

Bassøe Friday Report

Week 12 – 24.03.2005

www.pfbassoe.no

Nr 12. Vol 28

Tanker chartering – Crude

Market comments

The rate-spread between single- and double hull VLCC has become significant, upto 20 WS points. Those charterers needing a double hull VLCC for 1st half April could continue to struggle, while availability for the last 10 days of April appears more balanced. A “backlog” of single hulls in the MEG has thus far halted a significant rate improvement, as owners happily accept rates in the WS 90’ies in fear of incurring waiting time. Economies of scale, combining cargo stems and chartering VLCC’s in the Western Hemisphere, has put pressure on Suezmax owners and rates are down in all areas.

Aframaxes East of Suez continues to enjoy high rates, whilst the Western Hemisphere is more mixed, Mediterranean reasonably steady, but the north Sea/Baltic and Caribbean softening

VLCC			
Current trend: Firm			
Route	WS today	Last week	USD/day
270’ MEG – Korea	100.0	100.0	57,431
275’ MEG – UKC	95.0	95.0	67,873
260’ Bonny – LOOP	127.5	115.0	80,518

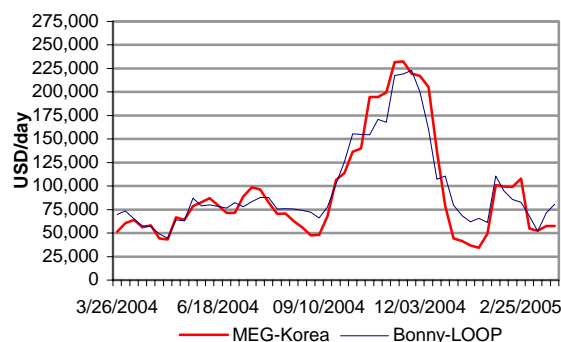
Suezmax			
Current trend: Weaker			
Route	WS today	Last week	USD/day
130’ Bonny – Phila.	160.0	185.0	48,507
130’ MAF – Ningpo	180.0	205.0	54,315
135’ Novo – Augusta	195.0	205.0	86,231

Aframax			
Current trend: Mixed			
Route	WS today	Last week	USD/day
80’ TEES – R.dam	145.0	170.0	48,738
70’ PLC – Texas	197.5	215.0	30,765
80’ MEG – Singapore	300.0	300.0	58,079

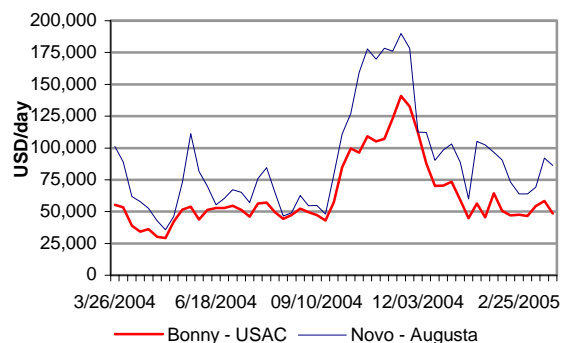
Availability in MEG (# vessels)			
	VLCC		ULCC
	Single hull	Double hull	
Spot	1	0	0
Next 30 days	23	15	0

Bunkers (USD/mt)			
Fujairah	219	Rotterdam	210

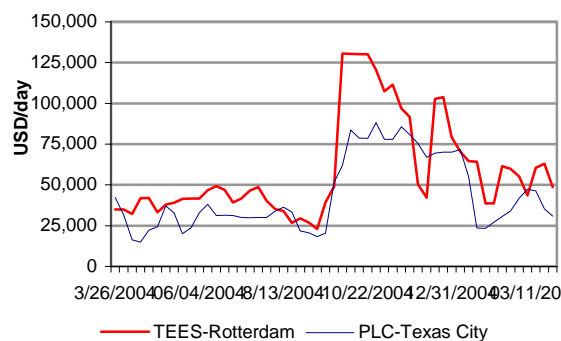
VLCC earnings



Suezmax earnings



Aframax earnings



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Tanker chartering – Clean

Market Comment

After the gasoline activity transatlantic dropped and rates followed at the start of the week, the market returned big time and rates came back to levels seen last week. A big US inventory draw and the usg refinery explosion caused the recovery. All the other clean markets are at levels done last week.

