Bassøe Friday Report

Week 8 – 25.02.2005 www.pfbassoe.no Nr 8. Vol 28

Tanker chartering – Crude

Market comments

Moderately more VLCC activity with focus on MEG/East, culminating in mid-week trading at WS188.5 for a single-hull vessel MEG/Malacca - the highest fixture thus far in ’05. Things calmed down, with lower rates, as the week draws to an end. Increased activity is needed in order to support current ratelevels. Another quiet week in the suezmax market especially in the western hemisphere. Rates in West-Africa and North Sea are holding at last weeks level, whilst Black Sea-Med are down some 20 WS points. East of Suez is considerably up on strong activity and few available vessels. Aframaxes enjoyed a nice upswing in all areas except from the North Sea, where lack of activity puts pressure on the rates.

VLCC	Current trend: Firm		
Route	WS today	Last week	USD/day
270’ MEG – Korea	162,5	150,0	108 002
275’ MEG – UKC	120,0	130,0	93 811
260’ Bonny – LOOP	127,5	130,0	82 872

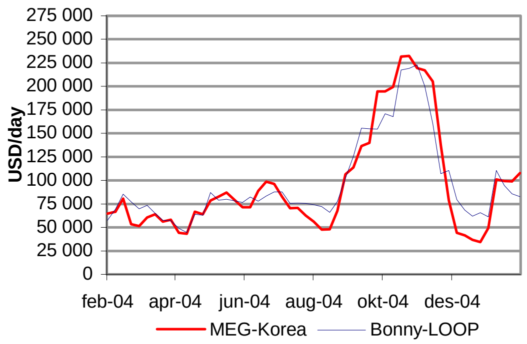
Suezmax	Current trend: Mixed		
Route	WS today	Last week	USD/day
130’ Bonny – Phila.	152,5	150,0	47 576
130’ MAF – Ningpo	215,0	195,0	68 201
135’ Novo – Augusta	155,0	170,0	64 001

Aframax	Current trend: Strong		
Route	WS today	Last week	USD/day
80’ TEES – R.dam	155,0	162,5	55 213
70’ PLC – Texas	240,0	205,0	41 730
80’ MEG – Singapore	290,0	160,0	56 181

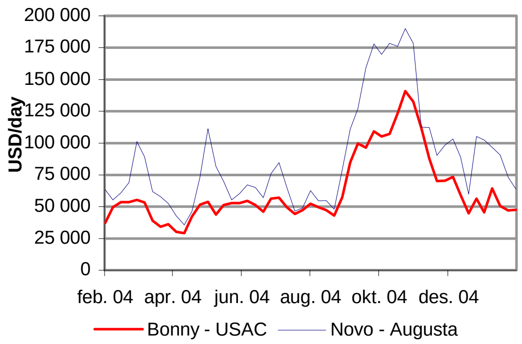
Availability in MEG (# vessels)			
	VLCC		ULCC
	Single hull	Double hull	
Spot	2	0	1
Next 30 days	27	22	0

Bunkers (USD/mt)			
Fujairah	209	Rotterdam	185

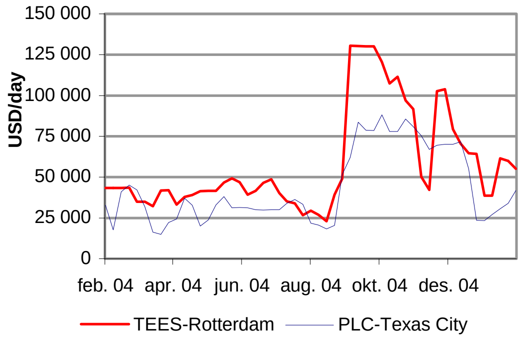
VLCC earnings



Suezmax earnings



Aframax earnings



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Tanker chartering – Clean

Market Comment

The market east of Suez is slightly improving with good activity and rates slowly moving north. In the west, the Transatlantic market has been the main driver with rates up some 30-40 points. The Mediterranean and Caribbean markets showing good trends, which again lead to improvements in the rates.

