

# Bassøe Friday Report

Week 13 – 01.04.2005

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Nr 13. Vol 28

## Tanker chartering – Crude

### Market comments

It's back towards the basement for VLCC rates, which have been slipping steadily through the week. Chartering activity remains moderate and this has given charterers more than sufficient volume of tonnage to choose from. Refinery maintenance in Asia is the main drag on activity, as always at this time of the year. Rapidly improving refining margins may make this period shorter than usual, however, thereby reviving fixing activity.

Suezmax rates finally crumbled this week after several slow weeks. This has allowed charterers to dive in to secure "cheap" freight and key markets are stable at week's end. A quiet week for aframax, with rates slipping in all areas.

| VLCC              |          | Current trend: <b>Soft</b> |         |  |
|-------------------|----------|----------------------------|---------|--|
| Route             | WS today | Last week                  | USD/day |  |
| 270' MEG – Korea  | 77.5     | 100.0                      | 38,736  |  |
| 275' MEG – UKC    | 75.0     | 95.0                       | 47,033  |  |
| 260' Bonny – LOOP | 100.0    | 127.5                      | 57,711  |  |

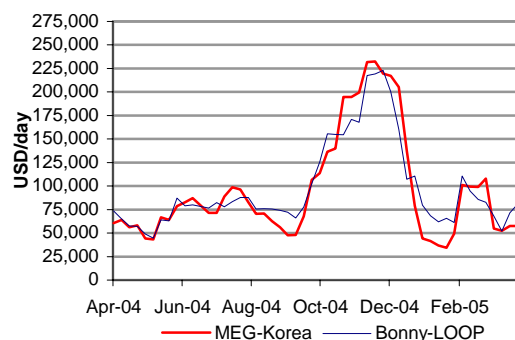
| Suezmax             |          | Current trend: <b>Stable</b> |         |  |
|---------------------|----------|------------------------------|---------|--|
| Route               | WS today | Last week                    | USD/day |  |
| 130' Bonny – Phila. | 130.0    | 160.0                        | 36,963  |  |
| 130' MAF – Ningpo   | 165.0    | 180.0                        | 48,115  |  |
| 135' Novo – Augusta | 130.0    | 195.0                        | 48,726  |  |

| Aframax             |          | Current trend: <b>Slow</b> |         |  |
|---------------------|----------|----------------------------|---------|--|
| Route               | WS today | Last week                  | USD/day |  |
| 80' TEES – R.dam    | 137.5    | 145.0                      | 44,213  |  |
| 70' PLC – Texas     | 155.0    | 197.5                      | 20,627  |  |
| 80' MEG – Singapore | 280.0    | 300.0                      | 53,327  |  |

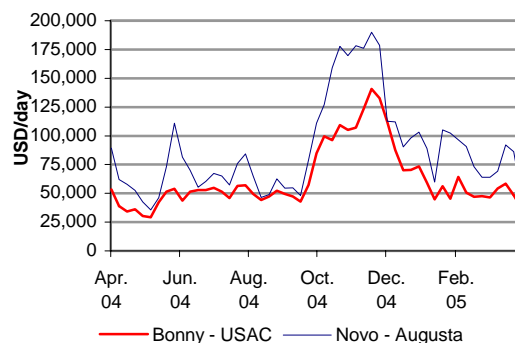
| Availability in MEG (# vessels) |             |             |      |
|---------------------------------|-------------|-------------|------|
|                                 | VLCC        |             | ULCC |
|                                 | Single hull | Double hull |      |
| Spot          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

| Bunkers (USD/mt) |     |           |     |
|------------------|-----|-----------|-----|
| Fujairah         | 228 | Rotterdam | 218 |

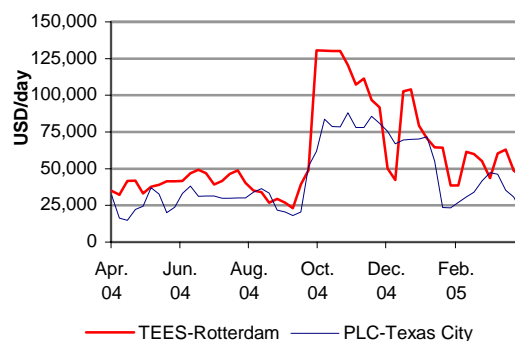
### VLCC earnings



### Suezmax earnings



### Aframax earnings



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# Tanker chartering – Clean

## Market Comment

The soft trend continues in the East. Western markets are also slow, despite a number of uncovered requirements transatlantic.

