Bassøe Friday Report

Week 46 – 18.11.2005 | www.pfbassoe.no | Nr 46. Vol 28

Tanker chartering – Crude

Market comments

VLCC freight rates have continued to strengthen this week, albeit at a slower pace than last week's surge. With about half of the December program now covered, Charterers are in less of a hurry to cover positions and activity has slowed at week's end. Still, there is little doubt that it remains an Owners' market for now, with tonnage availability remaining near the lows for the year. The West African market, the leader in the current, has taken a breather, on the other hand. With more MEG stems likely to be available next week, the odds are that owners will be able to keep the pressure up. If not, the current sky-high levels are likely to face a downward adjustment. The Suezmax market remains firm with a big rise in Middle East rates offsetting minor downward adjustments in West Africa and the Black Sea. Aframaxes are back in fashion again and rates have rebounded across the board on improving activity.

VLCC (DH)	Current trend: Firm		
Route	**WS today**	**Last week**	**USD/day**
270' MEG – Korea	230.0	215.0	154,838
275' MEG – UKC	160.0	155.0	127,160
260' Bonny – LOOP	175.0	190.0	115,145

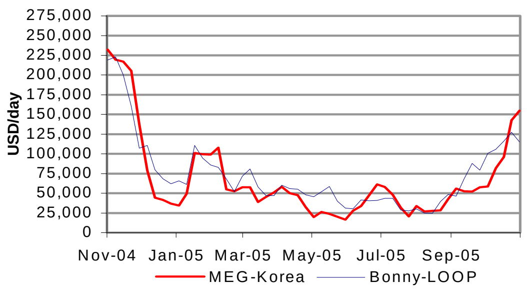
Suezmax (DH)	Current trend: Firm		
Route	**WS today**	**Last week**	**USD/day**
130' Bonny – Phila.	220.0	230.0	70,169
130' MAF – Ningpo	300.0	240.0	96,675
135' Novo – Augusta	220.0	225.0	98,632

Aframax (DH)	Current trend: Firm		
Route	**WS today**	**Last week**	**USD/day**
80' TEES – R.dam	230.0	195.0	90,339
70' PLC – Texas	365.0	345.0	68,213
80' MEG – Singapore	375.0	330.0	72,641

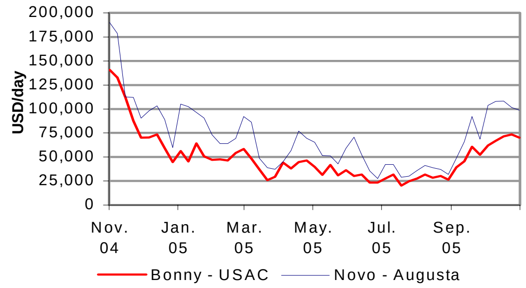
VLCC availability in MEG (# vessels)		
	Single hull	**Double hull**
Spot	0	0
Next 30 days	15	6

Bunkers (USD/mt)			
Fujairah	284	**Rotterdam**	255

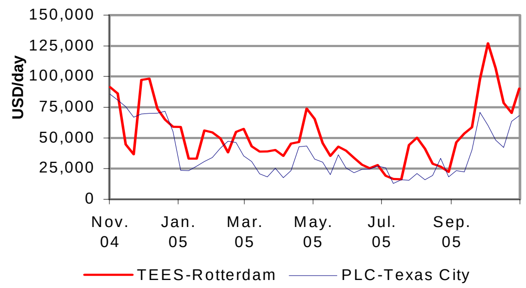
VLCC earnings



Suezmax earnings

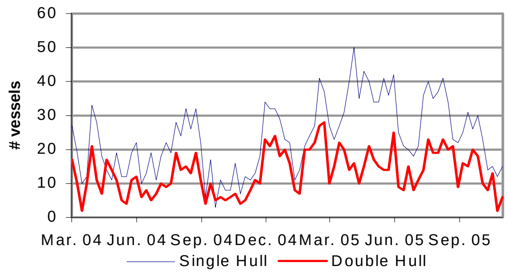


Aframax earnings



VLCC availability in MEG

vessels next 30 days ex. FRO and TI



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Tanker chartering – Clean

Market Comment

Traders were actively buying December TC2 yesterday, pushing it to 357.5. Cal 06 traded at WS 270, which is equivalent to WS 303.75 at 2005 flatrate. Only minor adjustments were otherwise made to yesterday's estimates.