Market assessment – MR			
Route	**WS today**	**Last week**	**USD/day**
30' Spore - Japan	312,5	302,5	20 715
37' Cont. - US	300,0	260,0	27 582
38' Car. - USAC	245,0	230,0	19 766

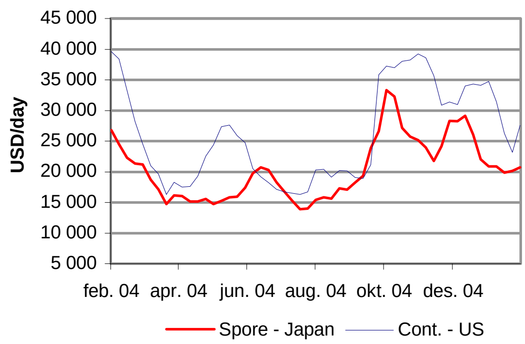
Market assessment – LR			
Route	**WS today**	**Last week**	**USD/day**
55' MEG – Japan	230,0	230,0	27 887
75' MEG – Japan	215,0	200,0	35 439

Freight derivatives

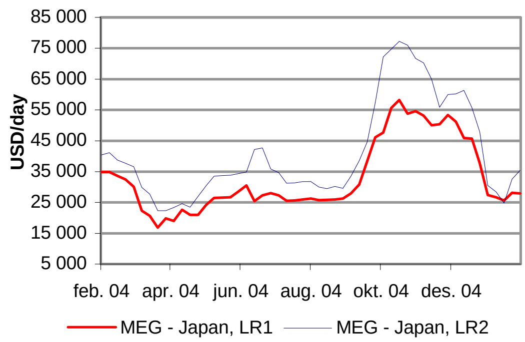
An active week and the paper has seen a rising trend, but with lack of confidence. TD3 in particular experienced a bumpy ride, and high intraday volatility. TD5 has been a few points weaker, while TD7 was flat. The clean market has renewed strength with prompt months and quarters trading up both TC2 and TC4.

Weekly change in key FFA contracts					
Mar	**Apr**	**Q2**	**Q3**	**Q4**	**CAL06**
TD3 MEG-Japan, 250' dwt					
142.5	115.0	110.0	103.0	122.5	97.0
2.5	0.0	6.0	5.0	2.5	2.0
TD 5 West Africa – USAC, 130'dwt					
161.0	150.0	140.0	122.5	162.5	135.0
-4.0	-5.0	0.0	-2.5	4.5	1.0
TD 7, North Sea, UKC, 80'dwt					
160.0	152.5	142.5	125.0	155.0	137.0
0.0	2.5	2.5	10.0	0.0	2.0
TC 2 Cont-USAC, 37' dwt					
307.5	280.0	277.5	230.0	270.0	232.5
52.5	20.0	20.0	7.5	0.0	5.0
TC 4, Spore-Japan, 30' dwt					
335.0	307.5	295.0	250.0	280.0	307.5
25.0	27.5	25.0	5.0	0.0	75.0

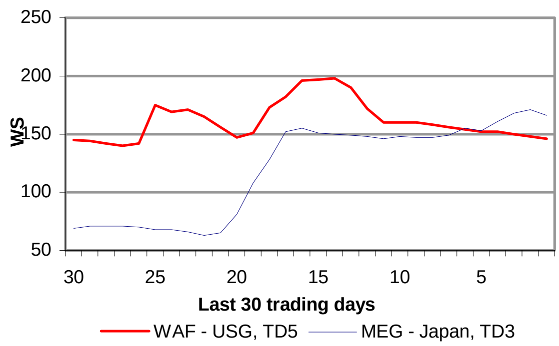
MR earnings



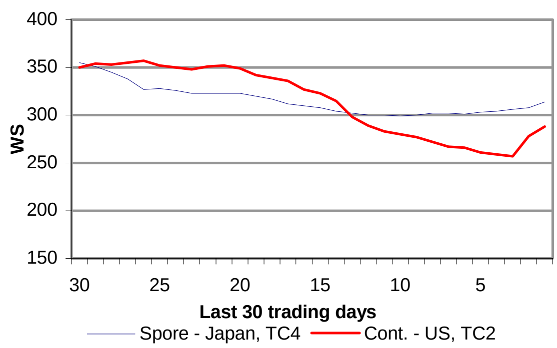
LR earnings



BITR rates, crude



BITR rates, clean



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Sale and purchase

Market comment

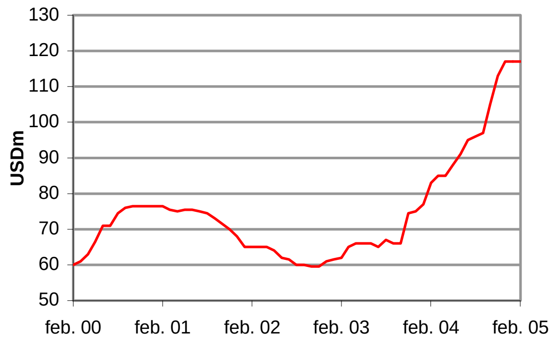
A relatively quiet week for tankers. Transactions are predominantly with slightly older, non double hull ships. Values are stable.