### Market assessment – MR

| Route             | WS today | Last week | USD/day |
|-------------------|----------|-----------|---------|
| 30' Spore - Japan | 307.5    | 310.0     | 19,114  |
| 37' Cont. - US    | 320.0    | 340.0     | 29,035  |
| 38' Car. - USAC   | 320.0    | 330.0     | 28,125  |

### Market assessment – LR

| Route           | WS today | Last week | USD/day |
|-----------------|----------|-----------|---------|
| 55' MEG – Japan | 235.0    | 240.0     | 28,134  |
| 75' MEG – Japan | 185.0    | 200.0     | 28,245  |

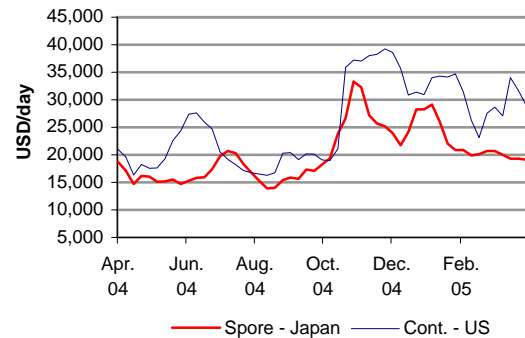
## Freight derivatives

The bearish tone continues as uncertainty still rules the ground after the Easter break. TD7 has been flat while the other crude routes have weakened significantly, albeit with a rebound in TD3 on Friday. TC2 also fell along with a sliding physical market while the Far East markets seem to be picking up some speed again. On paper, however, the effects are still to be seen.

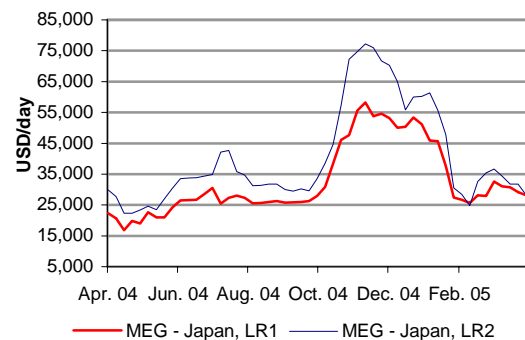
### Weekly change in key FFA contracts

| Apr                                     | May   | Q2    | Q3    | Q4    | CAL06 |
|-----------------------------------------|-------|-------|-------|-------|-------|
| <b>TD3 MEG-Japan, 250' dwt</b>          |       |       |       |       |       |
| 92.0                                    | 107.0 | 100.0 | 113.0 | 120   | 97.5  |
| -20.0                                   | -12.0 | -18.0 | 3.0   | 0.0   | 0.5   |
| <b>TD 5 West Africa – USAC, 130'dwt</b> |       |       |       |       |       |
| 140.0                                   | 135.0 | 137.5 | 132.5 | 160.0 | 136.0 |
| -14.0                                   | -15.0 | -12.5 | 0.0   | 2.5   | 3.0   |
| <b>TD 7, North Sea, UKC, 80'dwt</b>     |       |       |       |       |       |
| 140.0                                   | 132.5 | 135.0 | 125.0 | 150.0 | 135.0 |
| 0.0                                     | -2.5  | 0.0   | 3.0   | -4.0  | 0.0   |
| <b>TC 2 Cont-USAC, 37' dwt</b>          |       |       |       |       |       |
| 320.0                                   | 270.0 | 282.5 | 242.0 | 285.0 | 235.0 |
| -7.5                                    | -5.0  | -5.0  | 0.0   | 0.0   | 0.0   |
| <b>TC 4, Spore-Japan, 30' dwt</b>       |       |       |       |       |       |
| 310.0                                   | 290.0 | 290.0 | 265.0 | 300.0 | 245.0 |
| -2.0                                    | 17.5  | 2.5   | 0.0   | 0.0   | 2.5   |