Market assessment – MR

Route	WS today	Last week	USD/day
30' Spore - Japan	397.5	435.0	26,244
37' Cont. - US	300.0	290.0	25,552
38' Car. - USAC	240.0	240.0	17,324

Market assessment – LR

Route	WS today	Last week	USD/day
55' MEG – Japan	340.0	395.0	42,933
75' MEG – Japan	330.0	375.0	57,134

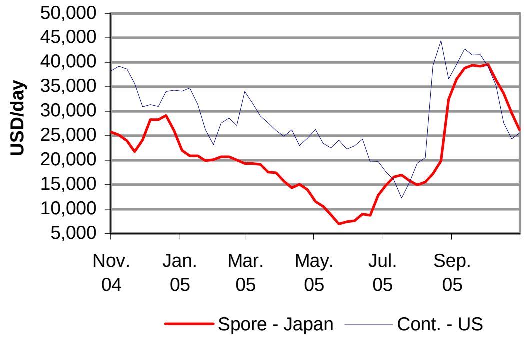
Freight derivatives

Buying spree in TC2 – positioning for the colder temperatures and expectedly busier physical mkt. Eastern clean markets also stronger. TD3 was traded actively on the prompt months, many and heavy sellers keeping the Dec contract in a steep backwardation to the spot, while the curve was quiet. TD5 has been fairly flat in line with the physical side, while TD7 came up as end-month NSEA program is fixed at higher levels.

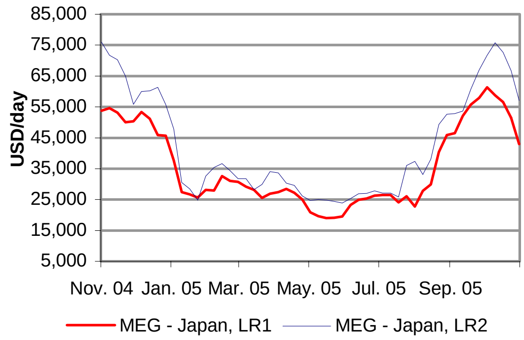
Weekly change in key FFA contracts

Nov	Dec	Q1'06	Q2'06	Q3'06	CAL06
TD3 MEG-Japan, 250' dwt					
196.0	188.0	121.0	78.0	68.5	91.0
0.0	-19.0	-5.0	0.0	0.0	-1.0
TD 5 West Africa – USAC, 130'dwt					
225.0	237.5	166.0	115.0	111.0	136.0
-15.0	-10.0	-6.0	0.0	0.0	-1.0
TD 7, North Sea, UKC, 80'dwt					
220.0	246.0	170.0	130.0	119.0	142.0
0.0	16.0	1.0	3.0	0.0	0.0
TC 2 Cont-USAC, 37' dwt					
310.0	357.5	340.0	257.5	230.0	270.0
2.5	17.5	20.0	-2.5	5.0	0.0
TC 5, MEG-Japan, 55' dwt					
380.0	330.0	270.0	220.0	200.0	230.0
0.0	5.0	2.5	7.0	7.5	5.0

