

Bassøe Friday Report

Week 12 – 24.03.2006

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Nr 12. Vol 29

Tanker chartering – Crude

Market comments

Owners had the ball, but lost it. The VLCC market failed to follow through on the improvement seen last week, as charterers' measured approach to business paid off. Activity has improved, but not fast enough to keep up with the rising availability of tonnage, including oil company relets. Hence, some owners lost patience towards the end of the week and began to drop rates in order to secure employment. Charterers now seem to be in control and rates could well come down still further. Owners' best card is a still relatively tight Atlantic market, which should benefit from an expected increase in eastbound liftings. Suezmaxes have had a slow and uninspiring week in West Africa and rates are little changed. Aframax on the other hand have enjoyed a bounce in the North Sea, but with fields now about to be shut for maintenance, current activity is unlikely to be sustained. Strength in the Med also looks like it will be short-lived.

VLCC (DH)		Current trend: Soft		
Route	WS today	Last week	USD/day	
270' MEG – Korea	80.0	100.0	40,813	
275' MEG – UKC	67.5	75.0	40,240	
260' Bonny – LOOP	95.0	115.0	56,031	

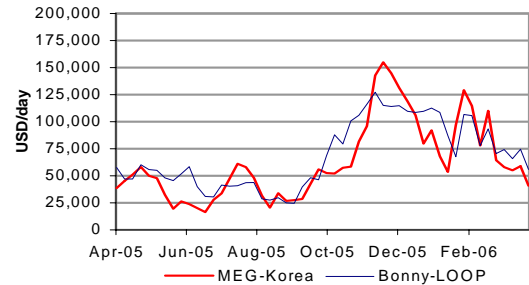
Suezmax (DH)		Current trend: Flat		
Route	WS today	Last week	USD/day	
130' Bonny – Phila.	130.0	145.0	38,065	
130' MAF – Ningpo	87.5	135.0	17,830	
135' Novo – Augusta	125.0	135.0	48,489	

Aframax (DH)		Current trend: Mixed		
Route	WS today	Last week	USD/day	
80' TEES – R.dam	140.0	140.0	42,262	
70' PLC – Texas	237.5	265.0	45,033	
80' MEG – Singapore	125.0	145.0	19,515	

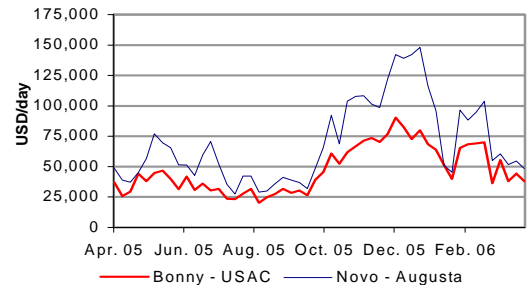
VLCC availability in MEG (# vessels)		
	Single hull	Double hull
Spot	1	1
Next 30 days	39	20

Bunkers (USD/mt)			
Fujairah	329	Rotterdam	302

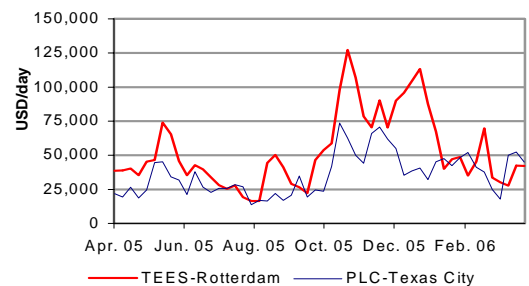
VLCC earnings



Suezmax earnings

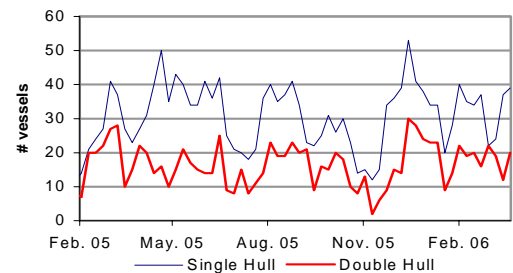


Aframax earnings



VLCC availability in MEG

vessels next 30 days ex. FRO and TI



Tanker chartering – Clean

Market Comment

Limited availability keeps pushing the Cont/US rates up for end 3/early 4 positions. In the east the LR/MR markets are still soft as tonnage is ample.

