Bassøe Friday Report

Week 5 – 04.02.2005 www.pfbassoe.no Nr 5. Vol 28

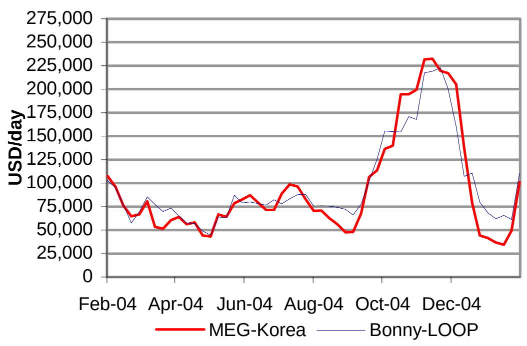
Tanker chartering – Crude

Market comments

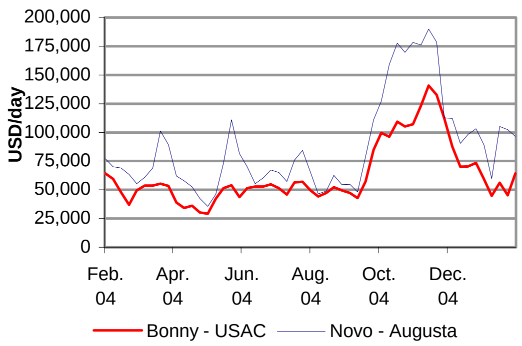
“What goes down must come up” has been the theme in the VLCC market this week. The turnaround that began last week, gathered pace as early March cargoes came into play on top of a still active February program. With few vessels available, freight rates rose sharply for all destinations. Chinese New Year is coming up next week and may cause activity to slow down. The tonnage situation is tight, however.With the majority of the March program still ahead, the near-term outlook is balanced.

A strong week for suezmaxes as well with healthy activity in the Atlantic. Rates are well up, underpinned by the booming VLCC market. Aframaxes have had a relatively slow week. North Sea and Caribs are flat, while the Med has taken a beating.

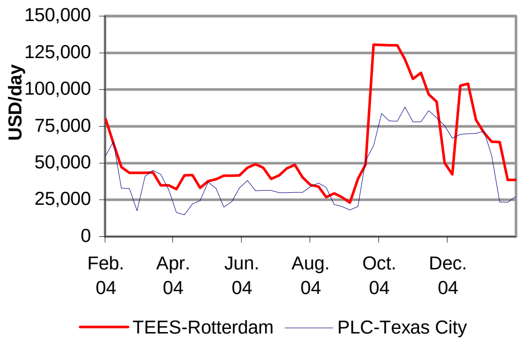
VLCC earnings



Suezmax earnings



Aframax earnings



VLCC	Current trend: Firm		
Route	**WS today**	**Last week**	**USD/day**
270’ MEG – Korea	152.5	87.5	101,144
275’ MEG – UKC	125.0	75.0	99,894
260’ Bonny – LOOP	160.0	100.0	110,558

Suezmax	Current trend: Firm		
Route	**WS today**	**Last week**	**USD/day**
130’ Bonny – Phila.	195.0	147.5	64,370
130’ MAF – Ningpo	170.0	120.0	51,662
135’ Novo - Augusta	210.0	220.0	96,578

Aframax	Current trend: Mixed		
Route	**WS today**	**Last week**	**USD/day**
80’ TEES – R.dam	125.0	125.0	38,654
70’ PLC – Texas	175.0	160.0	27,077
80’ MEG - Singapore	145.0	125.0	24,281

Availability in MEG (# vessels)			
	VLCC		**ULCC**
	Single hull	**Double hull**	
Spot	0	0	1
Next 30 days	14	7	0