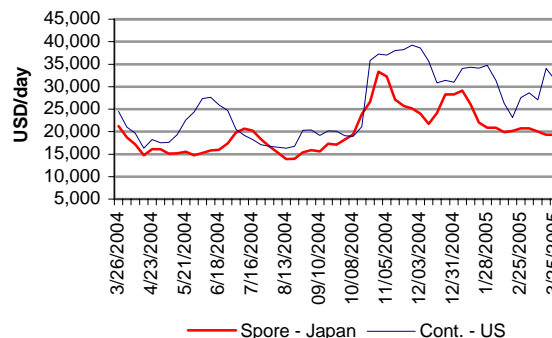
Market assessment – MR

Route	WS today	Last week	USD/day
30' Spore - Japan	310.0	310.0	19,328
37' Cont. - US	340.0	360.0	31,677
38' Car. - USAC	330.0	330.0	29,478

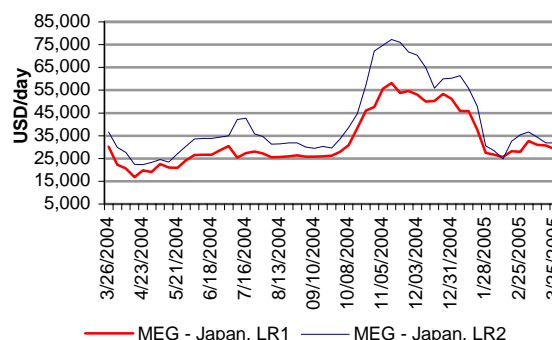
Market assessment – LR

Route	WS today	Last week	USD/day
55' MEG – Japan	240.0	250.0	29,166
75' MEG – Japan	200.0	200.0	31,822

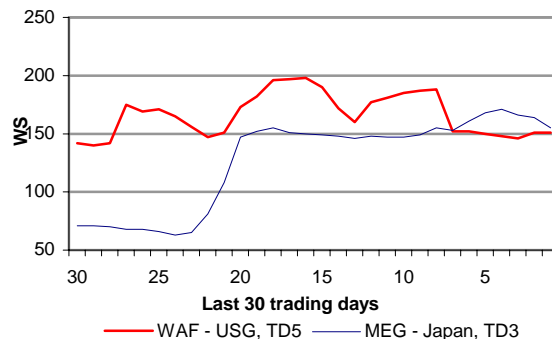
MR earnings



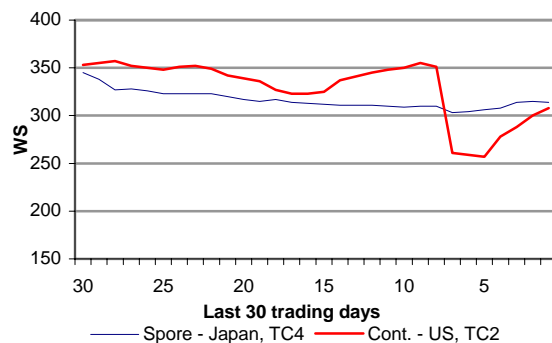
LR earnings



BITR rates, crude



BITR rates, clean



Freight derivatives

A volatile but generally bearish week, especially for the crude routes. In part the big intra day moves on relatively small volumes can be ascribed to less participants in what for many is a short holiday week. The undertone in the market appears to be one of uncertainty going into the spring markets, on one side the oil fundamentals look strong whereas others argue that the markets are well supplied.

Weekly change in key FFA contracts

Apr	May	Q2	Q3	Q4	CAL06
TD3 MEG-Japan, 250' dwt					
112.0	119.0	118.0	110.0	120	97.0
-22.0	-3.0	-7.0	-6.0	-8.0	-3.0
TD 5 West Africa – USAC, 130' dwt					
154.0	150.0	150.0	132.5	157.5	133.0
-15.0	-7.0	-7.0	-10.0	-6.5	-2.0
TD 7, North Sea, UKC, 80' dwt					
140.0	135.0	135.0	122.0	154.0	135.0
-12.5	-12.5	-15.0	-3.0	-10.0	0.0
TC 2 Cont-USAC, 37' dwt					
327.5	275.0	287.5	242.0	285.0	235.0
7.5	-5.0	0.0	2.0	-5.0	-2.5
TC 4, Spore-Japan, 30' dwt					
312.0	272.5	287.5	265.0	300.0	242.5
-6.0	-7.5	-7.5	0.0	-5.0	-2.5



