Bassøe Friday Report

Week 49 – 09.12.2005 www.pfbassoe.no Nr 49. Vol 28

Tanker chartering – Crude

Market comments

Winter has officially arrived in the Western hemisphere this week, but this has had no impact on VLCC market conditions where the pace of activity remains decidedly slack. In fact, the level of activity we have registered over the past four weeks is the slowest of the year. In that context, freight rates, while slipping lower again this week, must be said to be holding up remarkably well. Given the (lack of) action, the path of least resistance for rates certainly appears to be down in the near-term. Owners' only card must be that despite the slow market, tonnage availability is not significantly higher than a week ago, but the arrival of more cargoes probably is closer. Suez-maxes have experienced a roller-coaster week, and the market enters the week-end on a slower note, albeit at still very high levels. Signs of congestion in the Bosporus have also been supportive for rates. Aframax rates have continued to gain in the North Sea but nose-dived in the Caribs.

VLCC (DH)	Current trend: Softer		
Route	WS today	Last week	USD/day
270' MEG – Korea	185.0	200.0	118,807
275' MEG – UKC	130.0	145.0	96,841
260' Bonny – LOOP	170.0	175.0	109,722

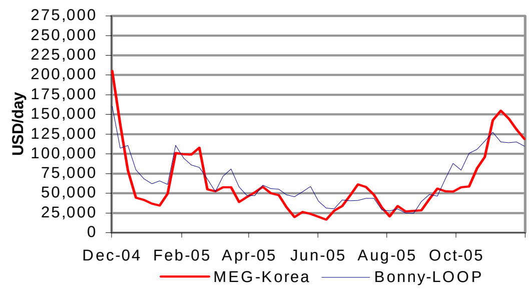
Suezmax (DH)	Current trend: Flat		
Route	WS today	Last week	USD/day
130' Bonny – Phila.	252.5	267.5	82,552
130' MAF – Ningpo	280.0	300.0	88,884
135' Novo – Augusta	290.0	295.0	139,081

Aframax (DH)	Current trend: Mixed		
Route	WS today	Last week	USD/day
80' TEES – R.dam	240.0	230.0	95,735
70' PLC – Texas	220.0	300.0	33,706
80' MEG – Singapore	360.0	360.0	69,201

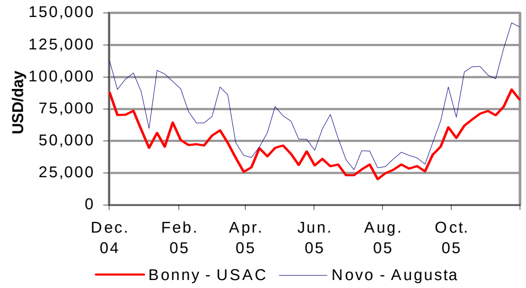
VLCC availability in MEG (# vessels)		
	Single hull	Double hull
Spot	1	0
Next 30 days	39	14