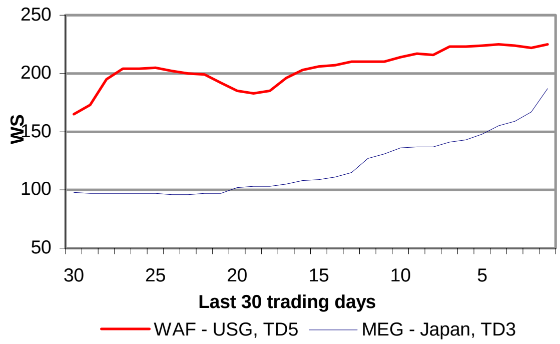
MR earnings



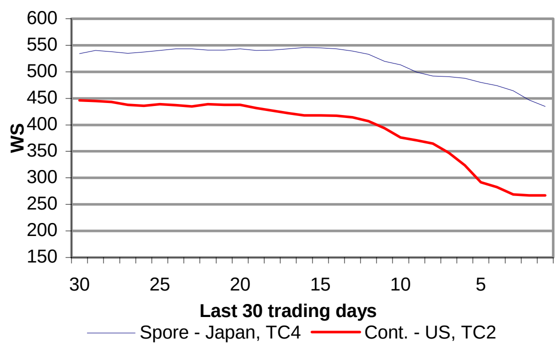
LR earnings



BITR rates, crude



BITR rates, clean



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Sale and purchase

Market comment

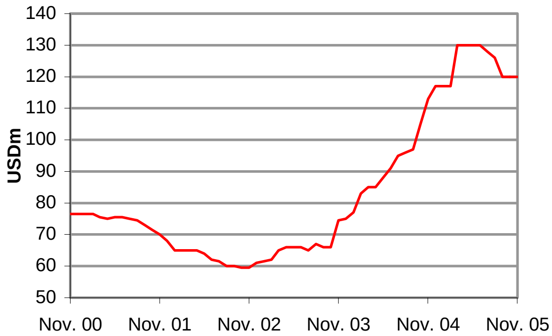
All tanker sales confirm the firm trend with no signs of prices easing off. We see no reason for this to change in the near future but the underlying sentiment in the newbuilding market is one of softening prices with some Chinese yards expected to take the lead in this direction.

Strong buying interest from Chinese and other Far Eastern owners for bulkcarriers.

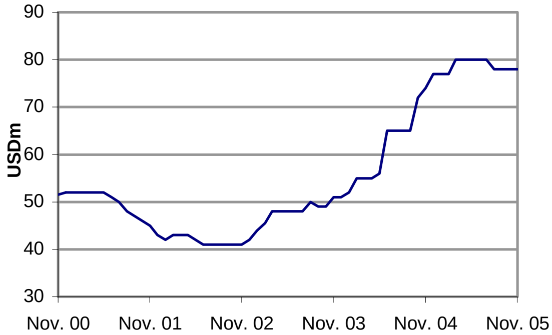
Second hand values

Vessel /USDm	Latest	1 mth	2 mth	3 mth	12 mth
300’ D/D 3 yrs	120.0	120.0	120.0	126.0	113.0
300’ D/D 10	90.0	90.0	90.0	96.0	85.0
280’ S/S 1990	48.0	48.0	52.0	52.0	59.0
150’ D/D 3 yrs	78.0	78.0	78.0	78.0	74.0
150’ D/D 10	62.0	62.0	62.0	64.0	60.0
140’ S/S 1990	26.0	26.0	26.0	26.0	36.0
105’ D/D 3 yrs	64.0	64.0	64.0	64.0	61.0
95’ D/D 10yrs	46.0	46.0	46.0	46.0	44.0
95’ S/S 1990	20.0	20.0	20.0	20.0	28.0
70’ D/D 3 yrs	50.0	50.0	50.0	48.0	42.0
47’ D/D 3 yrs	49.0	49.0	49.0	45.0	40.0
45’ D/D 10 yrs	37.0	37.0	37.0	33.0	28.0
40’ S/S 1990	14.0	14.0	14.0	14.0	16.0

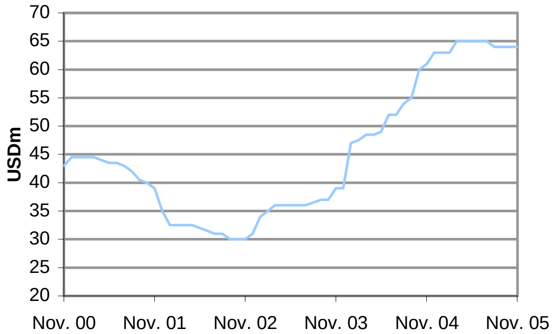
VLCC – 3 year old



Suezmax – 3 year old



Aframax – 3 year old



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S&P Transactions

Tankers

M/T "DYNAMIC CITY" - 244,651 TDW, BUILT 1990 ISHIKAWAJIMA KURE (SINGLE HULL) SOLD USD 33 MILL TO UNDISCLOSED BUYERS.

M/T "CHINOOK" - 38,752 TDW, BUILT 2001 DAMEN GALATI SOLD USD 32.5 MILL TO US BUYERS WITH 3 YRS TC AT UNDISCLOSED RATE.

M/T YASMINE – 37,000 TDW, BUILT 2005 SHINA SOLD USD 43 MILL TO SCHOELLER, GERMANY INCL 3 YRS TC ATTACHED AT USD 19,500/DAY

M/T "CIELO DI BISCAGLIA"/"CIELO DEL BALTICO" - 27,350 TDW, BUILT 1986 ODENSE LINDO (SINGLE HULL, COILED, IMO2) SOLD USD 17.9 MILL EACH TO BRYGGEN SHIPPING & TRADING, NORWAY.

Bulkers

M/S "ORIENT ALLIANCE" - 152,065 TDW, BUILT 1990 MITSUI CHIBA ICHIHARA SOLD USD 33 MILL TO KOREAN BUYERS INCLUDING 3 YRS BB CHARTER BACK AT USD 18,000/DAY.