There is a huge demand for dry cargo ships in general and for Capesizes of any vintage in particular. Pries are climbing to new record levels.

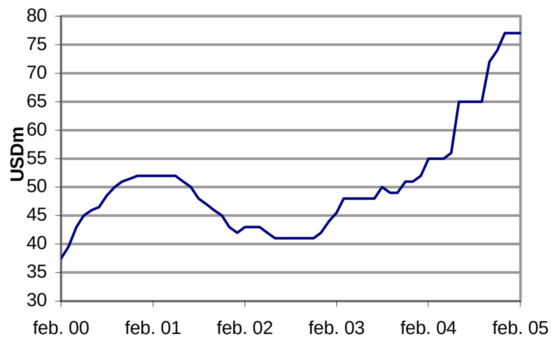
Second hand values

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	87,0	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	32,0	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	25,0	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	44,0	43,0	43,0	40,0	34,5
45' D/D 10 yrs	32,0	30,0	30,0	28,0	22,0
40' S/S 1990	17,0	15,0	16,0	16,0	14,5

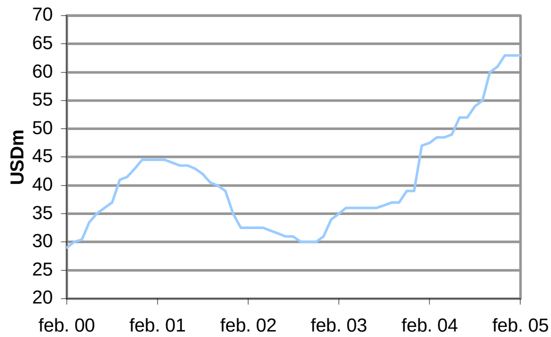
VLCC – 3 year old



Suezmax – 3 year old



Aframax – 3 year old



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S&P Transactions

Tankers

M/T "HISTRIA PRESTIGE" - 163,647 TDW, BUILT 1981 CONSTANTZA (COILED) VESSEL SOLD USD 13,3 - 13,5 MILL TO UNNAMED BUYERS

M/T "GRANADA SPIRIT" - 140,000 TDW, BUILT 1989 ESPANOLES PUERTO REAL (COILED) SOLD TO TRADE & TRANSPORT FOR USD 26 MILL BASIS SS/DD DUE

SISTERS M/T "SABINE SPIRIT" / M/T "COLUMBIA SPIRIT" / M/T "HUDSON SPIRIT" - 84,841 TDW, BUILT 1989 / 1988 / 1988 MITSUBISHI (DOUBLE SIDES) SOLD TO TANKER PACIFIC EN BLOC FOR USD 67 MILL

M/T "NORTHSEA DOWEL" - 69,500 TDW, BUILT 1989 B&W (DOUBLE BOTTOM, DOUBLE SIDES, COILED) AFTER PREVIOS SALE FAILED THE VESSEL IS AGAIN REPORTED SOLD FOR USD 29,5 MILL TO GREEK BUYERS

M/T "VARG" - 68,157 TDW, BUILT 1992 ZALIV (DOUBLE BOTTOM, DOUBLE SIDES, COILED) SOLD TO ESTORIL FOR REGION USD 21.6 MILL INCL T/C UNTIL END 05 AT USD 17,500/PD 6 + 6 MNTS OPTIONS.

M/T "BOTANY TRADEWIND" - 12,752 TDW, BUILT 1986 TAIHEI AKITSU (DOUBLE BOTTOM, COILED ST. STEEL, COATED EPOXY/ZINC, IMO2/3) SOLD USD 5,3 MILL TO UNDISCLOSED BUYERS