Bunkers (USD/mt)			
Fujairah	197	**Rotterdam**	167

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Tanker chartering – Clean

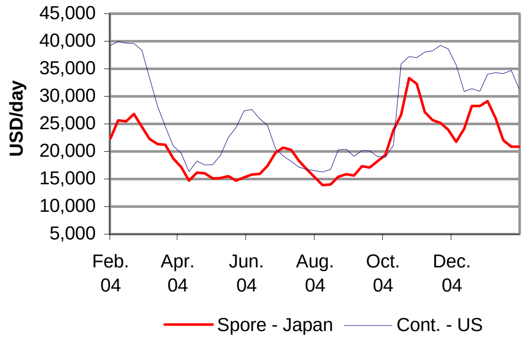
Market Comment

Continued pressure on LR 1and LR2 brought rates down in the MEG. Sing/Japan has stabilized at WS 310. MR rate levels on Cont/US and Car/USAC are both down 8-10% respectively. The shorthaul markets in Europe have strengthened, however, and are relatively firm.

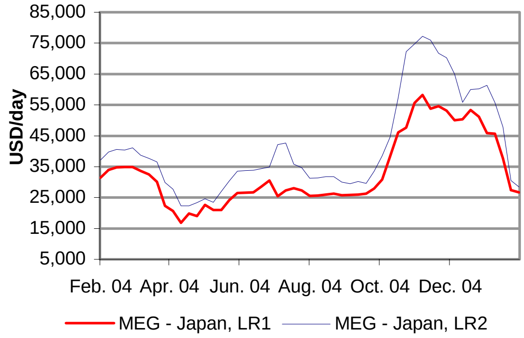
Market assessment – MR			
Route	**WS today**	**Last week**	**USD/day**
30' Spore - Japan	310.0	310.0	20,881
37' Cont. - US	327.5	355.0	31,418
38' Car. - USAC	270.0	300.0	23,188

Market assessment – LR			
Route	**WS today**	**Last week**	**USD/day**
55' MEG – Japan	220.0	225.0	26,664
75' MEG – Japan	180.0	190.0	28,405

MR earnings



LR earnings

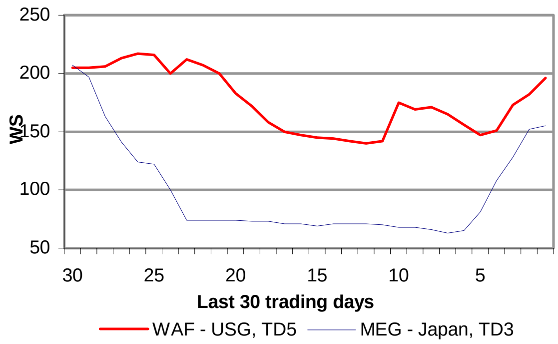


Freight derivatives

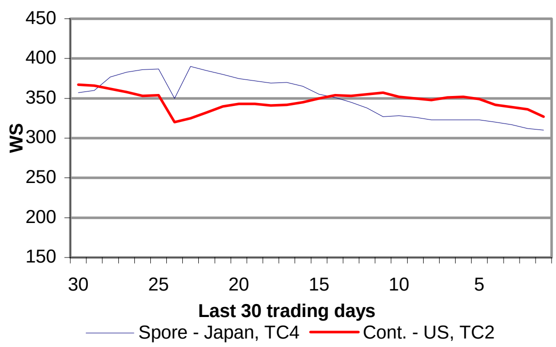
TD3 showed continued life with the bulls firmly back in the driving seat. As could be expected the other crude routes followed suit, while the clean routes are struggling to attract much attention. This should change once the clean markets find new direction.

Weekly change in key FFA contracts					
Feb	**Mar**	**Q2**	**Q3**	**Q4**	**CAL06**
TD3 MEG-Japan, 250' dwt					
145.0	124.0	95.0	87.0	110.0	92.5
35.0	19.0	-7.5	-5.5	-2.5	-2.5
TD 5 West Africa – USAC, 130'dwt					
190.0	1850.0	140.0	115.0	160.0	125.0
35.0	35.0	0.0	0.0	5.0	0.0
TD 7, North Sea, UKC, 80'dwt					
140.0	162.5	140.0	115.0	150.0	125.0
0.0	12.5	0.0	5.0	10.0	0.0
TC 2 Cont-USAC, 37' dwt					
315.0	300.0	265.0	227.5	255.0	222.5
-35.0	-20.0	-5.0	-5.0	-5.0	-2.5
TC 4, Spore-Japan, 30' dwt					
310.0	290.0	255.0	240.0	280.0	225.0
0.0	-10.0	-5.0	0.0	0.0	0.0

BITR rates, crude



BITR rates, clean



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Sale and purchase

Market comment

As commented upon last year George Economou was launching a dry cargo operation in the US. That took place this week with a tremendous success. Several other Greek owners are following suit. The US market seems not to lack an appetite for shipping companies, both dry and wet.