M/S "MARKMAN" - 68,429 TDW, BUILT 1989 NAMURA IMARI (CR 4X25T) SOLD USD 19.5 MILL TO CHINESE BUYERS.

M/S "NEMEA" - 67,782 TDW, BUILT 1989 NAMURA IMARI SOLD USD 19 MILL TO CHINESE BUYERS.

M/S "VICTORY C" - 65,716 TDW, BUILT 1986 NAMURA IMARI SOLD USD 15 MILL TO PAKISTANI BUYERS.

M/S "STANDARD VIGOR" - 64,120 TDW, BUILT 1981 B&W SOLD USD 6.9 MILL TO GREEK BUYERS.

M/S "PORT LISBOA" - 53,800 TDW, BUILT 2001 ONOMICHI (CR 4X30T) SOLD USD 31 MILL TO TOLANI, INDIA.

M/S IOANNIS TH – 42,900 TDW, BUILT 1984 HASHIHAMA (CRS 4X25 TS) SOLD USD 10.5 MILL TO GREEK BUYERS

M/S "TOLHUACA" - 42,226 TDW, BUILT 1991 OSHIMA SHIPBUILDING (CR 4X25T) SOLD USD 18.5 MILL TO UNDISCLOSED BUYERS.

M/S "LIL" - 17,409 TDW, BUILT 1995 XINGANG (CR 3X25T) SOLD USD 12.5 MILL TO CHINESE BUYERS.

Demolition

Market comment

While a few bulk carriers have been sold for demolition this week, the demolition market for tankers remains inactive. The cartel in Bangladesh still holds, and manages to resale vessels for higher prices to local breakers.

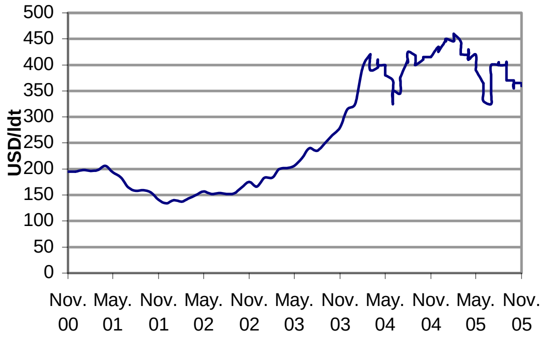
No tankers sold for demolition this week.

Demolition volume		
# vessels	YTD	Year ago
VLCC	1	4
Suezmax	2	11
Aframax	19	21

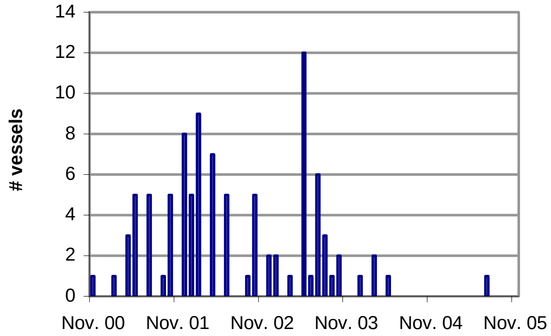
Demolition prices (tankers, USD/ldwt)			
China	India	Pakistan	Bangladesh
290	355	340	360

Transactions

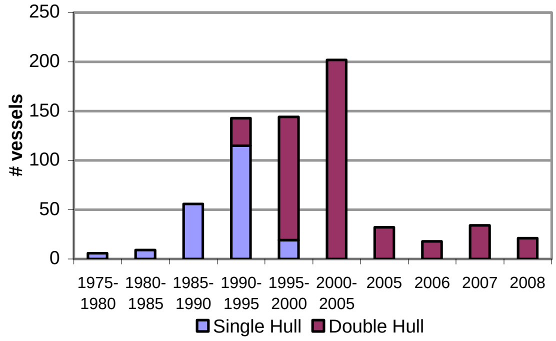
Demolition prices (VLCC, Bangladesh)