Bunkers (USD/mt)			
Fujairah	287	Rotterdam	265

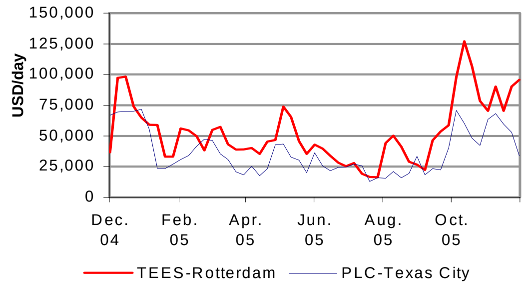
VLCC earnings



Suezmax earnings

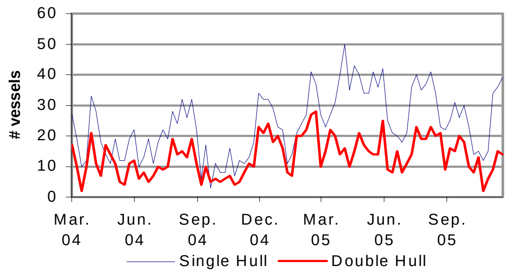


Aframax earnings



VLCC availability in MEG

vessels next 30 days ex. FRO and TI



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Tanker chartering – Clean

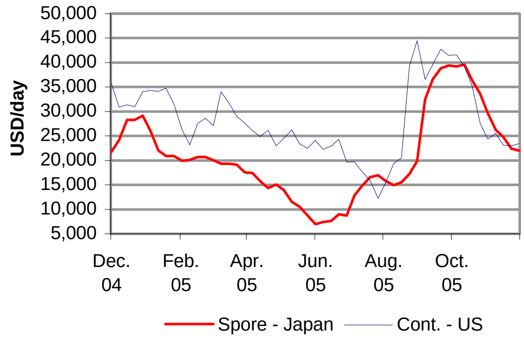
Market Comment

Both gasoil and gasoline cargoes being fixed in large numbers to the US bringing MR rates close to, if not above, W300. The fuel markets firm up both in the Med and CROSSUKC and will eventually support the shorthaul clean markets. LR1+2 continue to move up.

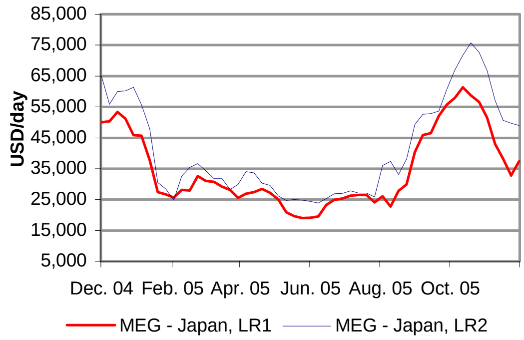
Market assessment – MR			
Route	**WS today**	**Last week**	**USD/day**
30' Spore - Japan	360.0	360.0	22,008
37' Cont. - US	285.0	280.0	23,455
38' Car. - USAC	190.0	200.0	10,818

Market assessment – LR			
Route	**WS today**	**Last week**	**USD/day**
55' MEG – Japan	305.0	275.0	37,393
75' MEG – Japan	292.5	295.0	48,968

MR earnings



LR earnings

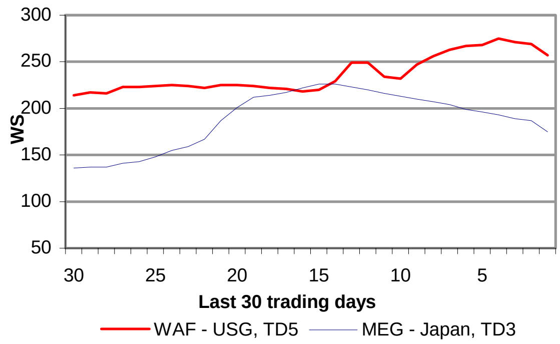


Freight derivatives

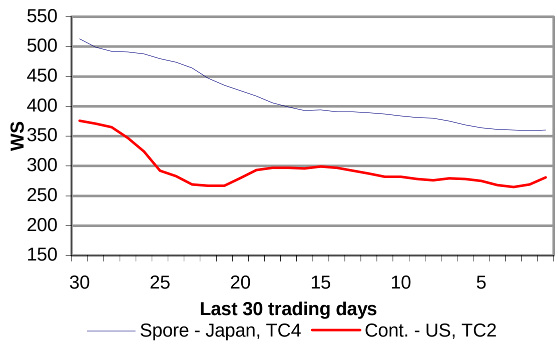
Clean markets turning, both Eastern and Western trades have bottomed out or even gained some points this week. TC2 and TC5 paper traded up accordingly while TC4 contracts are slightly weaker as the Sing-JPN run hasn't seen any improvement yet. Crude routes were less eventful – TD3 and TD5 basically unchanged over the week. TD7 firmed up on Friday as ice issues in the Baltic Sea are starting to take their toll.

