Bassøe Friday Report

Week 1 – 06.01.2006 www.pfbassoe.no Nr 1. Vol 29

Tanker chartering – Crude

Market comments

It wasn't quite off to the New Year's races for the VLCC market . With holidays extending into the first week of the year, activity has not picked up sufficiently to absorb the over-hang of tonnage left over after an unusually slow December. Rates in the MEG have taken a huge beating, while holding still in West Africa. Tonnage availability remains high, although the double hull figure is the lowest for four weeks, giving charterers plenty to choose from. Owners must hope that falling crude oil inventories in all regions means activity is poised to revive soon. Suezmax rates are also down across the board, but a rebound in activity toward the end of the week halted the rate slide in West Africa. Black Sea rates have also taken a plunge despite conti-nued delays in the Bosporus, due to very limited activity. The holiday mood has also continued for aframaxes in the North Sea, with rates beginning the year at sharply lower levels.

VLCC (DH)	Current trend: Softer		
Route	WS today	Last week	USD/day
270' MEG – Korea	105.0	150	68,013
275' MEG – UKC	92.5	115	73,288
260' Bonny – LOOP	150.0	175	108,648

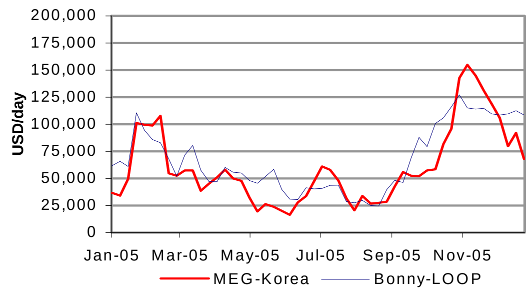
Suezmax (DH)	Current trend: Soft		
Route	WS today	Last week	USD/day
130' Bonny – Phila.	185.0	220	63,808
130' MAF – Ningpo	135.0	160	41,061
135' Novo – Augusta	200.0	250	96,029

Aframax (DH)	Current trend: Soft		
Route	WS today	Last week	USD/day
80' TEES – R.dam	180.0	225	67,289
70' PLC – Texas	235.0	210	45,145
80' MEG – Singapore	325.0	380	72,142

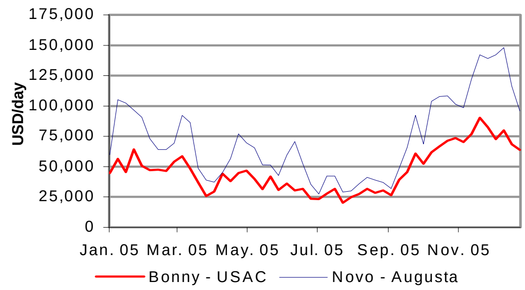
VLCC availability in MEG (# vessels)		
	Single hull	Double hull
Spot	1	0
Next 30 days	44	19

Bunkers (USD/mt)			
Fujairah	280	Rotterdam	274

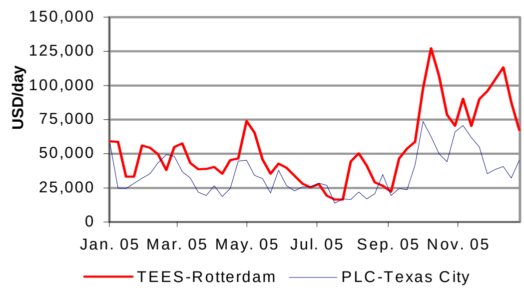
VLCC earnings



Suezmax earnings

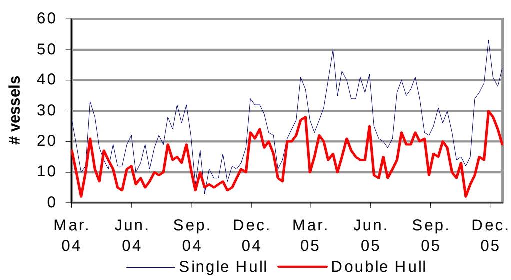


Aframax earnings



VLCC availability in MEG

vessels next 30 days ex. FRO and TI



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Tanker chartering – Clean

Market Comment

Cont/US continue North and MR-rates Caribs/Upcoast follows. This is contrary to what can be read from the BITR rates, but we believe rates close to W300 done last night. The shorthaul rates in the Med are strong, contrary to Cross UKCont. The Eastern markets are all very firm, supporting each other.

