

Bassøe Friday Report

Week 10 – 10.03.2006

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Nr 10. Vol 29

Tanker chartering – Crude

Market comments

The VLCC market has been through a slow and boring week. Neither owners nor charterers have been in any mood to attack recent rate levels. Consequently, benchmark rates are finishing the week with only minor changes. The market is waiting for the onset of the April cargo program for further direction. Winter is officially over from a shipping perspective, which normally gives charterers some more leeway. On the other hand, tonnage availability has stubbornly refused to go any higher this week and is lower than it was at the same time last month. Much will depend on the appetite of US refiners who are sitting on the highest stockpiles in seven years. Suezmaxes are suffering from fewer cargoes out of West Africa and finished the week well down, although activity and rates picked up again late in the week. Aframaxes soared in Caribs but stayed weak in the North Sea.

VLCC (DH)		Current trend: Flat		
Route	WS today	Last week	USD/day	
270' MEG – Korea	95.0	100.0	54,830	
275' MEG – UKC	82.5	82.5	57,794	
260' Bonny – LOOP	105.0	115.0	65,902	

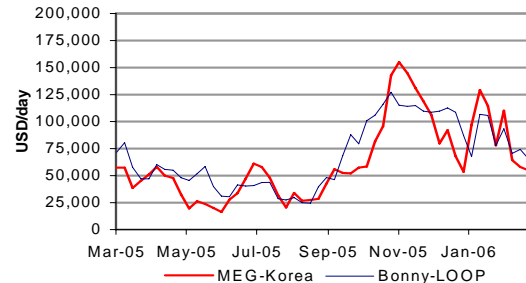
Suezmax (DH)		Current trend: Bottoming		
Route	WS today	Last week	USD/day	
130' Bonny – Phila.	130.0	167.5	38,170	
130' MAF – Ningpo	150.0	150.0	45,200	
135' Novo – Augusta	130.0	145.0	51,776	

Aframax (DH)		Current trend: Mixed		
Route	WS today	Last week	USD/day	
80' TEES – R.dam	115.0	120.0	27,652	
70' PLC – Texas	255.0	137.5	50,040	
80' MEG – Singapore	150.0	160.0	26,024	

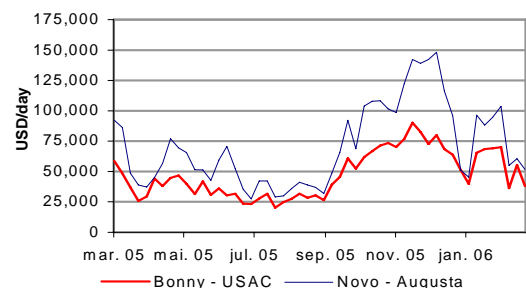
VLCC availability in MEG (# vessels)		
	Single hull	Double hull
Spot	1	0
Next 30 days	24	19

Bunkers (USD/mt)			
Fujairah	325	Rotterdam	286

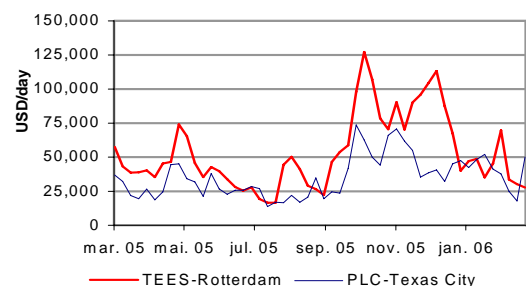
VLCC earnings



Suezmax earnings

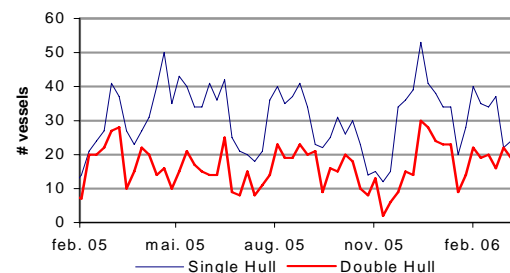


Aframax earnings



VLCC availability in MEG

vessels next 30 days ex. FRO and TI



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Tanker chartering – Clean

Market Comment

MR's Cont/US ends the week with rates ranging from 37' mt at WS260 to WS270. The balance of the product trades are slightly down and the BITR clean index ended at 923 last night, closing in on last year's low at 920.

