

Bassøe Friday Report

Week 48 – 02.12.2005

www.pfbassoe.no

Nr 48. Vol 28

Tanker chartering – Crude

Market comments

It's been another yawning week in the VLCC market, with neither Charterers nor Owners willing to make a determined move. Gravity rules here like anywhere else, however, and slowly but surely the lack of activity is beginning to weigh on (still sky-high) rate levels through a build-up of tonnage. With US refiners focusing on reducing year-end inventory positions, Atlantic Basin activity has lost some of its vigor, while Asian charterers appear to have plenty of time on their hands. More action is definitely needed next week if owners are to hang on. Suezmaxes have had a relatively active week and rates continue to push higher, led by West Africa. The market may not be able to sustain current levels unless January stems begin to filter through soon. Aframaxes have enjoyed an active week with rate increases in the North Sea and Baltic, Caribs and Med however are down from last week's levels.

VLCC (DH)		Current trend: Softer		
Route	WS today	Last week	USD/day	
270' MEG – Korea	200.0	217.5	131,180	
275' MEG – UKC	145.0	155.0	112,314	
260' Bonny – LOOP	175.0	175.0	114,873	

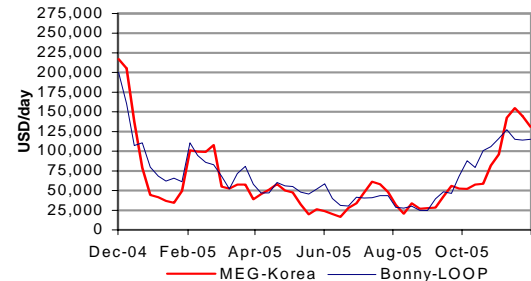
Suezmax (DH)		Current trend: Firm		
Route	WS today	Last week	USD/day	
130' Bonny – Phila.	267.5	235.0	90,173	
130' MAF – Ningpo	300.0	300.0	96,780	
135' Novo – Augusta	295.0	260.0	142,304	

Aframax (DH)		Current trend: Firmer		
Route	WS today	Last week	USD/day	
80' TEES – R.dam	230.0	195.0	90,185	
70' PLC – Texas	300.0	330.0	52,891	
80' MEG – Singapore	360.0	360.0	69,366	

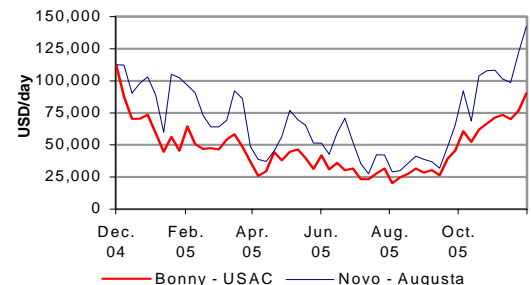
VLCC availability in MEG (# vessels)		
	Single hull	Double hull
Spot	0	1
Next 30 days	36	15

Bunkers (USD/mt)			
Fujairah	282	Rotterdam	260

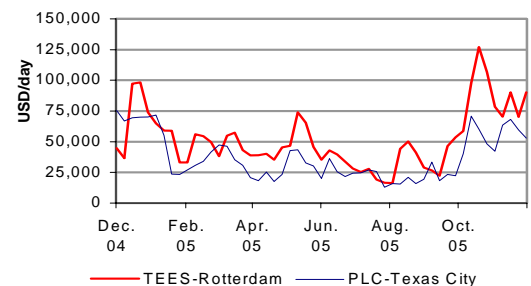
VLCC earnings



Suezmax earnings

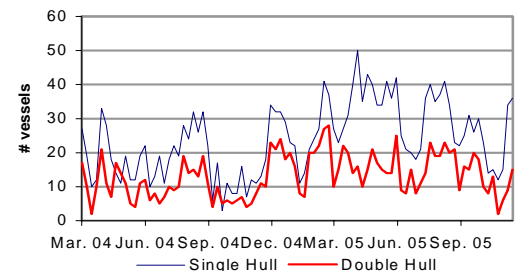


Aframax earnings



VLCC availability in MEG

vessels next 30 days ex. FRO and TI



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Tanker chartering – Clean

Market Comment

Car/USAC fell to W200 last night. Nevertheless; demand, temperatures, low gasoline inventories, and a US economy that seems to be able handling current and recent high prices well, is expected to bring further and good activity to the transatlantic market. LR1+2 are both moving south and as of today LR1- rates are actually below LR2.

