **Dec** | **Q1'06** | **Q2'06** | **Q3'06** | **CAL06** |
| **TD3 MEG-Japan, 250' dwt** | | | | | |
| 156.0 | 156.0 | 114.0 | 83.0 | 71.5 | 90.0 |
| 16.0 | 20.0 | 7.0 | 0.0 | 0.0 | 0.5 |
| **TD 5 West Africa – USAC, 130'dwt** | | | | | |
| 230.0 | 230.0 | 170.0 | 120.0 | 113.0 | 135.0 |
| 7.5 | 15.0 | 5.0 | 0.0 | 0.0 | 1.0 |
| **TD 7, North Sea, UKC, 80'dwt** | | | | | |
| 260.0 | 237.5 | 175.0 | 120.0 | 113.0 | 146.0 |
| 0.0 | -2.5 | -3.0 | -1.0 | - | 3.5 |
| **TC 2 Cont-USAC, 37' dwt** | | | | | |
| 362.5 | 357.5 | 322.5 | 242.5 | 220.0 | 265.0 |
| -24.5 | -22.5 | -17.5 | -0.5 | -1.0 | -4.0 |
| **TC 5, MEG-Japan, 55' dwt** | | | | | |
| 397.5 | 367.5 | 290.0 | 227.5 | 200.0 | 242.5 |
| -2.5 | -22.5 | -17.5 | 7.5 | -5.0 | -7.5 |

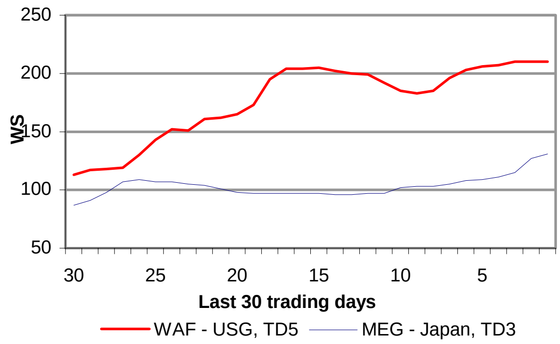
### MR earnings



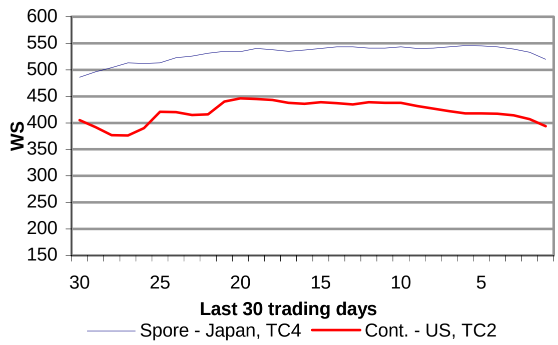

### LR earnings




### BITR rates, crude




### BITR rates, clean

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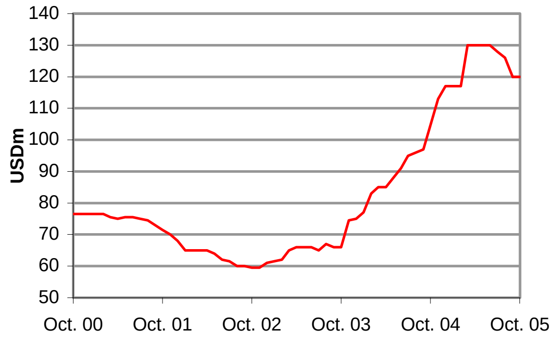
# Sale and purchase

**Market comment**
Although there are few tanker sales to report, ”under the surface” the activity is higher with many “off-market” deals for modern tonnage being pursued. Several single-skin tankers are also being offered for sale/negotiated. The spread between willing buyers and willing sellers remain generally high, but the high spot market may help sellers to bridge the gap. Bulker activity still firm and dominating the s&p transactions.