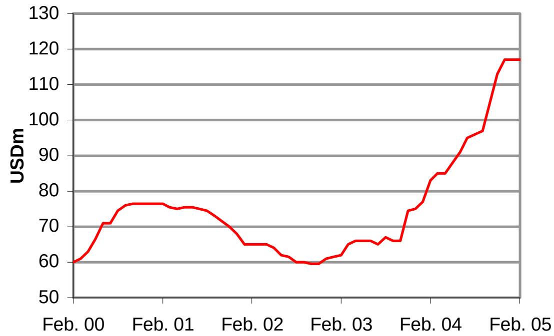
Some very decent prices have been paid for capesizes, Diamantis Dimantides is again calling a healthy profit on some older capesize bulkcarriers. Somewhat more quiet in the tanker sector where we are reporting sale of two MR product tankers to Berlian Laju Tankers. Also rumours have it that the aframax Compass has been sold, but this is still un-confirmed.

With the surge we have experienced in the tanker market the last week we may well expect to some more action in the weeks to follow. One drawback, for the Sellers is that we are entering Chinese New Year, however.

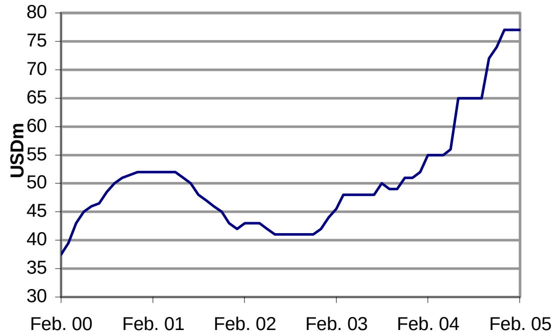
Second hand values

Vessel /USDm	Latest	1 mth	2 mth	3 mth	12 mth
300' D/D 3 yrs	117.0	117.0	117.0	113.0	83.0
300' D/D 10	86.0	86.0	86.0	85.0	57.0
280' S/S 1990	58.0	58.0	60.0	59.0	33.0
150' D/D 3 yrs	77.0	77.0	77.0	74.0	55.0
150' D/D 10	63.0	63.0	63.0	60.0	42.0
140' S/S 1990	36.0	37.0	39.0	36.0	20.5
105' D/D 3 yrs	63.0	63.0	63.0	61.0	47.5
95' D/D 10yrs	46.0	46.0	46.0	44.0	28.0
95' S/S 1990	26.0	27.0	29.0	28.0	20.0
70' D/D 3 yrs	45.0	45.0	45.0	42.0	32.5
47' D/D 3 yrs	43.0	43.0	43.0	40.0	34.5
45' D/D 10 yrs	30.0	30.0	30.0	28.0	22.0
40' S/S 1990	15.0	15.0	16.0	16.0	14.5

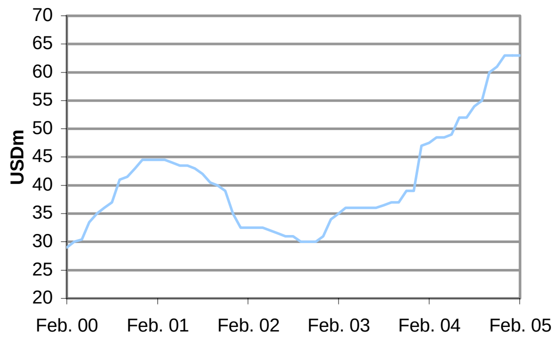
VLCC – 3 year old



Suezmax – 3 year old



Aframax – 3 year old



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S&P Transactions

Tankers

M/T "COMPASS I" - 97,078 TDW, BUILT 1992 IMABARI (DOUBLE SIDES) VESSEL WAS INSPECTED BY SOME FIVE/SIX POTENTIAL BUYERS. THERE ARE RUMOURS THAT SHE MIGHT HAVE BEEN TIED UP / SOLD REGION USD 25/26 MILL.