Market assessment – MR

Route	WS today	Last week	USD/day
30' Spore - Japan	360.0	385.0	22,422
37' Cont. - US	280.0	280.0	22,997
38' Car. - USAC	200.0	240.0	12,355

Market assessment – LR

Route	WS today	Last week	USD/day
55' MEG – Japan	275.0	310.0	32,857
75' MEG – Japan	295.0	300.0	49,703

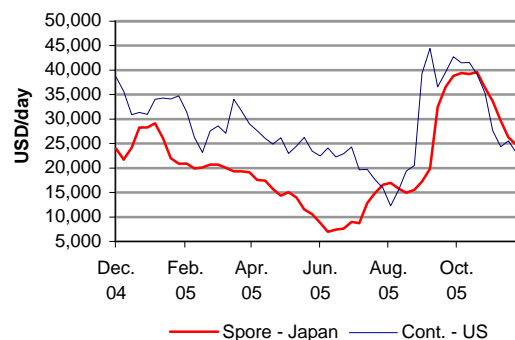
Freight derivatives

Uneasy. TD3 has been through a bumpy ride - ending the week with a Friday sell off. Replacement cargoes lifted TD5 to firm levels on the prompt side, while the forward part of the curve remains largely unchanged. TD7 gathered some new momentum, as the December activity has been good so far pushing rates up. Both Suez and Afra markets are also taking strength from increasing delays in Bosphorus. The clean markets continue the downward trend, although both TC2 and TC5 appear to be stabilising.

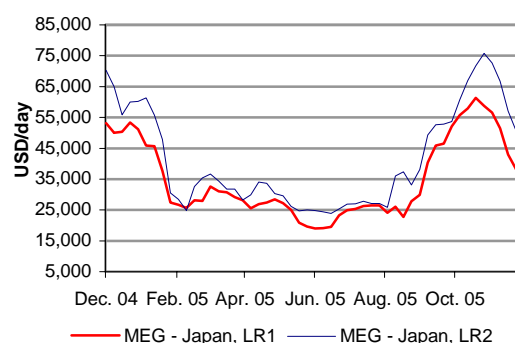
Weekly change in key FFA contracts

Dec	Jan	Q1'06	Q2'06	Q3'06	CAL06
TD3 MEG-Japan, 250' dwt					
168.0	118.0	107.0	72.0	66.0	85.5
-6.0	-2.0	-2.0	-1.0	0.0	5.0
TD 5 West Africa – USAC, 130' dwt					
248.5	190.0	165.0	123.0	110.0	132.0
31.0	10.0	2.5	8.0	0.0	0.0
TD 7, North Sea, UKC, 80' dwt					
237.5	191.0	165.0	120.0	115.0	138.0
22.5	1.0	0.0	-5.0	-1.0	0.0
TC 2 Cont-USAC, 37' dwt					
295.0	305.0	302.5	250.0	222.5	260.0
-17.5	-10.0	-12.5	0.0	0.0	0.0
TC 5, MEG-Japan, 55' dwt					
297.5	275.0	265.0	212.5	200.0	230.0
-7.5	-5.0	-5.0	-7.5	0.0	-1.0

