Bassøe Friday Report

Week 47 – 25.11.2005 www.pfbassoe.no Nr 47. Vol 28

Tanker chartering – Crude

Market comments

Anybody home? It's been a most quiet week in the VLCC market with the number of fixtures barely creeping into the double digits, the lowest level since early August. Charterers are in no rush to chase tonnage at present heady rate levels, while owners are biding their time, confident (so far) that there should still be plenty of business remaining for December. Tonnage availability is clearly on the rise from recent very low levels, however, and that is likely to trigger more activity next week., testing some nerves in the process. Suezmaxes had a busy week in West Africa until Thanksgiving mood took over, and rates are up from already high levels. Action then turned to the Med where the emergence of an old nemesis, delays in the Bosporus, is tying up tonnage and boosting earnings. Aframaxes have had a slow week and rates are down across the board, although stabilizing in the Med due to the Bosporus situation.

VLCC (DH)	Current trend: Flat		
Route	WS today	Last week	USD/day
270' MEG – Korea	217.5	230.0	144,814
275' MEG – UKC	155.0	160.0	122,062
260' Bonny – LOOP	175.0	175.0	114,149

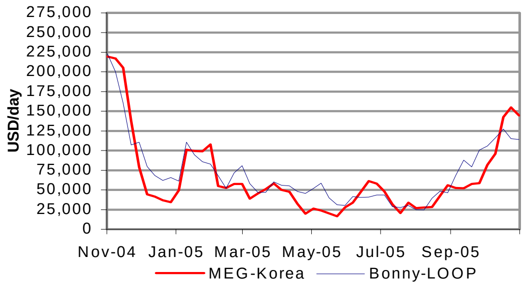
Suezmax (DH)	Current trend: Firm		
Route	WS today	Last week	USD/day
130' Bonny – Phila.	235.0	220.0	76,839
130' MAF – Ningpo	300.0	300.0	96,622
135' Novo – Augusta	260.0	220.0	122,179

Aframax (DH)	Current trend: Weaker		
Route	WS today	Last week	USD/day
80' TEES – R.dam	195.0	230.0	70,342
70' PLC – Texas	330.0	365.0	59,594
80' MEG – Singapore	360.0	375.0	69,267

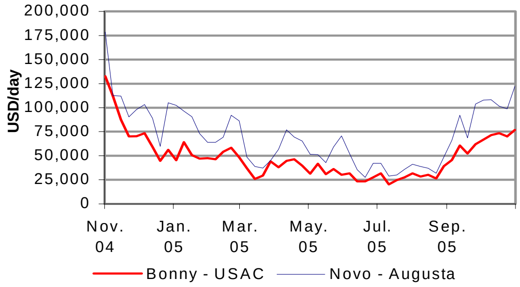
VLCC availability in MEG (# vessels)		
	Single hull	Double hull
Spot	0	1
Next 30 days	34	9