M/T "PANOS G" - 86,983 TDW, BUILT 1981 ASTANO (COILED) RUMOURED SOLD USD 10.5 MILL. TO CHINESE

M/T'S "TANDJUNG AYU" / "BANDAR AYU"- 36,406 TDW, BUILT 1993 KANASASHI (DOUBLE SIDES,) SOLD TO BERLIAN LAJU TANKERS, INDONESIA (BLT) FOR REGION USD 40 MILL ENBLOC INCLUDING REMAINING CHARTERS FOR 4/6 MONTHS. BLT HAVE EXTENEDED THE CHARTERS FOR FURTHER FIVE YEARS WITH PERTAMINA FOR WHOM THE VESSELS WERE PURPOSE BUILT. OMI BOUGHT THE VESSELS IN 2001 FROM OSPREY MARITIME.

LPG-M/T "JANE MAERSK" - 35,00 CBM, BUILT 1990 HYUNDAI SOLD TO GREAT EASTERN USD 39 MILL

M/T "GRAZIA" - 19,950 TDW, BUILT 1987 KASADO (COILED / COATED) RUMOURED SOLD REGION USD 4.7 MILL TO SOUTH EUROPEAN BUYERS

M/T "VICTORIA LUCY" - 3,785 TDW, BUILT 1992 MURAKAMI REPORTED SOLD USD 7 MILL. NO FURTHER DETAILS, BELIEVE A CHARTER IS ATTACHED TO THIS SALE, EXPLAINING THE LOW PRICE.

Bulkers

M/S "FANEROMENI" - 149,211 TDW, BUILT 1989 SAMSUNG AND M/S "KOUTALIANOS" - 172,810 TDW, BUILT 1987 HARLAND & WOLFF SOLD FROM MARMARAS, GREECE TO HEBEI OCEAN SHIPPING CO. (HOSCO) USD 75 MILL ENBLOC (USD 38 MILL AND USD 37 MILL RESP.) SALE TO THE SAME BUYER REPORTED LAST YEAR FAILED TO MATERIALIZE.

M/S "ISTRIA" - 63,886 TDW, BUILT 1982 IHI REPORTED SOLD USD 15 MILL TO UNDISCLOSED BUYERS

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Demolition

The demolition market remains very dull. No significant sales to report. Prices are coming off a little due to the fact that more tonnage is expected to be worked next week. There is one large LPG carrier of some 20,000 ldt and further an aframax of around 18,000 ldt coming, along two or three similar sized vessels being mentioned. In the current situation, we expect Bangladesh to pick whatever there is.

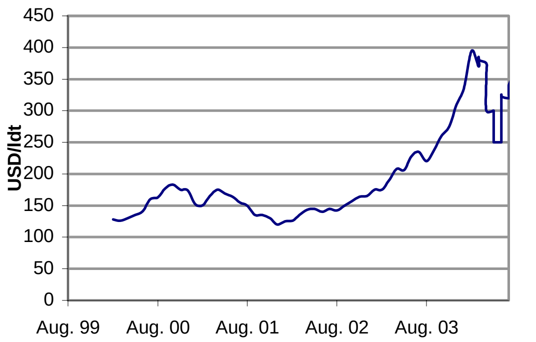
Demolition volume		
# vessels	**YTD**	**Year ago**
VLCC	-	1
Suezmax	-	1
Aframax	3	2

Demolition prices (tankers, USD/ldwt)			
China	**India**	**Pakistan**	**Bangladesh**
360	425	390	445

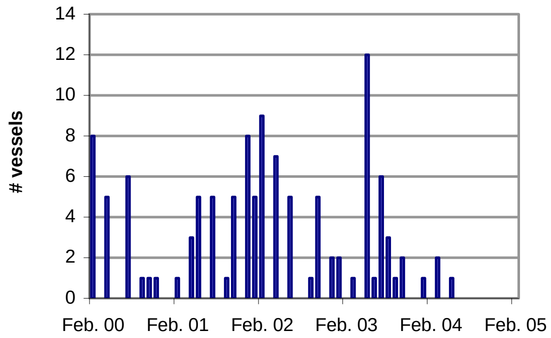
Transactions

No transactions this week.