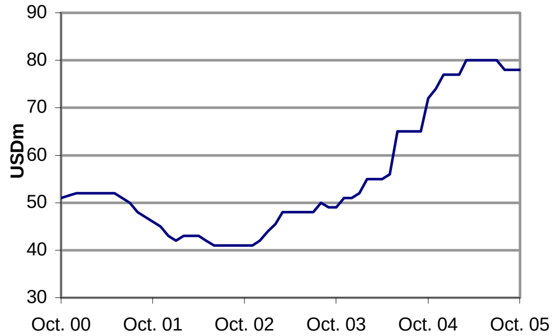
**VLCC – 3 year old**



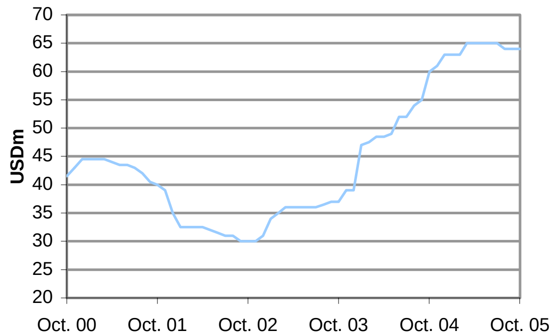

## Second hand values

| 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 |

**Suezmax – 3 year old**




**Aframax – 3 year old**



# S&P Transactions

### Tankers

M/T "GENMAR COMMANDER" - 96,765 TDW, BUILT 1989 SUMITOMO HVY IND. SOLD USD 19 MILL TO UNDISCLOSED BUYERS.

NEWBUILDING RESALE – 51000 DWT, DELIVERY EX STX 2006 (COATED, ICE 1A) SOLD USD 54 MILL TO UNDISCLOSED BUYERS

M/T STENA CONCEPT – 47400 DWT BLT 2005 ULJANIK (COATED)

M/T STENA CONTEST – 47400 DWT BLT 2005 ULJANIK (COATED)

SOLD USD 93 MILL ENBLOC TO ARLINGTON TANKERS, USA WITH 5 YRS BB BACK AT USD 11,500/DAY EACH

### Bulkers

2 X NEWBUILDING RESALE – 174,000 DWT DELIVERY EX BOHAI 2006

SOLD USD 65 MILL EACH TO VOGELMANN, GERMANY

M/S "CMB PHILIPPE" - 74,444 TDW, BUILT 2004 HUDONG AND SISTER

M/T "CMB FELIX", DELIVERY MARCH 2006 SOLD USD 80/82 MILL ENBLOC TO DIANA SHIPPING

M/S "MANNA" - 69,995 TDW, BUILT 1990 KAWASAKI HEAVY SAKAIDESOLD USD 23.5 MILL TO KC MARITIME, HONG KONG

M/S “GRACE T” – 68,000 TDW, BUILT 1989 HYUNDAI SOLD USD 19 MILL TO HARBOR SHIPPING & TRADING, GREECE

M/S "AMULET" - 45,700 TDW, BUILT 1995 HASHIHAMA TADOTSU (CR 4X30T) SOLD USD 23 MILL TO KOREAN BUYERS.

M/S “SALOOS” – 45,000 DWTBLT 1984 GOVAN CRS 4X25 TS

SOLD USD 8.5 MILL TO GREEK BUYERS

M/S "ADITYA GAUTAM" - 43,815 TDW, BUILT 1994 DAEWOO (CR 4X25T) SOLD USD 22.5 MILL TO UNDISCLOSED BUYERS.

M/S "HAMBURG CARRIER" - 43,497 TDW, BUILT 1985 TSUNEISHI SHIPBUILDING (CR 4X25T) SOLD USD 12.5 MILL TO UNDISCLOSED BUYERS.

M/S "MARITIME LAPIS" - 42,025 TDW, BUILT 1990 OSHIMA SHIPBUILDING (CR 4X30T) SOLD USD 20 MILL TO CHINESE BUYERS.

M/S "NEW CENTURY ACE" - 33,200 TDW, BUILT 2000 HAKODATE(CR 4X30T) SOLD USD 28 MILL TO JAPANESE BUYERS.