Bulkers

M/S "PERGAMOS" - 182,212 TDW, BUILT 1986 HITACHI SOLD FOR USD 40 MILL TO HEBEI

M/S "DAGHILD" - 160,993 TDW, BUILT 1984 MITSUBISHI SOLD TO BLYSTAD FOR USD 27-28 MILL

M/S "IRON KEMBLA" - 148,140 TDW, BUILT 1986 IHI SOLD TO HEBEI FOR USD 29 MILL

M/S "IOLCOS ABILITY" - 137,074 TDW, BUILT 1982 KAWASAKI SOLD TO HEBEI FOR USD 13,8 MILL

M/S "SHALIN" - 76,640 TDW, BUILT 1988 COCHIN SOLD USD 19 MILL TO UNDISCLOSED BUYERS

M/S "ASIAN PHOENIX" - 46,610 TDW, BUILT 1997 MITSUI (CR 4X30T) SOLD TO SANKO FOR USD 30,4 MILL

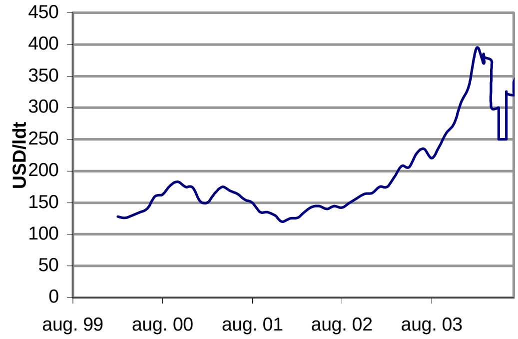
M/S "SEA SATIN" - 45,342 TDW, BUILT 1997 CHINA SB (CR 2X30T, CR 2X25T) SOLD TO GREAT EASTERN FOR USD 30 MILL

M/S "SEADRIVE" - 33,500 TDW, BUILT 1982 A. WARSKIEGO (CR 4X15T 4X 15.0) SOLD USD 8,75 MILL TO UNDISCLOSED BUYERS

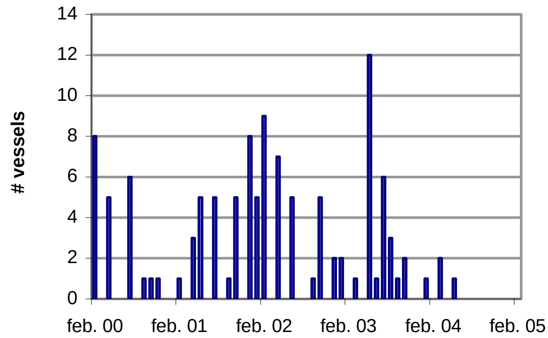
Demolition

The market is again back to the usual quiet modus with no transactions of any interest to report this week.
At time of writing MT "NORD SEA" 88,000 tdw /abt 18,500 ldt is under negotiations. The offers are abt/excess usd 460/ldt.
A VLCC is being whispered around the market, but still uncertain if and when she will come for sale.
Prices in general remains unchanged with Bangladesh being the only option.

Demolition prices (VLCC, China)



VLCCs sold for demolition



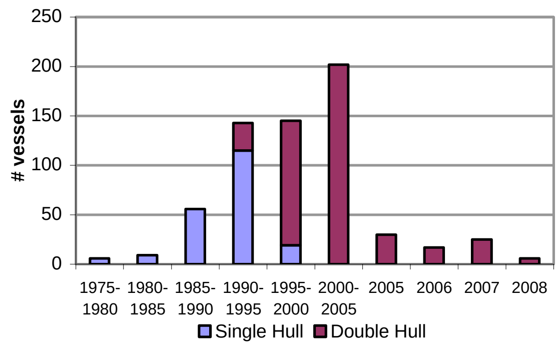
Demolition volume		
# vessels	YTD	Year ago
VLCC	-	1
Suezmax	1	4
Aframax	4	3

Demolition prices (tankers, USD/ldwt)			
China	India	Pakistan	Bangladesh
360	410	360	460

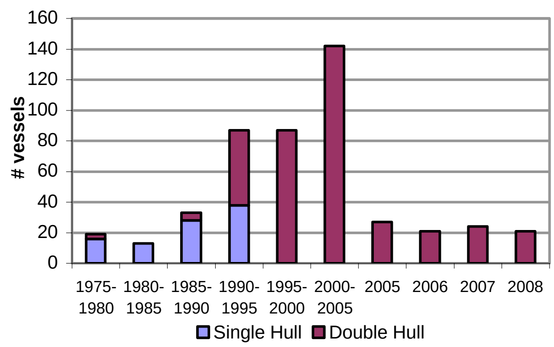
Transactions

No transactions this week.