Market assessment – MR

Route	WS today	Last week	USD/day
30' Spore - Japan	167.5	185.0	5,285
37' Cont. - US	285.0	257.5	26,412
38' Car. - USAC	215.0	215.0	16,913

Market assessment – LR

Route	WS today	Last week	USD/day
55' MEG – Japan	145.0	155.0	14,255
75' MEG – Japan	117.5	135.0	13,013

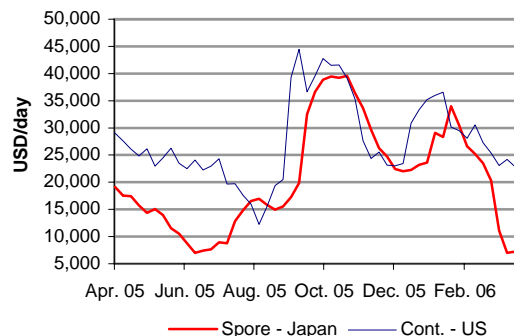
Freight derivatives

All crude routes are trading down as the physical rates are slipping on the benchmark runs. Most trades are really gapping down on thin or non-existing volumes – only few trades have gone through this week. At the end of the week we registered less confidence in TC2, resulting in selling pressure of the prompt end and Q2. The eastern clean routes had another 5 days of falling short-term contracts, albeit still in a pretty steep contango to the weak spot.

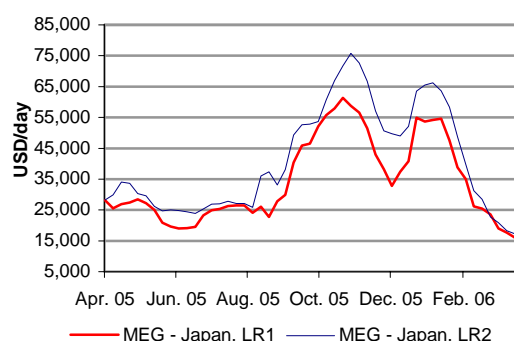
Weekly change in key FFA contracts

Apr	May	Q2'06	Q3'06	Q4'06	CAL07
TD3 MEG-Japan, 250' dwt					
75.0	75.0	74.0	74.5	110.0	81.0
-16.0	-	-8.0	-3.5	-1.0	0.0
TD 5 West Africa – USAC, 130' dwt					
127.5	125.0	123.0	113.0	154.0	124.0
-11.5	-	-3.0	0.0	1.0	0.0
TD 7, North Sea, UKC, 80' dwt					
126.0	125.0	125.0	112.5	160.0	135.0
-9.0	-	-6.0	0.0	0.0	0.0
TC 2 Cont-USAC, 37' dwt					
260.0	250.0	250.0	239.0	285.0	236.0
-6.0	-	-11.0	-4.0	-3.0	0.0
TC 5, MEG-Japan, 55' dwt					
162.5	192.5	195.0	220.0	270.0	217.0
-27.5	-5.0	-15.0	0.0	0.0	0.0