Sale and purchase

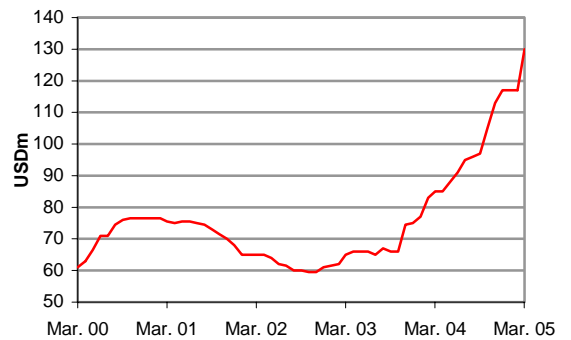
Market comment

After last weeks frenetic activity the market has slowed down significantly.

Titan has been again showed their hunger for VLCCs by acquiring two ships from Word Wide. One of the ships “Titan Neptune” was already on Bareboat charter to Titan.

The dry cargo freight market is now moving sideways, and transaction volumes for second hand tonnage is back to a more normal trend.

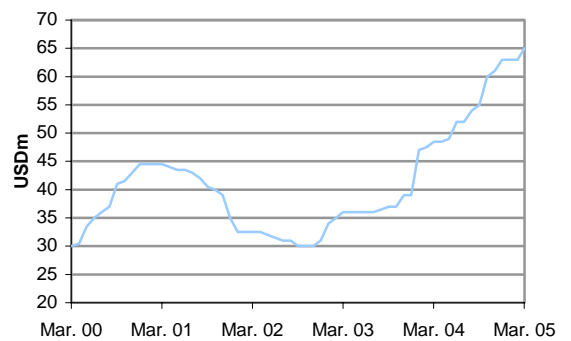
VLCC – 3 year old



Suezmax – 3 year old



Aframax – 3 year old



Second hand values					
Vessel /USDm	Latest	1 mth	2 mth	3 mth	12 mth
300' D/D 3	130.0	117.0	117.0	117.0	85.0
300' D/D 10	100.0	87.0	86.0	86.0	58.0
280' S/S 1990	58.0	58.0	58.0	60.0	34.0
150' D/D 3	80.0	77.0	77.0	77.0	55.0
150' D/D 10	67.0	63.0	63.0	63.0	42.0
140' S/S 1990	30.0	32.0	37.0	39.0	21.0
105' D/D 3	65.0	63.0	63.0	63.0	48.5
95' D/D 10yrs	47.0	46.0	46.0	46.0	30.0
95' S/S 1990	22.0	25.0	27.0	29.0	20.0
70' D/D 3 yrs	47.0	45.0	45.0	45.0	33.5
47' D/D 3 yrs	45.0	44.0	43.0	43.0	35.0
45' D/D 10	32.0	32.0	30.0	30.0	22.0
40' S/S 1990	16.0	17.0	15.0	16.0	14.0



S&P Transactions

Tankers

M/T " WORLD PRELUDE " - 265,322 TDW, BUILT 1988 HYUNDAI HI SOLD TOGETHER WITH M/T "TITAN NEPTUN" - 265,000 TDW, BUILT 1988 HYUNDAI HI TO TITAN PETROCHEMICALS FOR RESPECTIVELY USD 55 MILL AND 49 MILL. LOWER PRICE OF "TITAN NEPTUNE" REFLECTS BB CHARTER TO TITAN PETROCHEMICALS.

M/T "LITTLE LADY" - 7,303 TDW, BUILT 1984 TOWA SHIMONOSEKI (DOUBLE BOTTOM, COILED) SOLD TO UNDISCLOSED BUYERS FOR USD 3.1 MILL.

Bulkers

M/S "BIG BANG" - 171,306 TDW, BUILT 1985 KAWASAKI HEAVY SAKAIDESOLD TO CHINESE BUYERS FOR USD 35 MILL WITH 2 YEARS TC

M/S "CAPE PAMPAS" - 151,380 TDW, BUILT 1990 NIPPON KOKANSOLD TO CHANG MYUNG, SOUTH KOREA, FOR USD 40 MILL. "" REPORTEDLY FIXED ON 2 YEAR T/C AT UNDISCLOSED RATE.

M/S "TSUNEISHI RESALE" - 82,000 TDW, DELIVERY FEB 06 JAPAN, SOLD USD 44 MILL TO UNDISCLOSED BUYERS.

M/S "TSUNEISHI RESALE" - 82,000 TDW, DELIVERY APR 06 JAPAN, SOLD USD 44 MILL TO DUTCH BUYERS.