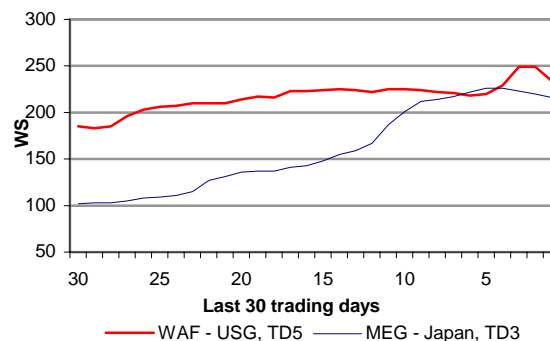
MR earnings



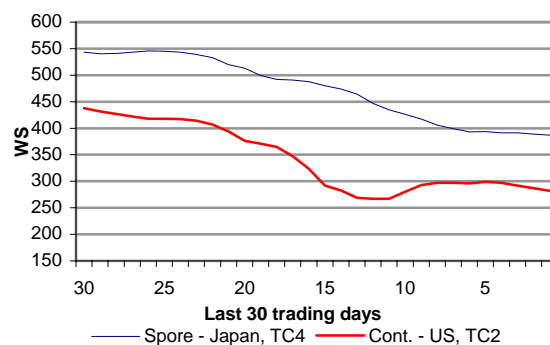
LR earnings



BITR rates, crude



BITR rates, clean

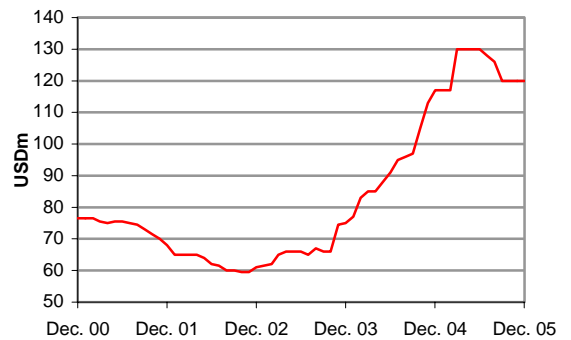


Sale and purchase

Market comment

Maersk are rumored to have sold the 1999 built VLCC “ELISABETH MAERSK” for region USD 115 mill to Venezuelan buyers, which, if confirmed, again underlines the strong demand for modern tankers with prompt delivery. The tanker market presently has more buyers than sellers whereas the opposite can be said of the bulker market. Further consolidation in the tanker market may be the outcome of Frontline’s renewed interest in Genmar.

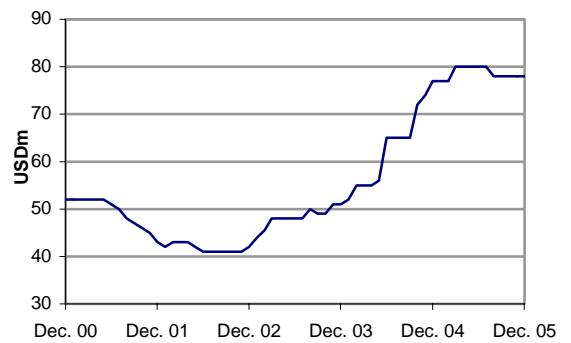
VLCC – 3 year old



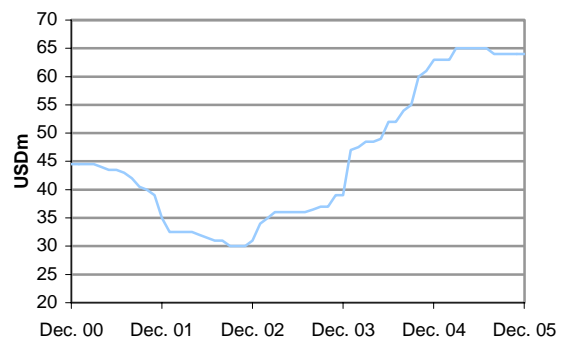
Second hand values

Vessel /USDm	Latest	1 mth	2 mth	3 mth	12 mth
300' D/D 3 yrs	120.0	120.0	120.0	120.0	117.0
300' D/D 10	90.0	90.0	90.0	90.0	86.0
280' S/S 1990	48.0	48.0	48.0	52.0	60.0
150' D/D 3 yrs	78.0	78.0	78.0	78.0	77.0
150' D/D 10	62.0	62.0	62.0	62.0	63.0
140' S/S 1990	26.0	26.0	26.0	26.0	39.0
105' D/D 3 yrs	64.0	64.0	64.0	64.0	63.0
95' D/D 10yrs	46.0	46.0	46.0	46.0	46.0
95' S/S 1990	20.0	20.0	20.0	20.0	29.0
70' D/D 3 yrs	50.0	50.0	50.0	50.0	45.0
47' D/D 3 yrs	49.0	49.0	49.0	49.0	43.0
45' D/D 10 yrs	37.0	37.0	37.0	37.0	30.0
40' S/S 1990	14.0	14.0	14.0	14.0	16.0

Suezmax – 3 year old



Aframax – 3 year old



S&P Transactions

Tankers

M/T "SEABRIDGE" - 105,154 TDW, BUILT 1996 NAMURA IMARI (DOUBLE HULL) SOLD USD 48.5 MILL TO CENTROFIN, GREECE

M/T "MARINE CHAMPION"/"MARINE PIONEER" - 10,400 TDW, BUILT 1998 DAEDONG CHINHAE (DOUBLE HULL, COATED, IMO2/3) SOLD ENBLOC USD 25 MILL TO CHINESE BUYERS.