Market assessment – MR			
Route	**WS today**	**Last week**	**USD/day**
30' Spore - Japan	390.0	340	29,097
37' Cont. - US	350.0	340	35,975
38' Car. - USAC	295.0	300	28,713

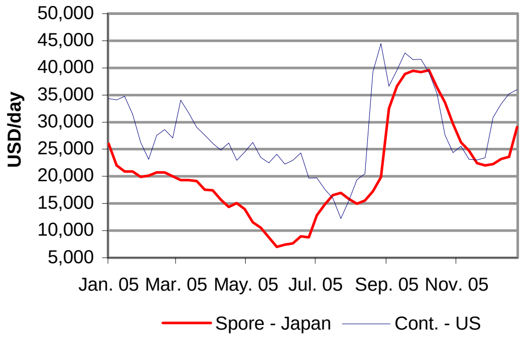
Market assessment – LR			
Route	**WS today**	**Last week**	**USD/day**
55' MEG – Japan	365.0	360	54,214
75' MEG – Japan	330.0	325	66,232

Freight derivatives

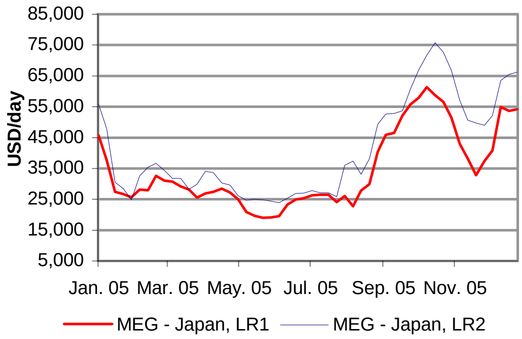
Clean mkts travelled easily into 2006, strengthening on physical rates and certainly on paper as well. This week has seen active trading and good liquidity along with the increasing rates, particularly on TC2 and TC5. Crude routes on the other hand have all been softer; TD7 is lacking physical signals and is trading down as expectations are that the ones that do come will be low, TD5 came off on falling rates but found support on Friday. TD3 traded down this week as VLCCs exit the strong territory from X-mas.

Weekly change in key FFA contracts (Δ from week 51)					
Jan	**Feb**	**Q1'06**	**Q2'06**	**Q3'06**	**CAL06**
TD3 MEG-Japan, 250' dwt					
100.0	97.0	96.0	74.0	72.0	83.5
4.0	1.0	4.0	0.0	2.0	0.5
TD 5 West Africa – USAC, 130'dwt					
186.0	161.0	161.5	115.0	110.0	133.0
-2.0	-6.0	-3.5	0.0	0.0	1.0
TD 7, North Sea, UKC, 80'dwt					
175.0	160.0	160.0	125.0	114.0	137.5
-12.5	-5.0	-5.0	3.0	-1.0	-0.5
TC 2 Cont-USAC, 37' dwt					
350.0	340.0	340.0	263.0	230.0	272.5
15.0	10.0	15.0	10.5	0.0	2.5
TC 5, MEG-Japan, 55' dwt					
350.0	305.0	305.	225.0	217.5	250.0
50.0	25.0	17.5	5.0	5.0	5.0