Weekly change in key FFA contracts					
Dec	**Jan**	**Q1'06**	**Q2'06**	**Q3'06**	**CAL06**
TD3 MEG-Japan, 250' dwt					
171.5	120.0	106.0	72.0	66.0	87.5
3.5	2.0	-1.0	0.0	0.0	5.0
TD 5 West Africa – USAC, 130'dwt					
248.5	186.0	165.0	123.0	110.0	132.0
0.0	-4.0	0.0	0.0	0.0	0.0
TD 7, North Sea, UKC, 80'dwt					
245.0	190.0	170.0	120.0	115.0	138.0
7.5	-1.0	5.0	0.0	0.0	0.0
TC 2 Cont-USAC, 37' dwt					
300.0	320.0	307.5	250.0	222.5	260.0
5.0	15.0	5.0	0.0	0.0	0.0
TC 5, MEG-Japan, 55' dwt					
304.0	275.0	260.0	212.5	200.0	229.0
6.5	0.0	-5.0	0.0	0.0	-1.0

BITR rates, crude



BITR rates, clean



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Sale and purchase

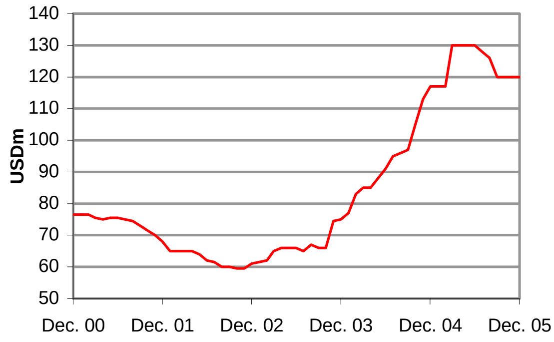
Market comment

Modern tanker values are holding firm indeed with no incentive for sellers to reduce their asking prices. Several Panamax tankers have been under negotiations and many buyers are also reported to be showing interest in two Chinese controlled Aframaxes with delivery 2006 ex Dalian. All in all, it's fair to expect that more tanker deals will be concluded before the year draws to a close.

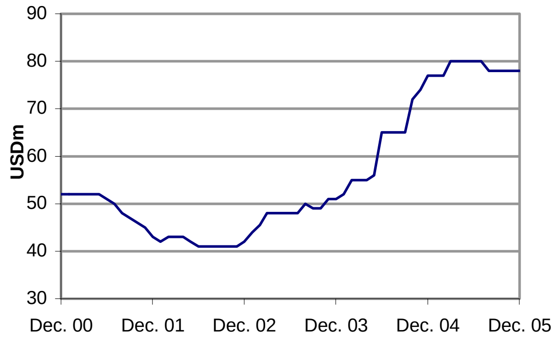
Second hand values

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

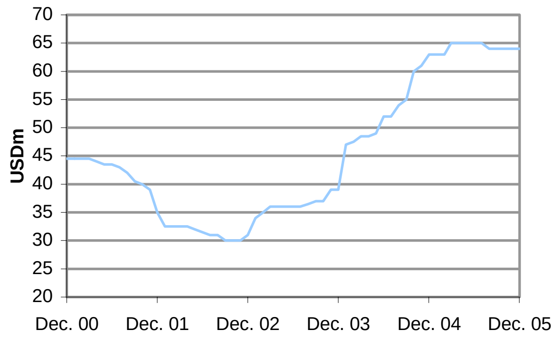
VLCC – 3 year old



Suezmax – 3 year old



Aframax – 3 year old



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S&P Transactions

Tankers

M/T “RESALE NEWBUILDING” – 300,000 TDW, DELIVERY APRIL 2007 EX DEAWOO SOLD USD 120 MILL TO AGELEF, GREECE.

M/T "HS NORMA" - 115,633 TDW, BUILT 2004 SAMSUNG SOLD USD 68.5 MILL TO ITALIAN BUYERS. DELIVERY IN MAY 2006 UPON RELEASE FROM OSG POOL.

M/T "JOHARAT QATAR" - 91,717 TDW, BUILT 1989 (SINGLE HULL) SUMITOMO SOLD USD 19 MILL TO GREEK BUYERS.

M/T "FAIR LUNA" - 39,931 TDW, BUILT 1982 MITSUBISHI NAGASAKI (DOUBLE SIDES) SOLD USD 7.5 MILL TO IRANIAN BUYERS.

M/T "ASTERIX I" - 29,999 TDW, BUILT 1982 KANDA KAWAJIRI (COATED) SOLD USD 7 MILL TO SINGAPORE BUYERS.