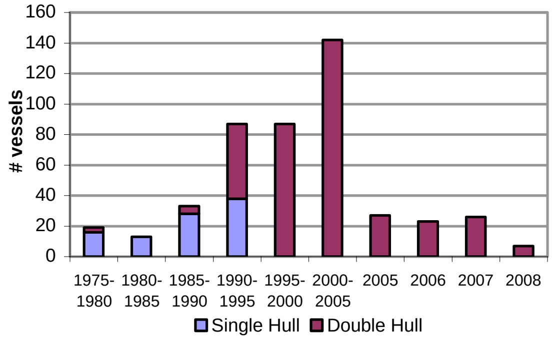
VLCCs sold for demolition



VLCC fleet – Age distribution



Suezmax fleet – Age distribution



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Research

The almighty dollar has begun to live up to its name again. Despite plenty of doomsday predictions over the past couple of years, the buck is marching steadily upwards. The impact on shipping is multi-faceted. The most immediate, and direct, effect is on the asset side of the industry. Newbuilding prices in particular are influenced by currency fluctuations (although some of the inputs often are priced in other currencies). With the dollar up nearly 20% vs. the yen this year, yards have been able to reap some solid gains. Prices have been trending lower in recent months, however, and that decline may speed up if the dollar remains firm, of course also depending on the length of the for-ward orderbook. Other currency effects are less obvious. Commodity consumers will have to pay more, but with the US and China essentially isolated from dollar swings, the most important effect is likely to be a softening of the impact on producers (Opec) from lower oil prices. That in itself should contribute to continued stability on the output and trade front.

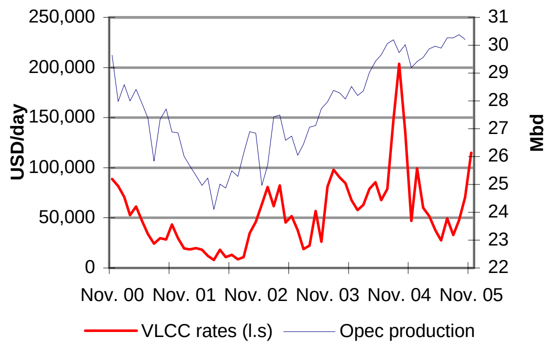
Key market drivers

	2003	2004	2005E	2006E
World oil demand (%	+2.3 %	+3.7 %	+1.5 %	+2.0 %
USA	+1.4 %	+3.5 %	+0.4 %	+1.5%
Europe	+1.6 %	+1.1 %	+0.0%	+0.1%
China	+11.0 %	+15.4%	+3.3%	+6.5%
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)	466			
Orderbook	97			
Deliveries		32	18	34
Suezmax fleet (# vessels)	334			
Orderbook	65			
Deliveries		27	23	27

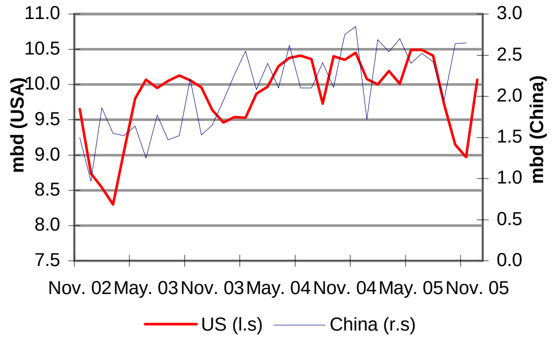
Average earnings	2003	2004	2005 YTD
VLCC, MEG – Korea	56,233	97,657	53,467
Suezmax, Bonny – Phila.	39,619	65,965	42,795
Aframax, TEES – R.dam	42,127	56,610	49,179

Source: IEA, DoE, Bassøe

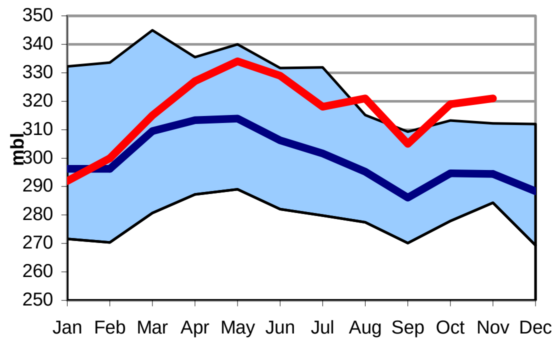
VLCC rates vs. Opec production



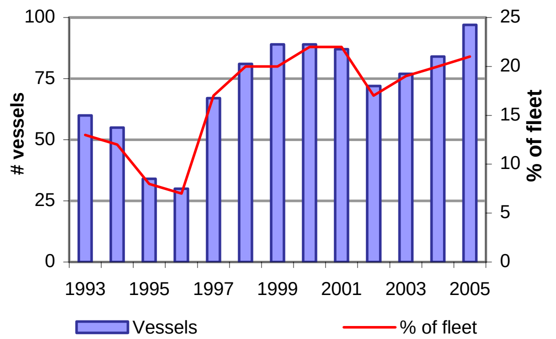
Crude oil imports



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	90 02 25 25	90 02 25 25