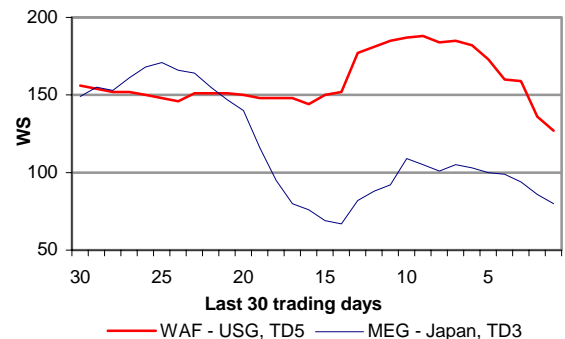
### MR earnings



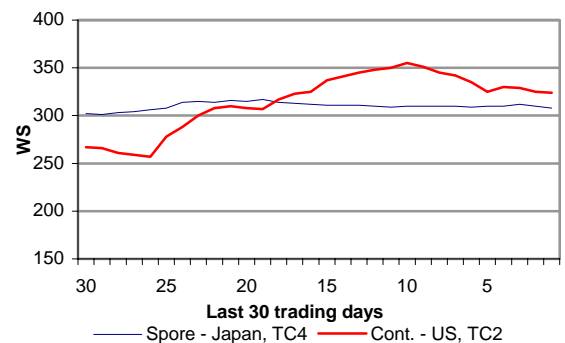
### LR earnings



### BITR rates, crude



### BITR rates, clean



# Sale and purchase

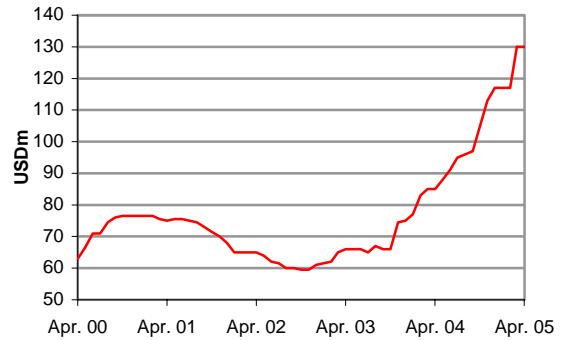
## Market comment

The market is flooded with enquiries for all kind of tonnage. Very little is available for sale, however, unless record numbers are thrown at the prospective seller.

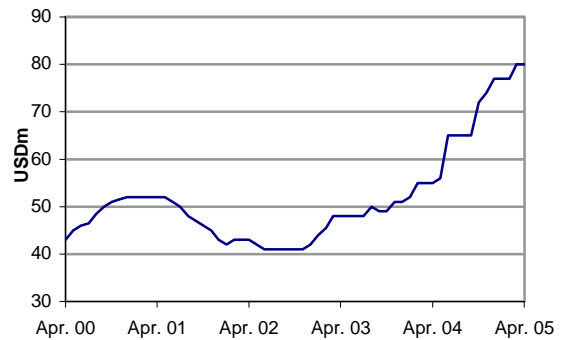
### Second hand values

| Vessel /USDm  | Latest | 1 mth | 2 mth | 3 mth | 12 mth |
|---------------|--------|-------|-------|-------|--------|
| 300' D/D 3    | 130.0  | 130.0 | 117.0 | 117.0 | 85.0   |
| 300' D/D 10   | 100.0  | 100.0 | 87.0  | 86.0  | 59.0   |
| 280' S/S 1990 | 58.0   | 58.0  | 58.0  | 58.0  | 34.0   |
| 150' D/D 3    | 80.0   | 80.0  | 77.0  | 77.0  | 55.0   |
| 150' D/D 10   | 67.0   | 67.0  | 63.0  | 63.0  | 42.5   |
| 140' S/S 1990 | 30.0   | 30.0  | 32.0  | 37.0  | 20.0   |
| 105' D/D 3    | 65.0   | 65.0  | 63.0  | 63.0  | 48.5   |
| 95' D/D 10yrs | 47.0   | 47.0  | 46.0  | 46.0  | 32.0   |
| 95' S/S 1990  | 22.0   | 22.0  | 25.0  | 27.0  | 19.0   |
| 70' D/D 3 yrs | 47.0   | 47.0  | 45.0  | 45.0  | 34.0   |
| 47' D/D 3 yrs | 45.0   | 45.0  | 44.0  | 43.0  | 35.0   |
| 45' D/D 10    | 32.0   | 32.0  | 32.0  | 30.0  | 22.0   |
| 40' S/S 1990  | 16.0   | 16.0  | 17.0  | 15.0  | 14.0   |