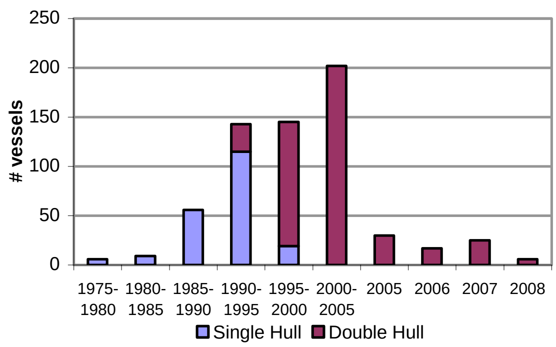
Demolition prices (VLCC, China)



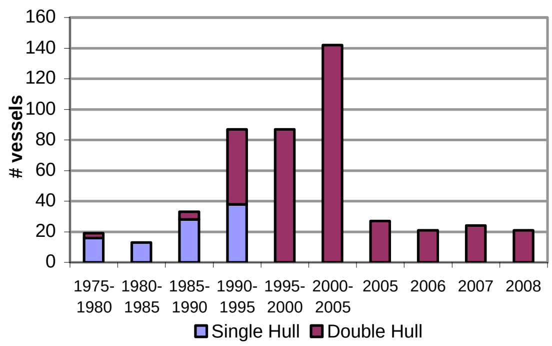
VLCCs sold for demolition



VLCC fleet – Age distribution



Suezmax fleet – Age distribution



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Research

Two key pieces of data out this week, both supporting the notion of a still well-balanced oil market with rising call-on-Middle East crude. Japanese inventory data for December saw a sizeable draw on both crude and product stocks. The latter was particularly interesting, as it occurred despite a steep increase in refinery runs, a sign of stronger domestic demand. This was most likely a weather-related event, however, and y/y growth is still quite soft. Combined with falling stocks in Europe as well, it does seem as though the global year-end inventory position was more balanced than feared, however. Russian production for January came in at 9.28 mbd. This is the fourth straight monthly decline from the all-time high last September. Even more importantly, y/y growth is now down to 0.34 mbd or less than 4%. This is only half the growth rate from last year and the first real sign that Russian production has entered a slowdown phase.

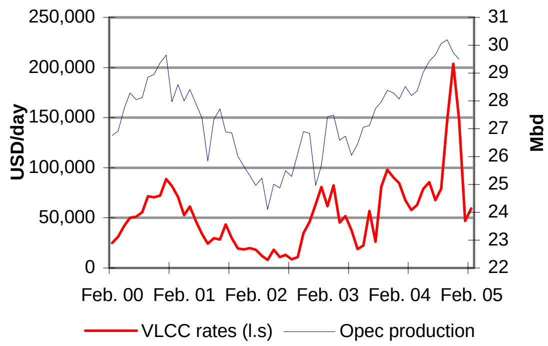
Key market drivers

	2002	2003	2004E	2005E
World oil demand (%	+0.8 %	+2.4 %	+3.3 %	+1.7 %
USA	+0.6 %	+1.4 %	+2.4 %	+0.8 %
Europe	-0.1 %	+1.2 %	+1.6 %	+0.5 %
China	+6.3 %	+11.0%	+15.4%	+5.7 %
Japan	-1.7 %	+2.2 %	-2.1 %	-2.0 %
Opec production (mbd)	26.3	27.2	29.0	29.5
FSU production (mbd)	9.4	10.3	11.2	11.8
Fleet statistics	**Current**	**2004P**	**2005E**	**2006E**
VLCC fleet (# vessels)	441			
Orderbook	84			
Deliveries		30	30	17
Suezmax fleet (# vessels)	309			
Orderbook	78			
Deliveries		27	27	21