M/S "TAI PING" - 26,468 TDW, BUILT 1996 GUANGZHOU INTERNATIONL (CR 4X30T) SOLD USD 21.5 MILL TO GREEK BUYERS.

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# Demolition

### Market comment

Finally some sales to report!

This week OSG sold two Aframaxes “as is” Singapore to Bangladesh at region USD 350 per ldt.

| Demolition volume | | |
|---|---|---|
| # vessels | YTD | Year ago |
| VLCC | 1 | 4 |
| Suezmax | 2 | 10 |
| Aframax | 19 | 21 |

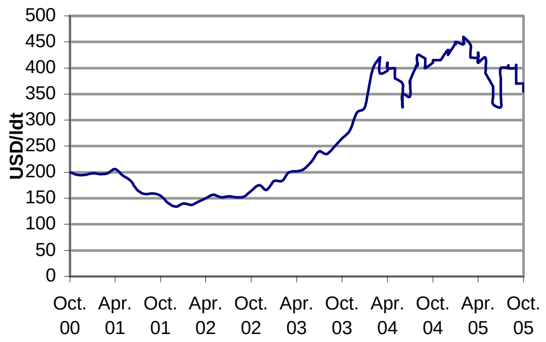
| Demolition prices (tankers, USD/ldwt) | | | |
|---|---|---|---|
| China | India | Pakistan | Bangladesh |
| 290 | 355 | 340 | 365 |

## Transactions

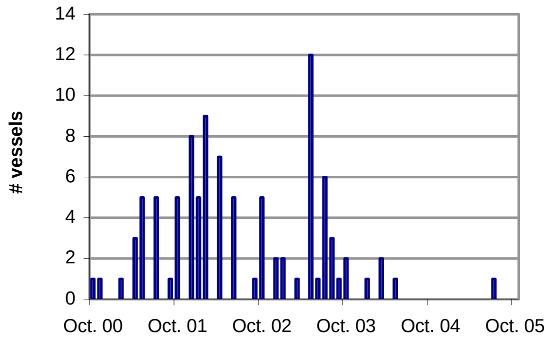
T/T "OVERSEAS WASHINGTON" - 91,967 TDW, BUILT 1977 NATIONAL STEEL S.DIEGO SOLD "AS IS" SINGAPORE TO BANGLADESH AT REGION USD 350/LDT.

T/T "OVERSEAS NEW YORK" - 91,845 TDW, BUILT 1976 NATIONAL STEEL S.DIEGO SOLD "AS IS" SINGAPORE TO BANGLADESH FOR REGION USD 350/LDT.

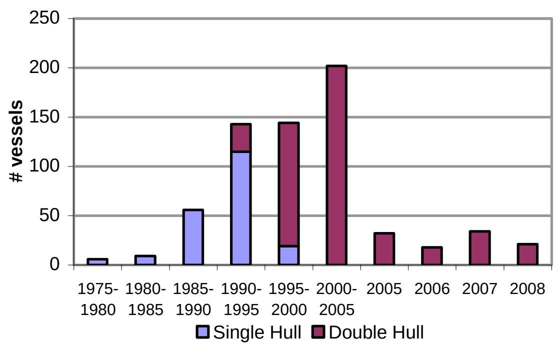
**Demolition prices (VLCC, Bangladesh)**