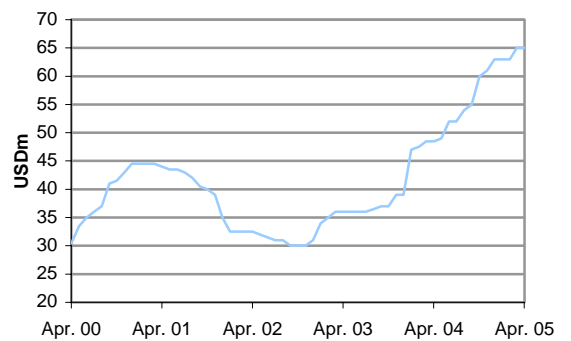
VLCC – 3 year old



Suezmax – 3 year old



Aframax – 3 year old



## S&P Transactions

### Tankers

M/T "PLUTO GLORY" - 300,000 TDW, BUILT 2001 DAEWOO (DOUBLE BOTTOM, DOUBLE SIDES) SOLD TO DR. PETERS FOR USD 105 MILL WITH 10 YEARS T/C BACK TO GANDOUR AT USD 40,000/DAY

M/T "MERCURY GLORY" - 300,000 TDW, BUILT 2001 DAEWOO HI (DOUBLE BOTTOM, DOUBLE SIDES) SOLD USD 105 MILL TO DR.PETERS WITH 10 YEARS T/C BACK TO GANDOUR AT USD 40,000/DAY

M/T "AMBA BHAVANEE" - 107,081 TDW, BUILT 2003 KOYO MIHARA (DOUBLE BOTTOM, DOUBLE SIDES, COILED ) RESOLD FROM TCC, HONG KONG TO VARUN SHIPPING FOR REGION USD 62 MILL

M/T "NORDPACIFIC" - 105,411 TDW, BUILT 2002 SUMITOMO YOKOSUKA (DOUBLE BOTTOM, DOUBLE SIDES, COILED ) REPORTED SOLD TO FINAVAL USD 60 MILL. FINAVAL HAD THE SHIP ON CHARTER TILL MAY 2006 AT USD 17,500/DAY

M/T "GRETA" - 40,553 TDW, BUILT 1988 SHIN KURUSHIMA ONISHI (DOUBLE BOTTOM, COILED AL BRASS, COATED EPOXY) REPORTED SOLD USD 17.5 MILL (EUROPEANS OR FAR EAST BUYER)

### Bulkers

M/S "GALENE" - 73,670 TDW, BUILT 1995 HYUNDAI HISOLD USD 39,5 MILL TO GREEK BUYERS

M/S "ALASKA" - 71,694 TDW, BUILT 1997 HITACHI MAIZURU (DOUBLE BOTTOM) SOLD USD 43 MILL TO GREEK BUYERS

MS "OINOUSSIAN SKY" - 63,370 TDW, BUILT 1987 HYUNDAI SOLD FOR USD 22,8 MILL TO SAMSUNG, KOREA

# Demolition

Volumes are on the rise with three or four medium size tankers under negotiations.

India is the best paying market, but then off course you have the problem with gas free for hot work certificate.

Bangladesh is still digesting tonnage bought at peak prices, and is not likely to come back aggressively within the next month or so.

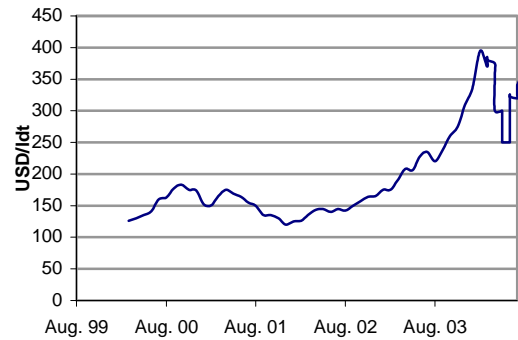
| Demolition volume |     |          |
|-------------------|-----|----------|
| # vessels         | YTD | Year ago |
| VLCC              | -   | 3        |
| Suezmax           | 2   | 6        |
| Aframax           | 8   | 5        |

| Demolition prices (tankers, USD/ldwt) |       |          |            |
|---------------------------------------|-------|----------|------------|
| China                                 | India | Pakistan | Bangladesh |
| 385                                   | 435   | 405      | 420        |