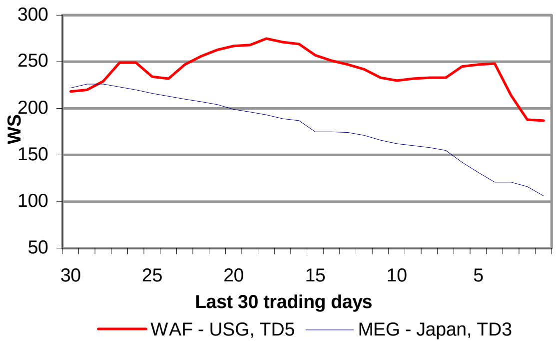
MR earnings



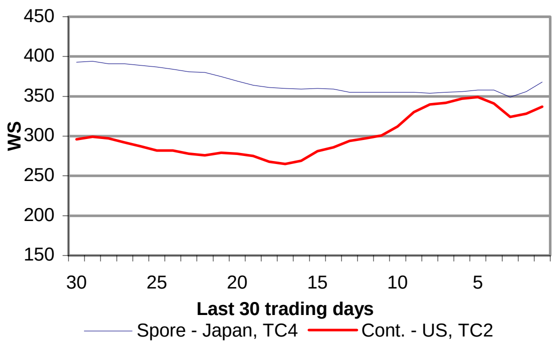
LR earnings



BITR rates, crude



BITR rates, clean



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Research

The New Year is off to a speedy and happy start for those interested in leading indicators on shipping. Commodity prices, as measured by the CRB commodity index, hit new highs every day this week. The significance for shipping is clear; Higher prices typically implies rising demand which in turn means higher production and more trade. The most noteworthy development may be that growth has remained strong despite very high oil prices – the big scare during the past few years. If the brief burst above $70 failed to derail growth, the $5 drop during Q4 in reality is a dose of stimulus to an economy which was doing fine in the first place (particularly after recent Chinese GDP “discoveries”). What is going to break the trend? There are plenty of candidates, but on the fundamental side our old friend oil seems to be a good bet, again. It seems quite clear that if oil demand is not slowing but oil supply is (Opec output flat y/y) market tightness could quickly reappear. The latest European and Japanese data for November shows inventory deficits appearing again, for the first time in quite a while. If this is the start of a new trend , prepare for another round of “oil price scares”.

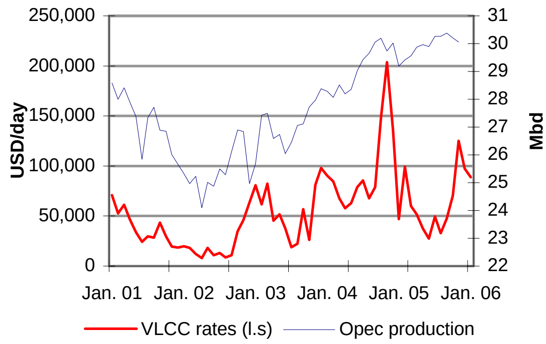
Key market drivers

	2003	2004	2005E	2006E
World oil demand (% change)	+2.3 %	+3.7 %	+1.4 %	+2.2 %
USA	+1.4 %	+3.5 %	+0.4 %	+1.7%
Europe	+1.6 %	+1.1 %	+0.0%	+0.1%
China	+11.0	+15.4	+3.1%	+6.0%
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	**Curre**	**2005P**	**2006E**	**2007E**
VLCC fleet (# vessels)	472			
Orderbook	94			
Deliveries		31	18	34
Suezmax fleet (# vessels)	334			
Orderbook	65			
Deliveries		27	23	27

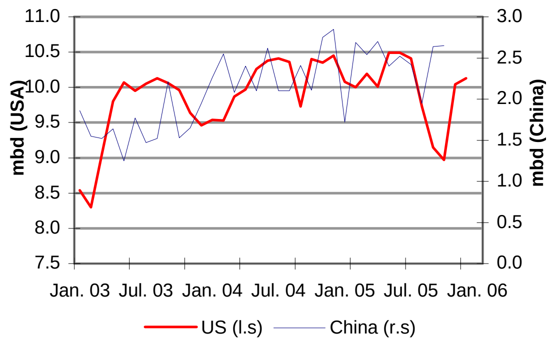
Average earnings	2003	2004	2005 YTD
VLCC, MEG – Korea	97,657	60,232	68,013
Suezmax, Bonny – Phila.	65,965	46,907	63,808
Aframax, TEES – R.dam	56,610	54,304	67,289

Source: IEA, DoE, Bassøe

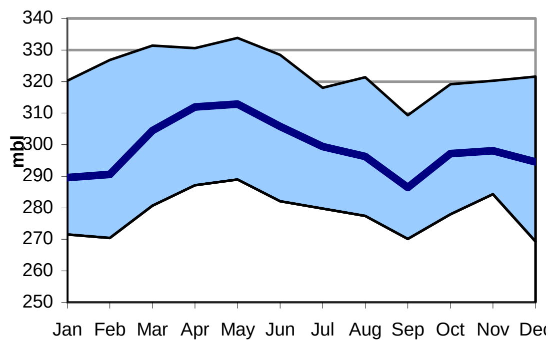
VLCC rates vs. Opec production



Crude oil imports



Crude oil inventories – USA



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Ole-Rikard Hammer - Managing Director	66 90 49 91	97 54 06 82
SALE & PURCHASE / NEWBUILDING / PROJECT	**22 01 08 25**	
Petter A. Thorendahl	22 44 63 83	90 12 33 06
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**	
Kristian Thunes	22 59 27 05	91 58 14 57
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
TANKER CHARTERING	**22 01 08 20**	
Gerhard N. Dahl	22 95 19 94	91 16 42 35
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
RESEARCH	**22 01 09 06**	
Ole-Rikard Hammer	66 90 49 91	97 54 06 82
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