Bunkers (USD/mt)			
Fujairah	285	Rotterdam	256

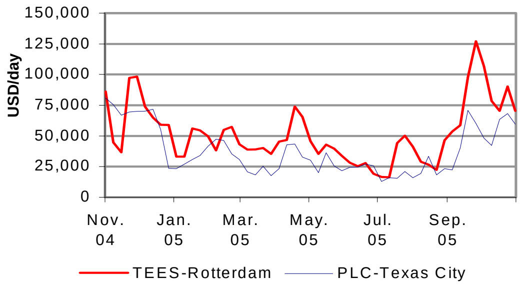
VLCC earnings



Suezmax earnings

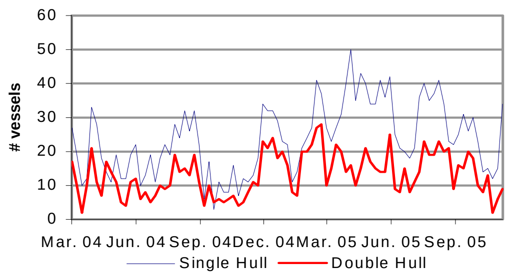


Aframax earnings



VLCC availability in MEG

vessels next 30 days ex. FRO and TI



P.F. Bassøe AS
Enterprise Number:
NO-927161052

P O Box 1723 Vika
N-0121 Oslo, Norway
Dronning Mauds gt. 3

Phone +47 22 01 08 00
Fax +47 22 01 08 10
Telex +56 76766 basso n

E-mail Internet bassoe@pfbassoe.no
E-mail Comtext A43NN076
www.pfbassoe.no

Tanker chartering – Clean

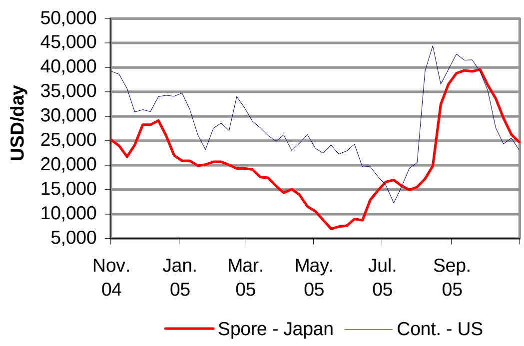
Market Comment

Not that it was not expected, but we have had another week watching rates prop across the board. Today may to some be like watching paint dry. The only market refusing to go below last week's level is MR CAR/USAC.

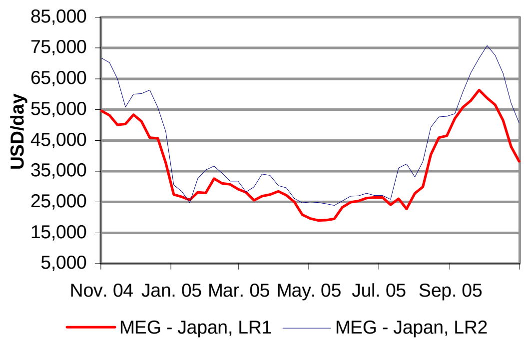
Market assessment – MR			
Route	**WS today**	**Last week**	**USD/day**
30' Spore - Japan	385.0	397.5	24,729
37' Cont. - US	280.0	300.0	23,113
38' Car. - USAC	240.0	240.0	17,036

Market assessment – LR			
Route	**WS today**	**Last week**	**USD/day**
55' MEG – Japan	310.0	340.0	38,229
75' MEG – Japan	300.0	330.0	50,657

MR earnings



LR earnings

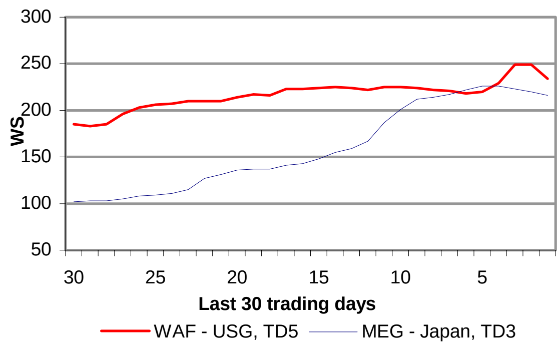


Freight derivatives

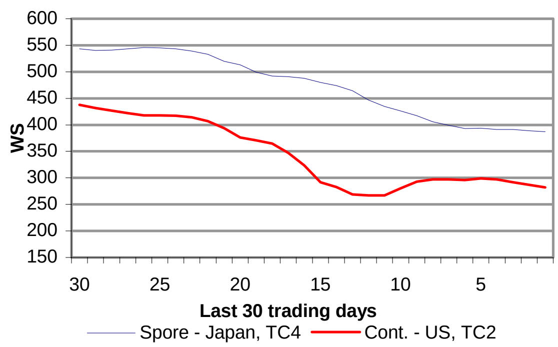
All markets came off for the prompt contracts. TD5 went into backwardation in line with TD3 as thanksgiving leaves the physical market in quietness. Aframaxes in the NSEA get fixed at sub w200 levels and TD7 FFA's took a beating in suit. On the clean trades warmer forecasts and US holiday has resulted in a continuously softer market along the curve.