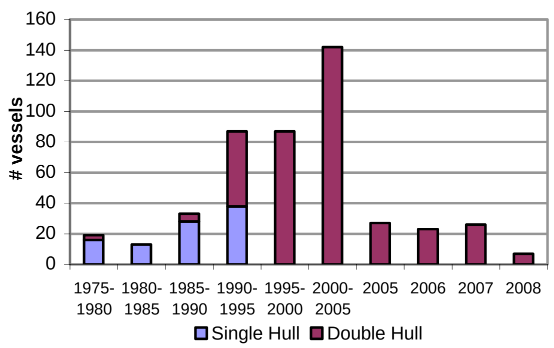

**VLCCs sold for demolition**




**VLCC fleet – Age distribution**




**Suezmax fleet – Age distribution**

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# Research

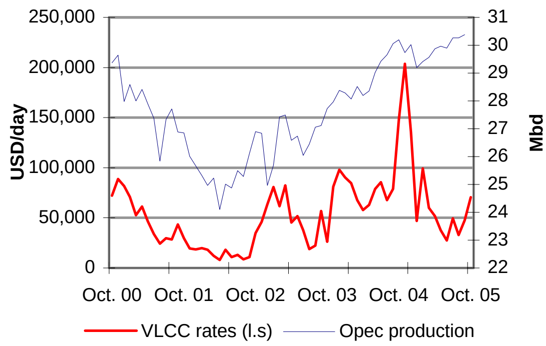
Is oil demand strong or weak? Depends on who you ask. Oil traders continue to focus on demand weakness post-hurricanes and who can blame them; US data has shown an unusually steep seasonal contraction post-hurricanes. Doing a field test (tanker rates), however, certainly does not verify this hypothesis; Chartering activity is brisk across the board and rates have shown new highs for many segments. We suspect that confusion between the rate of growth and absolute levels is at play here. While demand growth has slowed this year, and may slow further as capacity constraints bite, the absolute volume of demand is rising as winter approaches. It would be highly unusual for cyclical forces to eliminate the large seasonal variations in the oil market. As absolute levels of demand increase, the US supply gap will become more visible. That in turn is likely to set off a further scramble for supplies, which we expect will continue to support strong tanker demand.

| 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) | 334 | | | |
| Orderbook | 65 | | | |
| Deliveries | | 27 | 23 | 27 |

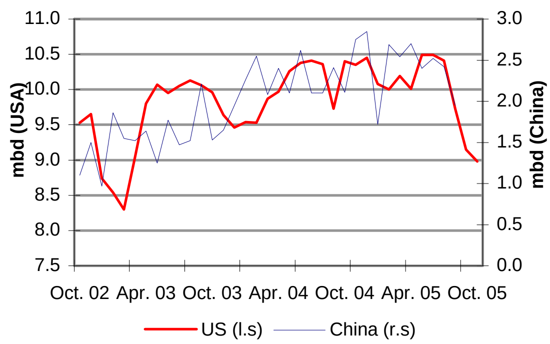
| Average earnings | 2003 | 2004 | 2005 YTD |
|---|---|---|---|
| VLCC, MEG – Korea | 56,233 | 97,657 | 48,047 |
| Suezmax, Bonny – Phila. | 39,619 | 65,965 | 40,778 |
| Aframax, TEES – R.dam | 42,127 | 56,610 | 47,044 |

Source: IEA, DoE, Bassøe

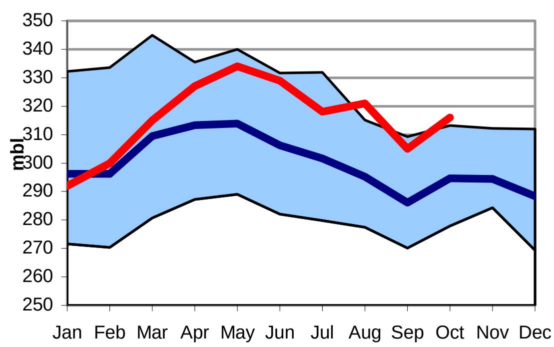
## VLCC rates vs. Opec production



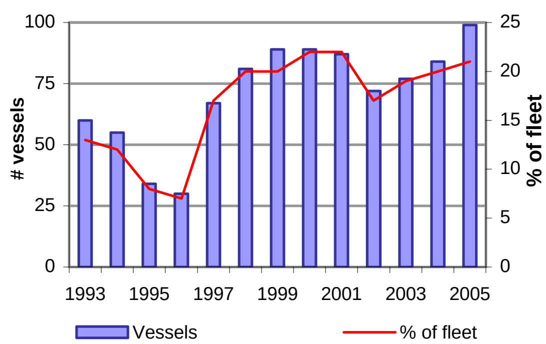

## Crude oil imports




## 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** | |
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| Lars Kalbakken | 67 12 42 12 | 90 02 25 25 |