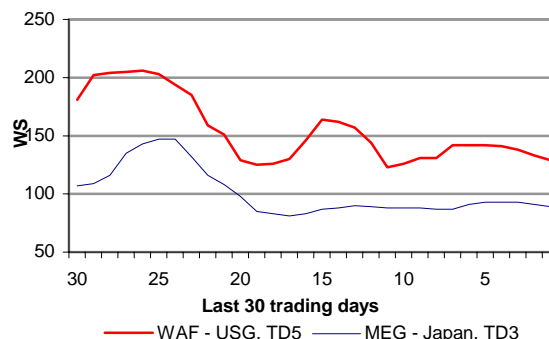
MR earnings



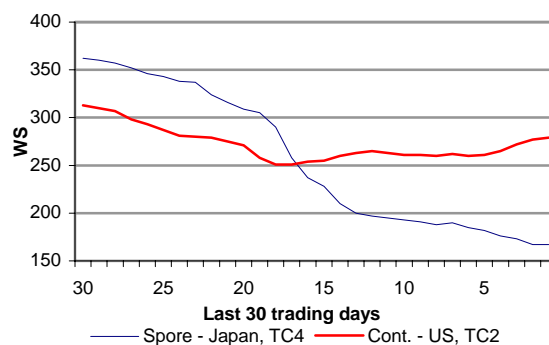
LR earnings



BITR rates, crude



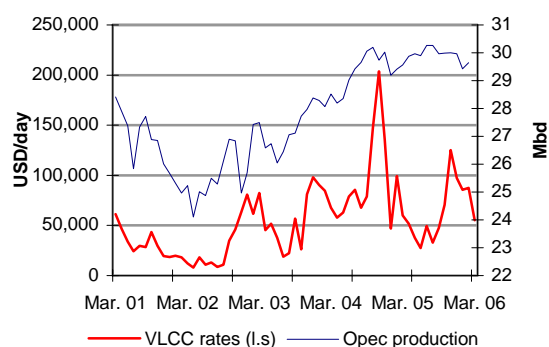
BITR rates, clean



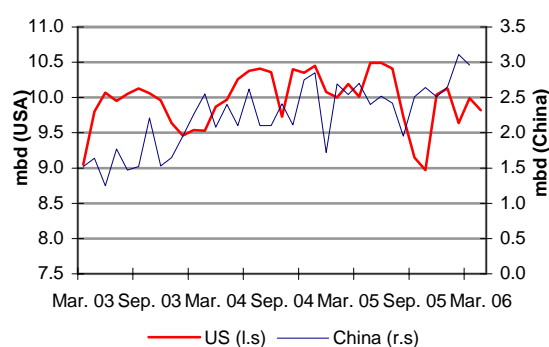
Research

There are signs that the worries over possible UN sanctions vs. Iran are spreading from the oil pits to the tanker market. Iran is Opec's second biggest producer and exporter (abt. 2.5 mbd) and a loss of such volumes would be serious to its regular customers. Last week, Nippon Oil, Japan's biggest refiner, said it aimed to reduce its imports from Iran by 15%, citing increasing risks to its supplies. It is also interesting to note that China, which last year got 13% of its crude supplies from Iran and 7% from Sudan (another country on the UN watch list), has begun to show greater appetite for West African barrels. Increased Chinese buying has already boosted West African exports to Asia to new highs this year and the flows show few signs of abating. While one can only speculate as to what is driving this trend, a sustained rise in long haul West African flows going East would be good news for tanker owners, as it would also open up for more MEG exports to the West. The latter would coincide nicely with Saudi Arabia this week opening the 0.3 mbd light crude Haradh facility.

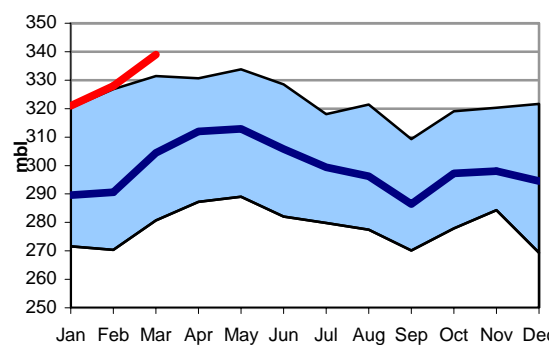
VLCC rates vs. Opec production



Crude oil imports



Crude oil inventories – USA



Key market drivers				
	2004	2005	2006E	2007E
World oil demand (% change)	+3.7 %	+1.3 %	+1.8 %	+2.2 %
USA	+3.5 %	+0.2 %	+1.5 %	+1.9 %
Europe	+1.1 %	-0.1 %	2.1 %	0.6 %
China	+15.4	+2.9 %	+6.0 %	+6.8 %
Japan	-2.7 %	+1.1 %	0.2 %	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)	465			
Orderbook	109			
Deliveries		17	33	36
Suezmax fleet (# vessels)	341			
Orderbook	60			
Deliveries		24	28	7

Average earnings	2004	2005	2006 YTD
VLCC, MEG – Korea	97,657	60,232	77,295
Suezmax, Bonny – Phila.	65,965	46,907	53,340
Aframax, TEES – R.dam	56,610	54,304	44,114

Source: IEA, DoE, Bassøe