Market assessment – MR

Route	WS today	Last week	USD/day
30' Spore - Japan	195.0	235.0	7,028
37' Cont. - US	265.0	260.0	24,183
38' Car. - USAC	230.0	240.0	19,104

Market assessment – LR

Route	WS today	Last week	USD/day
55' MEG – Japan	162.5	172.5	17,642
75' MEG – Japan	137.5	150.0	18,300

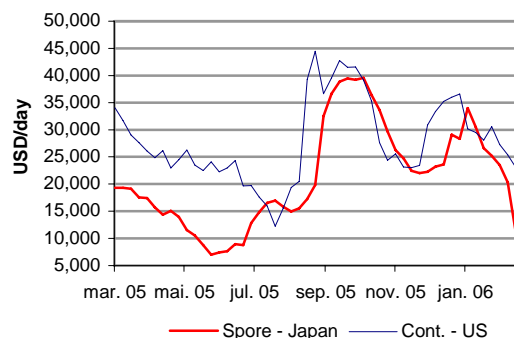
Freight derivatives

Last week's gain in crude trades was shaved off this week. All routes have suffered from a very slow physical market, impatient to see the first signs of the April program. Late on Friday we sense some interest in the close contracts, particularly on TD5 – next week should prove more active. Clean routes are still sliding. TC2, however, continued along last week's levels until coming off on Thu and Fri with a physical market unable to climb.

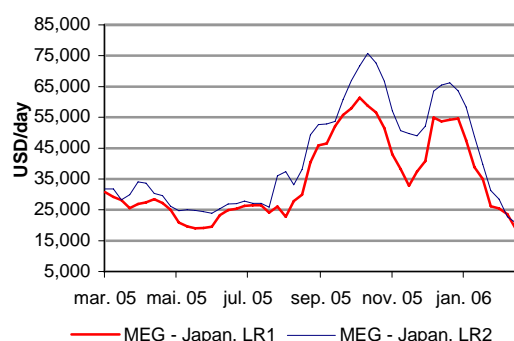
Weekly change in key FFA contracts

Mar	Apr	Q2'06	Q3'06	Q4'06	CAL07
TD3 MEG-Japan, 250' dwt					
89.0	82.0	77.5	79.0	109.0	81.0
-10.0	-3.0	-4.5	-1.0	0.0	-1.0
TD 5 West Africa – USAC, 130' dwt					
138.0	130.0	122.0	113.0	152.0	124.0
-12.0	-11.5	-4.0	-1.0	0.0	-1.0
TD 7, North Sea, UKC, 80' dwt					
131.0	133.0	130.0	112.0	160.0	135.0
-9.0	-2.0	3.0	0.0	0.0	0.0
TC 2 Cont-USAC, 37' dwt					
267.5	265.0	258.0	244.0	288.0	237.0
-2.5	-5.0	-4.5	-1.0	2.0	-2.0
TC 5, MEG-Japan, 55' dwt					
170.0	195.0	215.0	222.5	270.0	218.0
-12.5	-13.0	-2.5	7.5	2.5	0.0

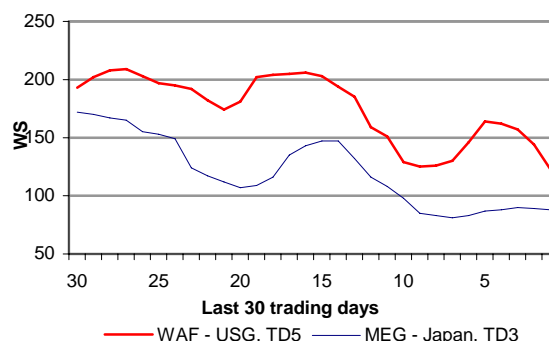
MR earnings



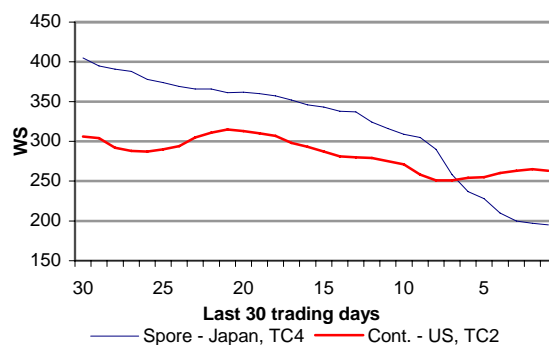
LR earnings



BITR rates, crude



BITR rates, clean



VLCC rates vs. Opec production



Research

Aframaxes have really hit the skids in recent weeks, The most significant factor in our view is a drop in US import demand, still a significant taker of aframax tonnage from the North Sea and from South America. US crude inventories last week hit seven year highs, and local oil prices have taken a beating relative to other crudes, reducing the attraction of imports. Coming on top of current seasonally weak demand due to refining maintenance, the aframaxes have been left rowing against the wind. The weakness of the short-term factors of course also makes longer-term negatives more visible. For the afras the biggest problem is weak volume expansion in key trading areas, the North Sea and Caribs. The former shed another 0.5 mbd of output last year. Combined with 8% growth in fleet capacity, there are indeed some headwinds. Still, we believe the drop is mainly seasonal, and that the market is well balanced, as evidenced by the swift turnaround in the Caribs this week. Until US refiners return in earnest, however, owners are likely to spend some more time battling headwinds.