Bulkers

M/S "ATLAS"/"OLYMPIA" - 135,070 TDW, BUILT 1999/1989 FINCANTIERI BREDA SOLD ENBLOC USD 54 MILL TO GREEK BUYERS.

M/S "RENEE" - 45,262 TDW, BUILT 1993 SHIN KURUSHIMA ONISHI (CR 4X25T) SOLD USD 20 MILL TO GREEK BUYERS.

M/S "BRIGHT FUTURE" - 45,000 TDW, BUILT 2000 TSUNEISHI CEBU (CR 4X30T) SOLD USD 28 MILL TO UNDISCLOSED BUYERS.

M/S "STAR CHASER"/"STAR ELFIN" - 28,399 TDW, BUILT 1997 HAKODATE (CR 4X30.5T) SOLD USD 21.75 MILL EACH TO GREEK BUYERS.

M/S "EVANTHIA" - 27,507 TDW, BUILT 1977 KOYO MIHARA (CR 5X25T) SOLD USD 3.5 MILL TO SYRIAN BUYERS.

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Demolition

Market comment

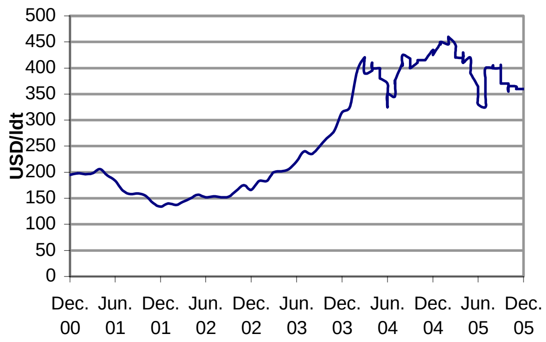
The Bangladeshi cartel appears to be breaking into pieces, and rumors say the sale of M/T “Ascot” last week was concluded outside of the cartel. Price levels and expected to rise, and could reach USD 400/ldt.

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

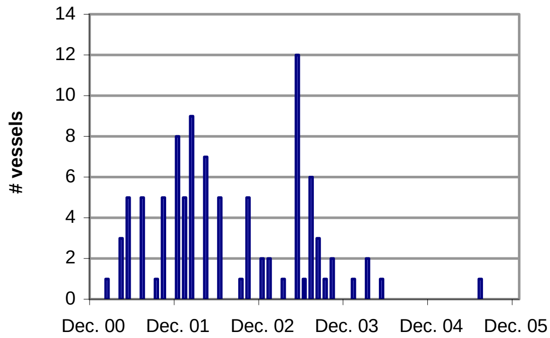
Demolition prices (tankers, USD/ldwt)			
China	India	Pakistan	Bangladesh
290	350	340	360

Transactions

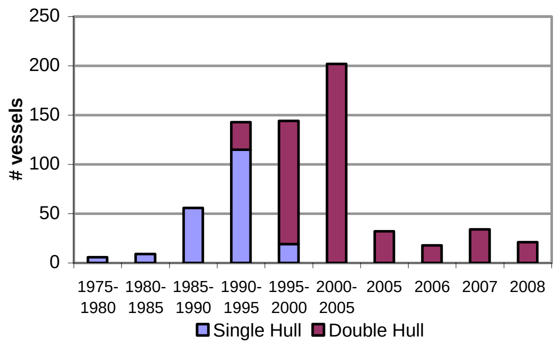
Demolition prices (VLCC, Bangladesh)