Bulkers

M/S "HEBEI PROGRESS" - 64,825 TDW, BUILT 1982 CONSTANTZA AND

M/S "HEBEI NO. 1" - 64,824 TDW, BUILT 1981 CONSTANTZA SOLD USD 6 MILL EACH TO GREEK BUYERS.

M/S "BLUE DREAM" - 45,000 TDW, BUILT 1997 HALLA SAMHO SOLD USD 25.5 MILL TO GREEK BUYERS.

M/S "ANTOINE" - 42,469 TDW, BUILT 1989 OSHIMA SHIPBUILDING (CR 4X25T) SOLD USD 20 MILL TO UNDISCLOSED BUYERS.

M/S "CRYSTAL ACE" - 26,811 TDW, BUILT 1979 KOREA PUSAN (CR 4X25T) AND

M/S "GOLDEN SUN" - 26,814 TDW, BUILT 1980 (CR 4X25T) SOLD USD 4.6 MILL EACH TO UNDISCLOSED BUYERS.

M/S "AMARYLLIS" - 23,000 TDW, BUILT 1983 ISHIKAWAJIMA TOKYO (CR 5X25T 5X 25.0) SOLD USD 7 MILL TO GREEK BUYERS.

Demolition

Market comment

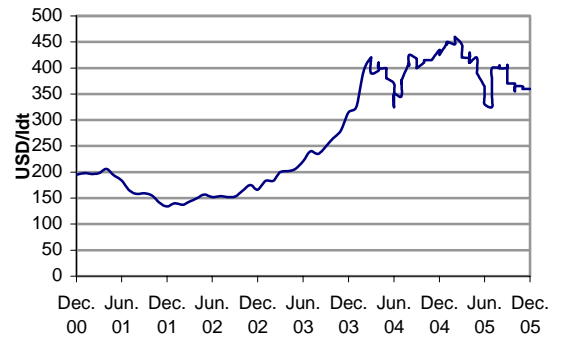
No change in the inactive market for tanker demolition sales. However, a few smaller dry bulk vessels have been reported sold for demolition.

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

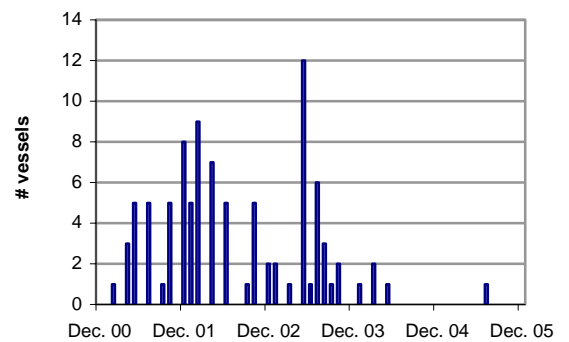
Demolition prices (tankers, USD/ldwt)			
China	India	Pakistan	Bangladesh
290	350	340	360

Transactions

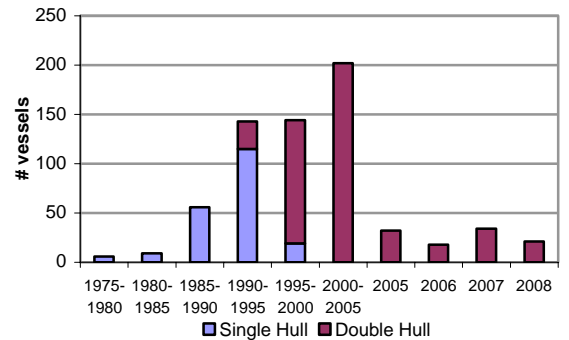
Demolition prices (VLCC, Bangladesh)