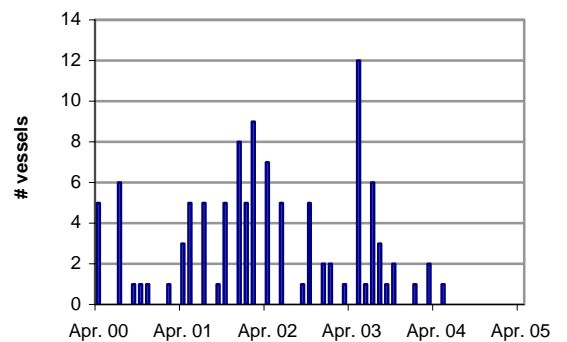
## Transactions

No transactions this week.

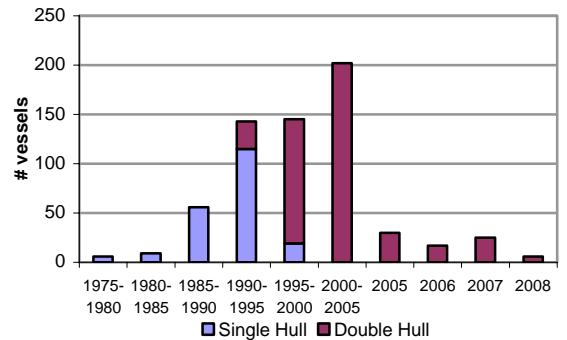
Demolition prices (VLCC, China)



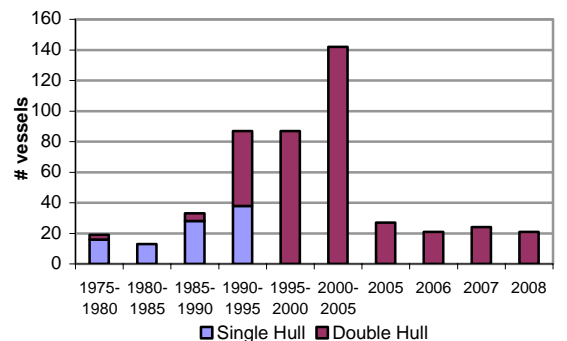
VLCCs sold for demolition



VLCC fleet – Age distribution



Suezmax fleet – Age distribution



## Research

The hot plates are shifting in the oil market; The focus on crude oil supplies has been replaced by anxiety over refining capacity. As for the impact on the tanker market, we reiterate our previous views; the shipping market is walking a fine line between a generally tight oil market that puts trade in a sweet spot as the equalizer of regional imbalances (good news), and a market where capacity is de facto capped (bad news). Trade growth over time will have to depend on production growth, whether it is crude or refined products. On paper, capacity in the upstream as well as the downstream should expand sufficiently to meet the expected increase in demand this year. Matching crude oil and product qualities remains an issue, however, and the price mechanism will be key in resolving this. Expect more volatility is this week's low-risk forecast.

### Key market drivers

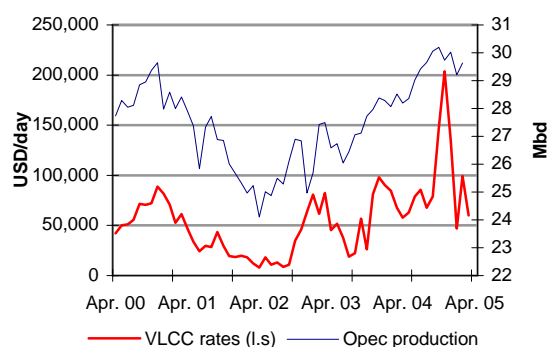
|                           | 2002           | 2003         | 2004P        | 2005E        |
|---------------------------|----------------|--------------|--------------|--------------|
| World oil demand (%)      | +0.8 %         | +2.4 %       | +3.4 %       | +1.8 %       |
| USA                       | +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         |
| <b>Fleet statistics</b>   | <b>Current</b> | <b>2004P</b> | <b>2005E</b> | <b>2006E</b> |
| VLCC fleet (# vessels)    | 441            |              |              |              |
| Orderbook                 | 84             |              |              |              |
| Deliveries                |                | 30           | 30           | 17           |
| Suezmax fleet (# vessels) | 309            |              |              |              |
| Orderbook                 | 78             |              |              |              |
| Deliveries                |                | 27           | 27           | 21           |