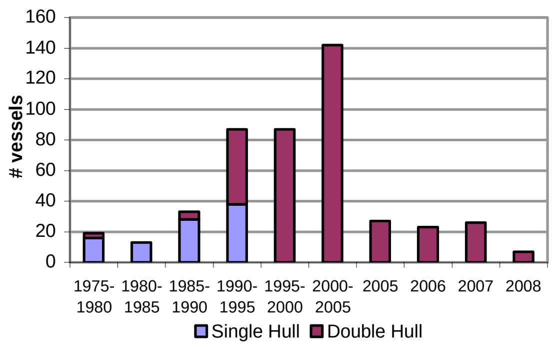
VLCCs sold for demolition



VLCC fleet – Age distribution



Suezmax fleet – Age distribution



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Research

While talk of the “one of the coldest Decembers on record” has replaced talk of global warming in the oil market, the most important development may have been the release of Q3 GDP stats for Thailand. Growth came in at +2.2%, well above expectations, and the Government took the opportunity to raise its forecast for 2006. Growth is now seen at 5.7%, a robust level on its own, and a notable acceleration from 4.7% this year. This has potentially huge implications for the oil market, because Thailand has been in the forefront in removing subsidies on domestic oil prices. End-user subsidies in the rapidly growing Asian economies have been seen as one potential reason for the continued strength in oil demand, despite rapidly rising world prices. Consequently, the removal of such subsidies, which began in Thailand and other Asian countries last summer, could potentially be a demand destroyer. While one quarter may indeed not be enough evidence on which to base any firm conclusions, it is indeed an indication, along with the two month long rally in Asian equity markets, that this oil price sensitive part of the world is coping relatively well with high prices.

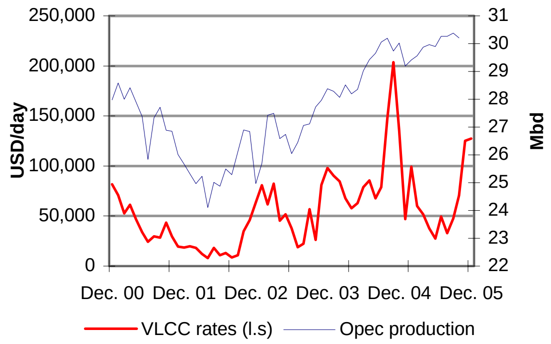
Key market drivers

	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)	470			
Orderbook	94			
Deliveries		31	18	34
Suezmax fleet (# vessels)	334			
Orderbook	65			
Deliveries		27	23	27

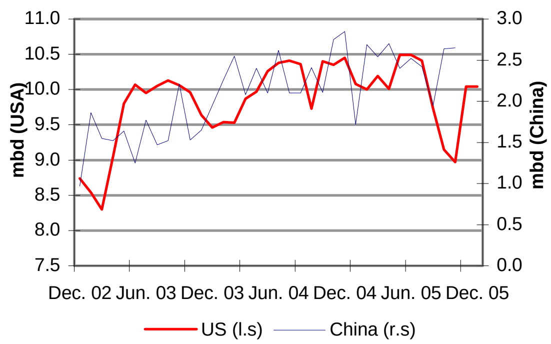
Average earnings	2003	2004	2005 YTD
VLCC, MEG – Korea	56,233	97,657	58,251
Suezmax, Bonny – Phila.	39,619	65,965	45,268
Aframax, TEES – R.dam	42,127	56,610	51,398

Source: IEA, DoE, Bassøe

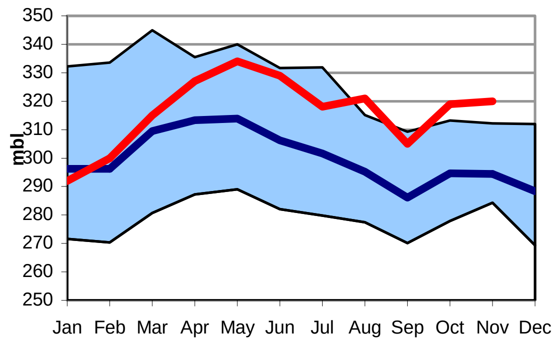
VLCC rates vs. Opec production



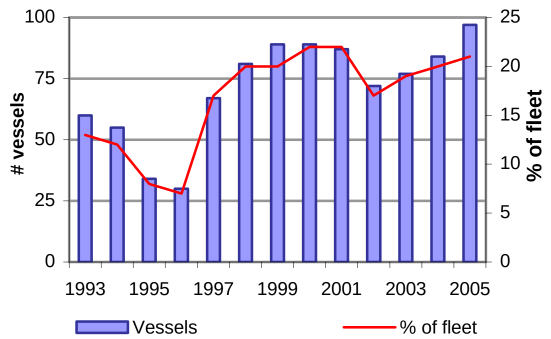
Crude oil imports



Crude oil inventories – USA



VLCC orderbook



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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**	
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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
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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
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