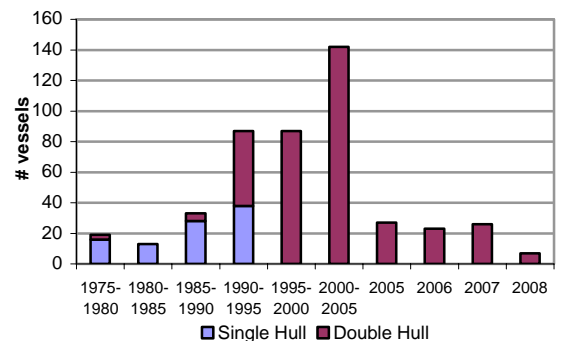
VLCCs sold for demolition



VLCC fleet – Age distribution



Suezmax fleet – Age distribution



Research

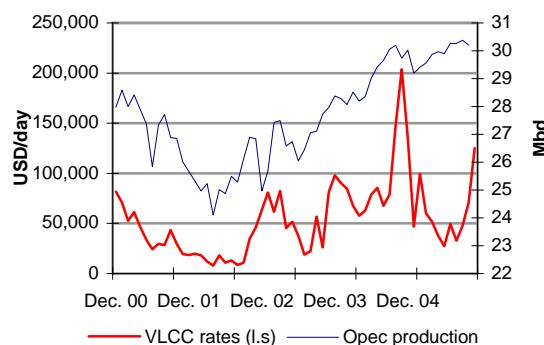
“Demand destruction” has been the buzzword in the oil market this fall, and a main reason why, for the first time since late 2001, the oil price has suffered three consecutive losing months. The facts, which are gradually emerging, are not supportive of this thesis, however. If demand was indeed being destroyed one would expect that other things, like the economy, would go down along with it. Macro figures from the US (and indeed elsewhere) continue to be remarkably upbeat, however, including this week’s upward revision to Q3 GDP from 3.8% to 4.3%, the highest since early ‘04. Clearly, if the economy indeed did reaccelerate this summer, in the face of rising oil prices, there is little reason to fear that we are on the verge of an oil price crisis after the price has dipped \$15. If anything, the price drop is likely to fuel the economy, and implicitly oil demand, further. Revisions to US gasoline demand for September show a smaller fall than originally reported, and recent weekly figures show a return to year-on-year growth. If underlying demand indeed is back on the growth track, the first sign of real winter weather is likely to bring higher prices and more imports.

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

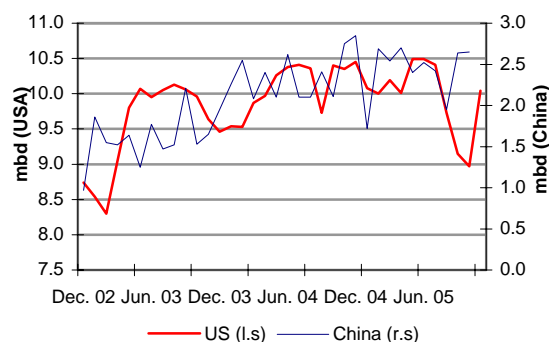
Average earnings	2003	2004	2005 YTD
VLCC, MEG – Korea	56,233	97,657	56,989
Suezmax, Bonny – Phila.	39,619	65,965	44,491
Aframax, TEES – R.dam	42,127	56,610	50,474

Source: IEA, DoE, Bassøe

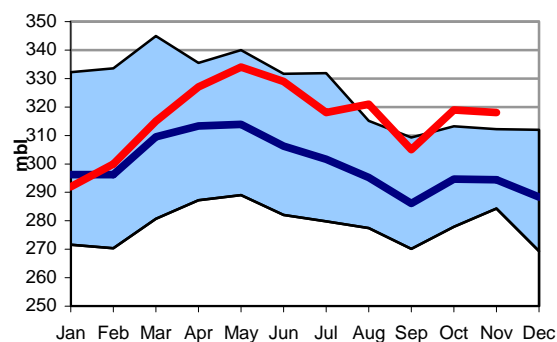
VLCC rates vs. Opec production



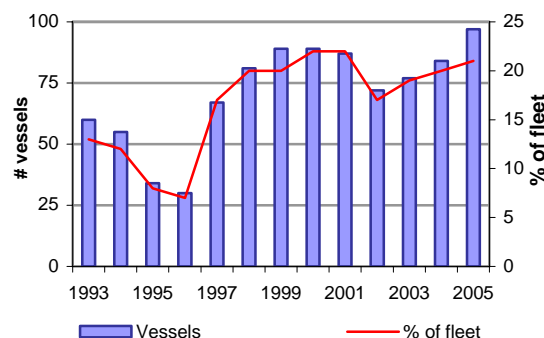
Crude oil imports



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
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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