Weekly change in key FFA contracts					
Dec	**Jan**	**Q1'06**	**Q2'06**	**Q3'06**	**CAL06**
TD3 MEG-Japan, 250' dwt					
174.0	120.0	109.0	73.0	66.0	85.0
-14.0	-	-12.0	-5.0	-2.5	-6.0
TD 5 West Africa – USAC, 130'dwt					
217.5	180.0	162.5	115.0	110.0	132.0
-20.0	-	-3.5	0.0	-1.0	-4.0
TD 7, North Sea, UKC, 80'dwt					
215.0	190.0	165.0	125.0	116.0	138.0
-5.0	-	-5.0	-5.0	-3.0	-4.0
TC 2 Cont-USAC, 37' dwt					
312.5	315.0	315.0	250.0	222.5	260.0
-45.0	-	-25.0	-7.5	-7.5	-10.0
TC 5, MEG-Japan, 55' dwt					
305.0	280.0	268.0	220.0	200.0	231.0
-25.0	-	-2.0	0.0	0.0	1.0

BITR rates, crude



BITR rates, clean



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Dronning Mauds gt. 3
Phone +47 22 01 08 00
Fax +47 22 01 08 10
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Sale and purchase

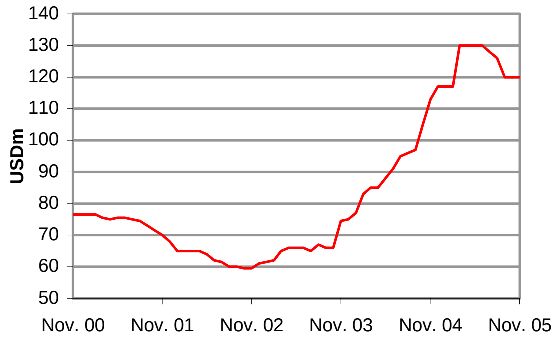
Market comment

The activity in the tanker market is certainly higher than it may appear from the list of reported sales. A number of deals are under negotiation, with many buyers inspecting and offering on modern Panamax tankers in particular. The rumored resale of a VLCC with delivery ex China 2007 at USD 110 mill from Maersk to Gulf Navigation remains to our knowledge unconfirmed.

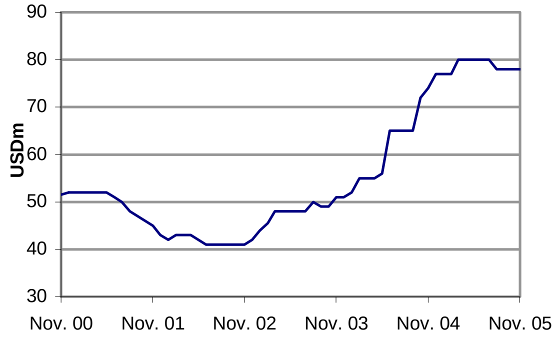
Second hand values

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

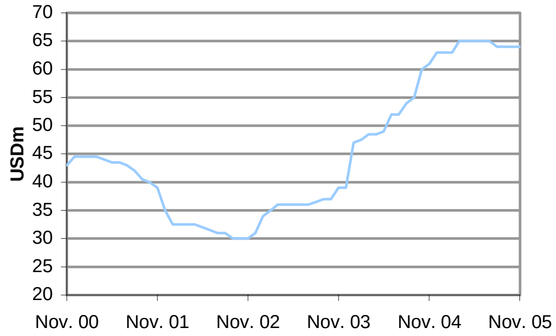
VLCC – 3 year old



Suezmax – 3 year old



Aframax – 3 year old



S&P Transactions

Tankers

M/T ”GERRITA” – 11,3000 TDW, BUILT 1990 AESA DP (SINGLE HULL) SHUTTLE TANKER SOLD USD 35 MILL TO AUSTRALIAN BUYERS

M/T “KORIANA” – 63,786 TDW, BUILT 1985 HITACHI (SINGLE HULL, COATED) SOLD USD 14 MILL TO HELLENIC STAR, GREECE.