VLCC fleet – Age distribution



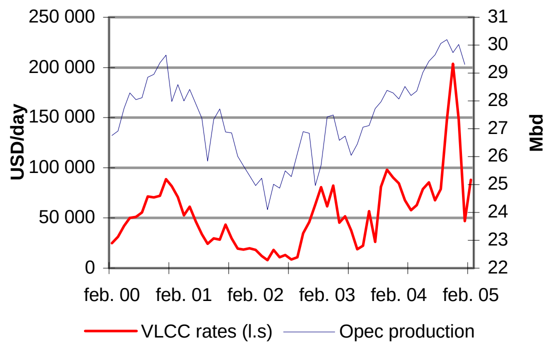
Suezmax fleet – Age distribution



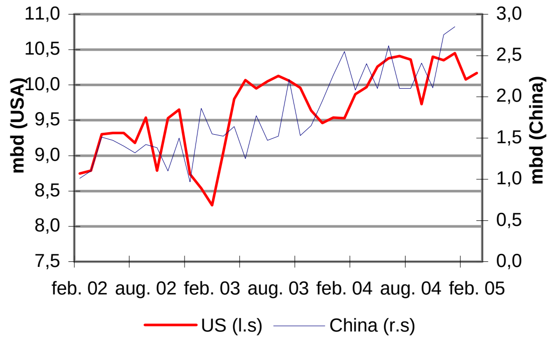
Research

That markets are ahead of statistics is a known fact. Still it is instructive to look at what actually went on last year in order to understand the strength of fund-amentals. Import data covering almost all of 2004 and all key importers is now available. Import volumes were up about 2 mbd or nearly 7%. The main driver, quite surprisingly, was Europe with a gain of 0.8 mbd, or nearly 10%. Tight global ref-ning capacity has enabled the region to boost exports. China was a close number two (+0.7 mbd, or 41%!). The laggard has been OECD Asia (Japan and Korea) where imports where flat. Export volumes won't be reported for a while yet, but the MEG has of course captured the lion's share. We estimate that global crude oil ton-miles rose by about 10%.

VLCC rates vs. Opec production



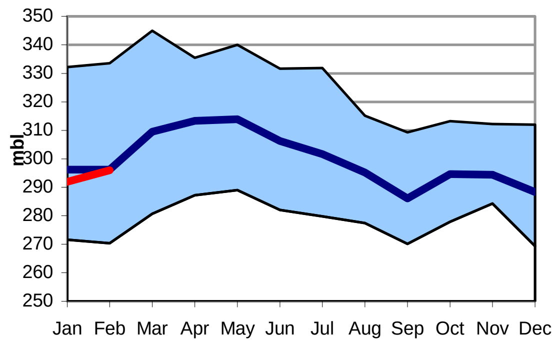
Crude oil imports



Key market drivers

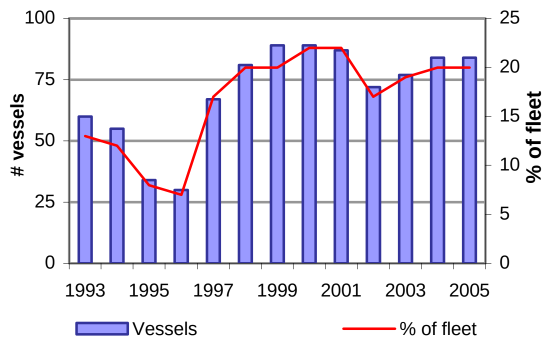
	2002	2003	2004P	2005E
World oil demand (%	+0.8 %	+2.4 %	+3.4 %	+1.8 %
USA	+0.6 %	+1.4 %	+2.4 %	+0.9%
Europe	-0.1 %	+1.2 %	+1.5%	+0.5%
China	+6.3 %	+11.0%	+15.6%	+6.3%
Japan	-1.7 %	+2.2 %	-2.7 %	-1.7 %
Opec production (mbd)	26.3	27.2	29.0	29.6
FSU production (mbd)	9.4	10.3	11.2	11.7
Fleet statistics	**Current**	**2004P**	**2005E**	**2006E**
VLCC fleet (# vessels)	441			
Orderbook	84			
Deliveries		30	30	17
Suezmax fleet (# vessels)	309			
Orderbook	78			
Deliveries		27	27	21

Crude oil inventories - USA



Average earnings	2003	2004	2005 YTD
VLCC, MEG – Korea	56 233	97 657	71 171
Suezmax, Bonny – Phila.	39 619	65 965	51 919
Aframax, TEES – R.dam	42 127	61 800	56 659

VLCC orderbook



Source: IEA, DoE, Bassøe

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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