### Average earnings

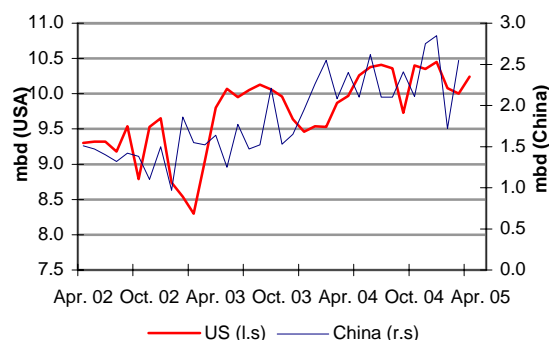
|                         | 2003   | 2004   | 2005 YTD |
|-------------------------|--------|--------|----------|
| VLCC, MEG – Korea       | 56,233 | 97,657 | 63,851   |
| Suezmax, Bonny – Phila. | 39,619 | 65,965 | 50,770   |
| Aframax, TEES – R.dam   | 42,127 | 61,800 | 54,862   |

Source: IEA, DoE, Bassøe

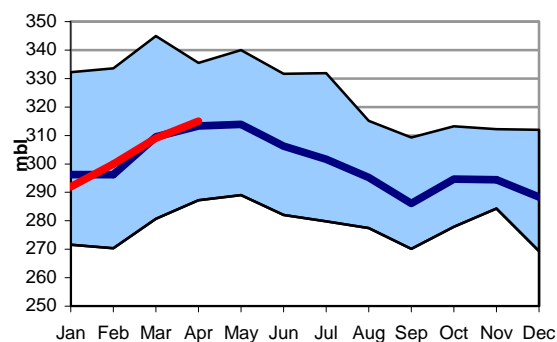
### VLCC rates vs. Opec production



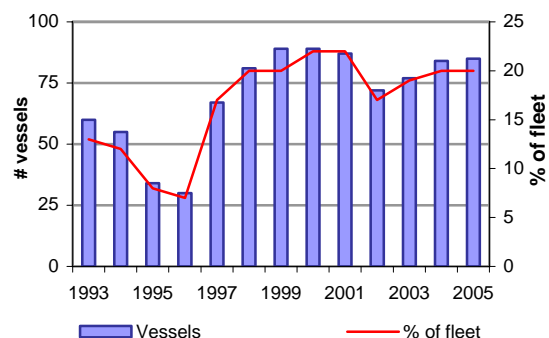
### Crude oil imports



### Crude oil inventories - USA



### VLCC orderbook



## BROKERS OF P. F. BASSØE AS

|                                                    | <b>AOH (+47)</b>   | <b>Mobile (+47)</b> |
|----------------------------------------------------|--------------------|---------------------|
| 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         |
|                                                    |                    |                     |
| <b>SALE &amp; PURCHASE / NEWBUILDING / PROJECT</b> | <b>22 01 08 25</b> |                     |
| 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         |
|                                                    |                    |                     |
| <b>FREIGHT DERIVATIVES</b>                         | <b>22 01 08 50</b> |                     |
| 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         |
|                                                    |                    |                     |
| <b>TANKER CHARTERING</b>                           | <b>22 01 08 20</b> |                     |
| 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         |
|                                                    |                    |                     |
| <b>CLEAN</b>                                       | <b>22 01 08 80</b> |                     |
| 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         |
|                                                    |                    |                     |
| <b>OPERATION</b>                                   | <b>22 01 08 30</b> |                     |
| 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         |
|                                                    |                    |                     |
| <b>RESEARCH</b>                                    | <b>22 01 09 06</b> |                     |
| Ole-Rikard Hammer                                  | 66 90 49 91        | 97 54 06 82         |

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