Bulkers

No sales to report

P.F. Bassøe AS
Enterprise Number:
NO-927161052

P O Box 1723 Vika
N-0121 Oslo, Norway
Dronning Mauds gt. 3

Phone +47 22 01 08 00
Fax +47 22 01 08 10
Telex +56 76766 basso n

E-mail Internet bassoe@pfbassoe.no
E-mail Comtext A43NN076
www.pfbassoe.no

Demolition

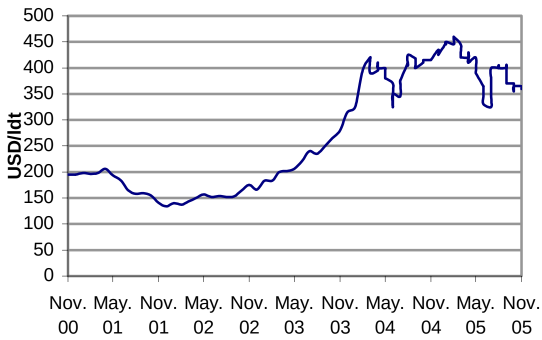
Market comment
Still silent with no sales to report. M/T “Ascot” is the only tanker on the market being negotiated.

Demolition volume		
# vessels	YTD	Year ago
VLCC	1	4
Suezmax	2	11
Aframax	19	22

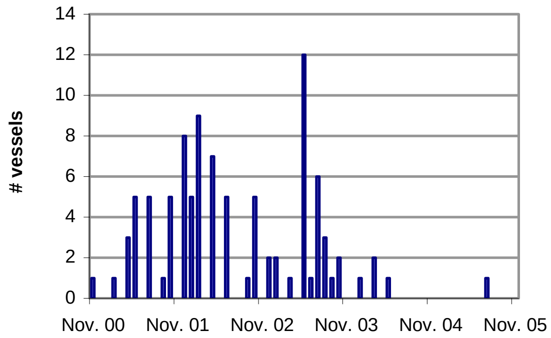
Demolition prices (tankers, USD/ldwt)			
China	India	Pakistan	Bangladesh
290	350	340	360

Transactions

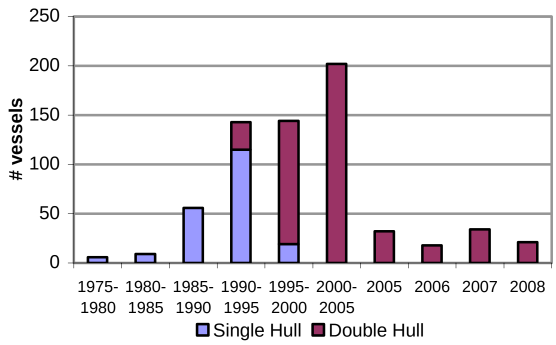
Demolition prices (VLCC, Bangladesh)