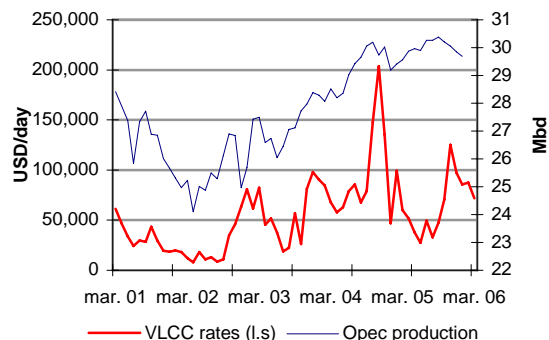
Key market drivers

	2004	2005	2006E	2007E
World oil demand (% change)	+3.7 %	+1.3 %	+2.2 %	+2.2 %
USA	+3.5 %	+0.2 %	+1.8%	+1.9%
Europe	+1.1 %	-0.1%	0.0%	0.6%
China	+15.4	+2.9%	+5.9%	+6.8%
Japan	-2.7 %	+1.1 %	0.6%	0.0%
Opec production (mbd)	29.1	29.9	30.5	
FSU production (mbd)	11.2	11.6	12.1	
Fleet statistics	Curre	2006P	2007E	2008E
VLCC fleet (# vessels)	464			
Orderbook	106			
Deliveries		17	33	36
Suezmax fleet (# vessels)	334			
Orderbook	65			
Deliveries		24	28	7

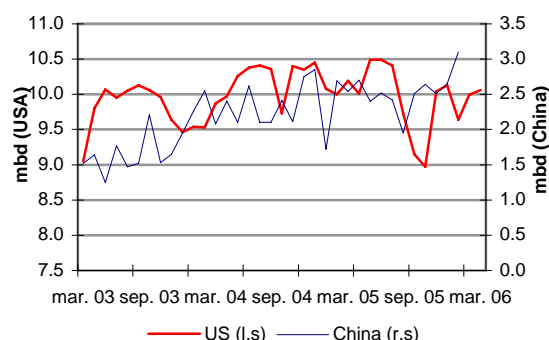
Average earnings

	2004	2005	2006 YTD
VLCC, MEG – Korea	97,657	60,232	82,780
Suezmax, Bonny – Phila.	65,965	46,907	55,784
Aframax, TEES – R.dam	56,610	54,304	44,469

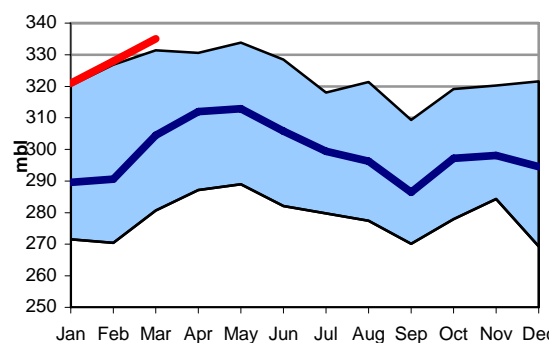
Source: IEA, DoE, Bassøe



Crude oil imports



Crude oil inventories – USA



BROKERS OF P. F. BASSØE AS

	AOH (+47)	Mobile (+47)
Gerhard N. Dahl - President	22 95 19 94	91 16 42 35
Ole-Rikard Hammer - Managing Director	66 90 49 91	97 54 06 82
TANKER CHARTERING	22 01 08 20	
Lars Irgens	22 49 32 72	90 60 13 99
Morten Austvold	64 86 78 11	91 70 50 31
Gerhard N. Dahl	22 95 19 94	91 16 42 35
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
Roger Hansen	90 93 70 70	90 93 70 70
David Sand	66 82 01 05	90 14 34 31
Inge Wallentin	22 73 27 20	90 89 99 28
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
PROJECT	22 01 08 25	
Petter A. Thorendahl	22 44 63 83	90 12 33 06
Lars Kalbakken	90 02 25 25	90 02 25 25
Nils W. Koren	67 53 01 47	90 03 32 30
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
Lars Kalbakken	90 02 25 25	90 02 25 25

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