M/S "NAUTICAL ACE" - 73,751 TDW, BUILT 1997 SUMITOMO HI YOKOSUKASOLD USD 41.7 MILL TO UNDISCLOSED BUYERS.

M/S "VOC IRIS" – 45,712 TDW, BUILT 1995 HYUNDAI HI (CR 4X30T) SOLD TO SOUTH KOREAN BUYERS FOR USD 28.5 MILL.

M/S "ROYAL SEA" - 42,529 TDW, BUILT 1995 NAMURA IMARI (CR 4X30T 4X 30.0) SOLD USD 26.2 MILL TO THORESEN, THAILAND, WITH TC

M/S "EMIR" – 27,311 TDW, BUILT 1980 NIPPONKAI H.I. (CR 4X25T) SOLD USD 9 MILL TO GREEK BUYERS.

M/S "ICE KING" - 7,365 TDW, BUILT 1994 NERVION S.A. BILBA (CR 4X20T 4X 20.0) SOLD REGION USD 8 MILL TO NORTH EUROPE

M/S "ARKLOW BRIDGE" - 7,182 TDW, BUILT 1995 APPLIEDORESOLD USD 10.6 MILL TO UNDISCLOSED BUYERS.

Demolition

A very quiet week with no sale of any significance to report. There is a rumour that VLCC “Thai Resource” is sold but as far as we can establish this is not correct.

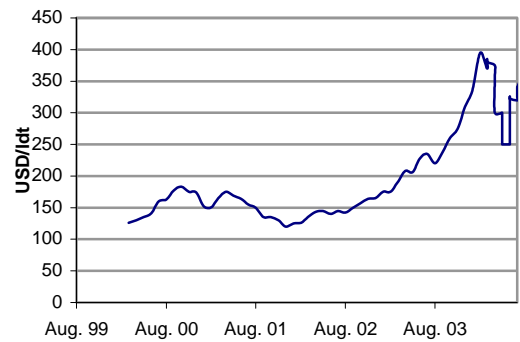
Demolition volume		
# vessels	YTD	Year ago
VLCC	-	3
Suezmax	2	6
Aframax	8	5

Demolition prices (tankers, USD/ldwt)			
China	India	Pakistan	Bangladesh
385	420	405	420

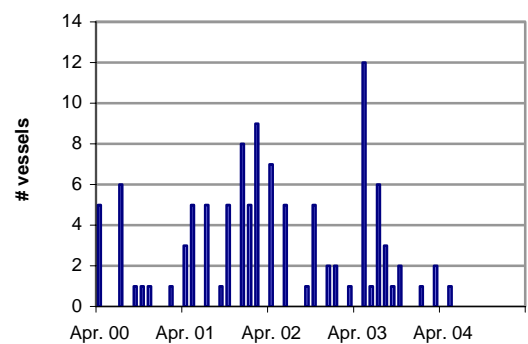
Transactions

No transactions this week.

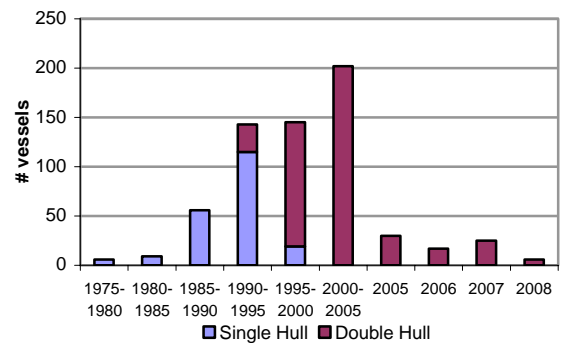
Demolition prices (VLCC, China)