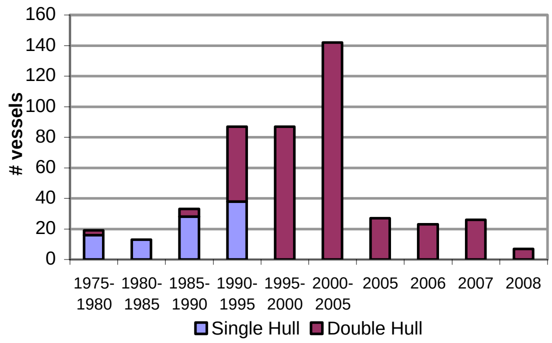
VLCCs sold for demolition



VLCC fleet – Age distribution



Suezmax fleet – Age distribution



Research

While the markets have been moaning about the lack of winter weather for the past month, the fact is that Thanksgiving week makes the "official" start to the winter season. The attempt to write off the winter early is not new, oil prices have undergone late fall corrections in the last couple of years. There are, however, limits to how cold, or mild, the weather can get in November. The real test will come from here on in. While lower demand and increased imports have saved the day so far, there is still no guarantee that this is sustainable. Gasoline and distillate demand are both rebounding nicely after being in the doldrums post-hurricanes. Gasoline inventories are lagging behind last year, despite a hefty supply boost, and will find a more difficult road ahead as refiners begin to focus on heating oil. Very high natural gas prices are already triggering switching into oil and this may accelerate as winter eventually arrives. In short, it appears a bit early to bet against the winter and the current rollover in US imports, albeit from very high levels, may not be able to gather momentum.

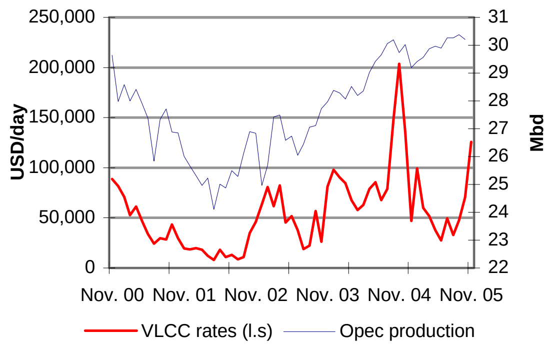
Key market drivers

	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

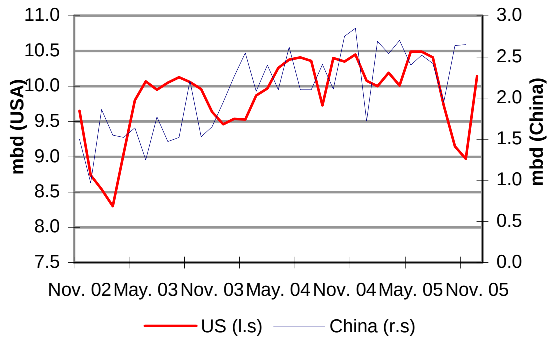
Average earnings	2003	2004	2005 YTD
VLCC, MEG – Korea	56,233	97,657	55,411
Suezmax, Bonny – Phila.	39,619	65,965	43,519
Aframax, TEES – R.dam	42,127	56,610	49,630

Source: IEA, DoE, Bassøe

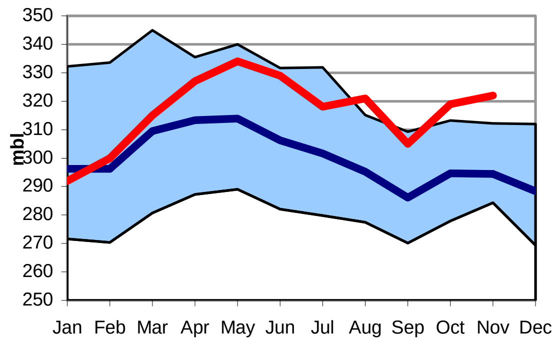
VLCC rates vs. Opec production



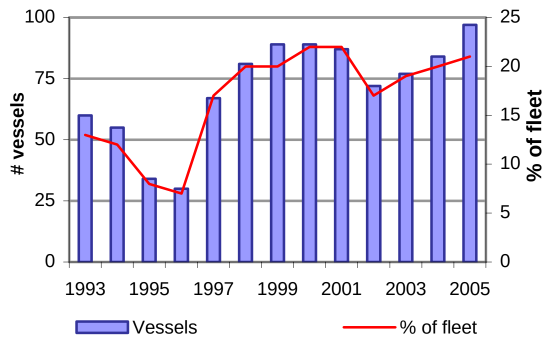
Crude oil imports



Crude oil inventories – USA



VLCC orderbook



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Telex +56 76766 basso n
E-mail Internet bassoe@pfbassoe.no
E-mail Comtext A43NN076
www.pfbassoe.no

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
Nils W. Koren	67 53 01 47	90 03 32 30
Lars Kalbakken	90 02 25 25	90 02 25 25
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

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