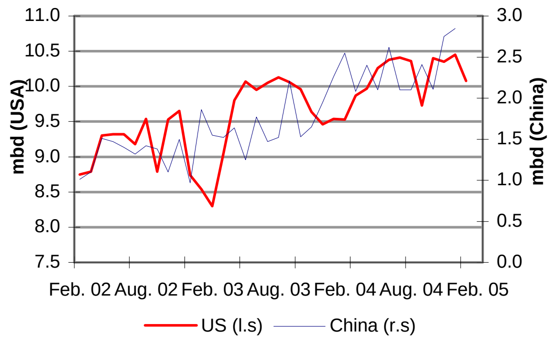
Average earnings	2003	2004	2005 YTD
VLCC, MEG – Korea	56,233	97,657	52,591
Suezmax, Bonny – Phila.	39,619	65,965	54,021
Aframax, TEES – R.dam	42,127	61,800	55,339

Source: IEA, DoE, Bassøe

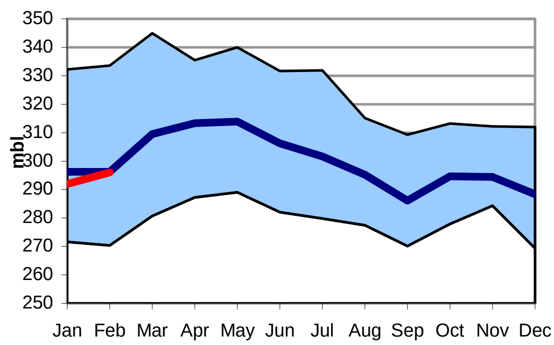
VLCC rates vs. Opec production



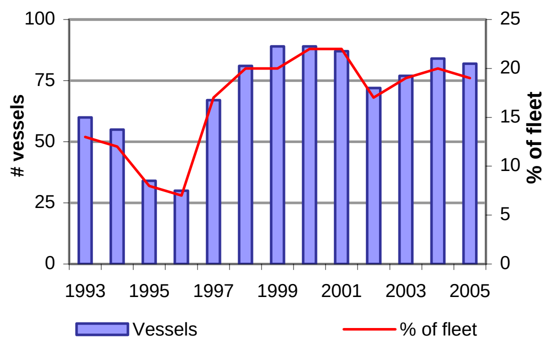
Crude oil imports



Crude oil inventories - USA



VLCC orderbook



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Einar B. Danbolt - Managing Director	22 44 62 81	92 05 08 08
SALE & PURCHASE / NEWBUILDING / PROJECT	**22 01 08 25**	
Richard Fuglesang	67 53 48 87	90 77 57 59
Herman Marcussen	22 49 59 90	91 34 00 97
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
Nils Andreas Arnesen	22 43 05 25	90 18 46 49
Alf Fjetland	92 63 44 95	92 63 44 95
Fredrik Sagen Andersen	41 23 30 29	41 23 30 29
TANKER CHARTERING	**22 01 08 20**	
Gerhard N. Dahl	22 95 19 94	91 16 42 35
Svein Andersen	22 55 43 22	91 17 78 93
Morten Austvold	64 86 78 11	91 70 50 31
Halvor Ellefsen	22 23 11 62	90 01 08 20
Vegard B. Eriksen	32 13 55 91	95 72 52 10
Lars Irgens	22 49 32 72	90 60 13 99
Frederik Mathiesen	21 90 58 88	95 93 37 63
Bjørn-Erik Løkken	22 92 14 74	90 18 80 44
Morten Røine	67 59 11 11	90 61 44 72
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
Inge Wallentin	22 73 27 20	90 89 99 28
David Sand	66 82 01 05	90 14 34 31
OPERATION	**22 01 08 30**	
Gustav Myreng	67 14 92 37	90 12 19 47
Øystein Heggen	67 12 46 51	90 12 19 46
Åge Johnny Haug	69 88 56 80	90 03 55 40
Sebastian Venjar	98 62 41 50	98 62 41 50
RESEARCH	**22 01 09 06**	
Ole-Rikard Hammer	66 90 49 91	97 54 06 82