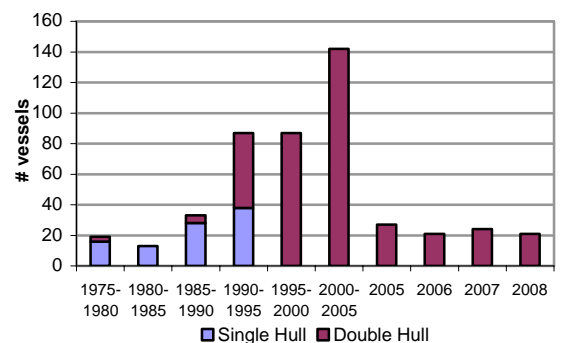
VLCCs sold for demolition



VLCC fleet – Age distribution



Suezmax fleet – Age distribution



Research

Production capacity, or lack of it, keeps getting increasing focus and is behind much of the recent sharp run-up in prices. The issue is of course hugely important for tankers as well; If production isn't growing, trade expansion will become difficult. There is some cautiously optimistic news here; Middle East production capacity is indeed on the rise after years of stagnation. Saudi Arabia added some 0.8 mbd last year. Further additions are in the pipeline. Other Gulf states, as well as Algeria and Nigeria, have undertaken new projects. In total, Opec capacity should expand by about 1 mbd per year through 2007. This should be enough to keep pace with in-creases in oil demand – but only just. Adding in the issues of crude oil quality and depletion, the recent high rate of capacity utilization in the upstream indeed looks set to remain high.

Key market drivers

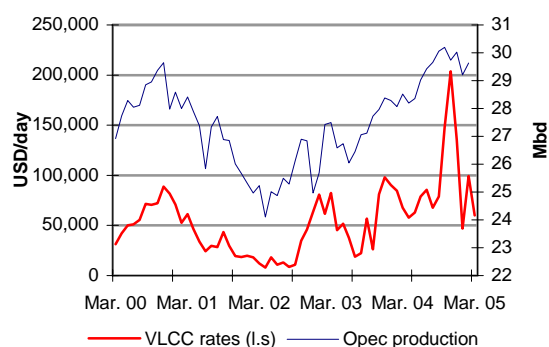
	2002	2003	2004P	2005E
World oil demand (%)	+0.8 %	+2.4 %	+3.4 %	+1.8 %
USA	+0.6 %	+1.4 %	+2.4 %	+0.9 %
Europe	-0.1 %	+1.2 %	+1.5 %	+0.5 %
China	+6.3 %	+11.0 %	+15.6 %	+6.3 %
Japan	-1.7 %	+2.2 %	-2.7 %	-1.7 %
Opec production (mbd)	26.3	27.2	29.0	29.6
FSU production (mbd)	9.4	10.3	11.2	11.7
Fleet statistics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

Average earnings

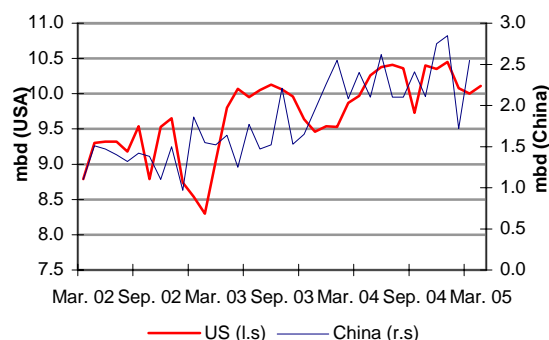
	2003	2004	2005 YTD
VLCC, MEG – Korea	56,233	97,657	65,944
Suezmax, Bonny – Phila.	39,619	65,965	51,921
Aframax, TEES – R.dam	42,127	61,800	55,749

Source: IEA, DoE, Bassøe

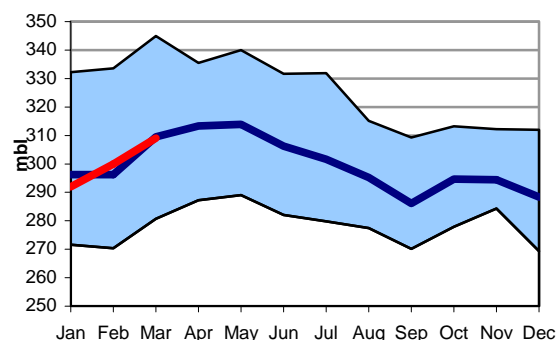
VLCC rates vs. Opec production



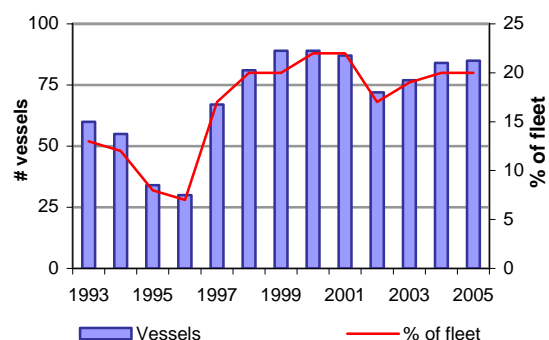
Crude oil imports



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
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

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