

Bassøe Friday Report

Week 13 – 31.03.2006

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Nr 13. Vol 29

Tanker chartering – Crude

Market comments

The “Charter Party” has continued in the VLCC market this week with charterers successfully forcing freight costs down to the lowest levels since last summer. Activity has improved, and tonnage availability has indeed been reduced since last week, but with Asian refineries preparing for spring maintenance and US refiners still in the middle of it, the pace of change has not been fast enough to give owners any leverage in their rate negotiations, at least not yet. Rising refining margins in the Atlantic Basin should eventually tempt charterers to re-enter the market in bigger volume, but when? The West African market is also slow as the drop in Nigerian production over the past month is being felt for both VLs and Suezmaxes. Aframaxes are facing rough waters in the North Sea, where production is being reduced due to field maintenance. Rates are also lower in the Caribs and the MEG.

VLCC (DH)		Current trend: Soft		
Route	WS today	Last week	USD/day	
270' MEG – Korea	67.5	80.0	28,890	
275' MEG – UKC	60.0	67.5	31,105	
260' Bonny – LOOP	75.0	95.0	36,650	

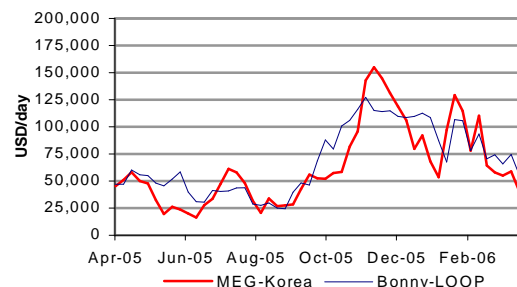
Suezmax (DH)		Current trend: Soft		
Route	WS today	Last week	USD/day	
130' Bonny – Phila.	115.0	130.0	31,956	
130' MAF – Ningpo	77.5	87.5	13,167	
135' Novo – Augusta	125.0	125.0	47,571	

Aframax (DH)		Current trend: Soft		
Route	WS today	Last week	USD/day	
80' TEES – R.dam	110.0	140.0	23,707	
70' PLC – Texas	192.5	237.5	32,474	
80' MEG – Singapore	115.0	125.0	16,767	

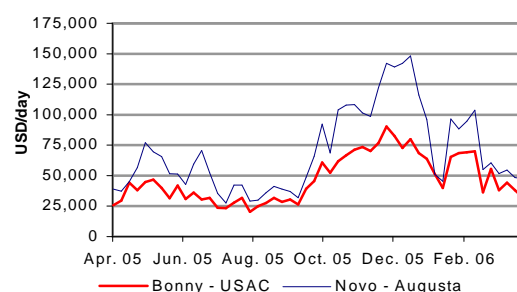
VLCC availability in MEG (# vessels)		
	Single hull	Double hull
Spot	2	1
Next 30 days	32	15

Bunkers (USD/mt)			
Fujairah	335	Rotterdam	316

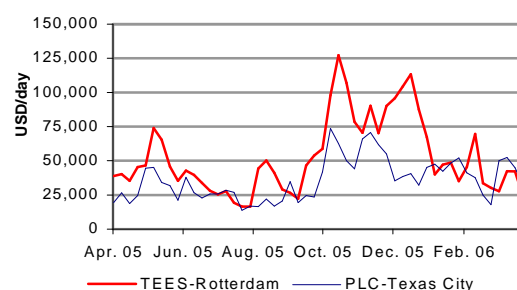
VLCC earnings



Suezmax earnings

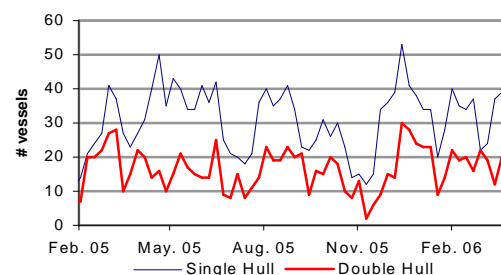


Aframax earnings



VLCC availability in MEG

vessels next 30 days ex. FRO and TI



Tanker chartering – Clean

Market Comment

A slow start and a slow end to the week brought rates down in all major product trades. The only market that may indicate turning is LR2.

Market assessment – MR

Route	WS today	Last week	USD/day
30' Spore - Japan	165.0	167.5	4,722
37' Cont. - US	250.0	285.0	21,294
38' Car. - USAC	205.0	215.0	14,938

Market assessment – LR

Route	WS today	Last week	USD/day
55' MEG – Japan	130.0	145.0	11,563
75' MEG – Japan	100.0	117.5	8,695

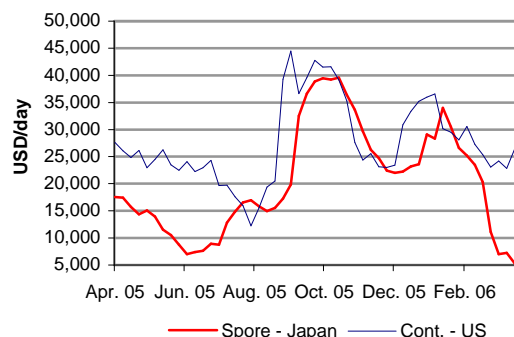
Freight derivatives

All routes traded down following the physical market in the downward trend. Good activity and volumes trading on all routes. Especially the prompt month in TD3 (April) has seen some large volume changing hands these last 5 days. Friday saw some regain in confidence creeping back into the FFA's with TC2 and TC4 leading the way out of the trenches, the other routes followed in pursuit, TD3 included.

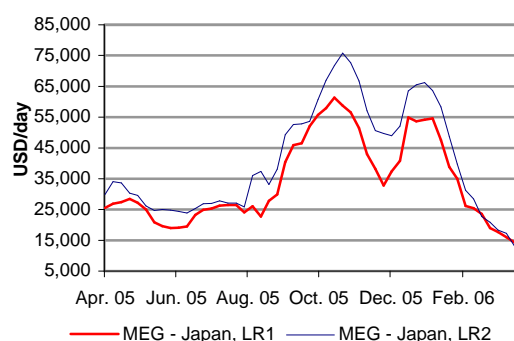
Weekly change in key FFA contracts

Apr	May	Q2'06	Q3'06	Q4'06	CAL07
TD3 MEG-Japan, 250' dwt					
67.0	70.5	69.0	73.0	105.0	76.5
-8.0	-4.5	-5.0	-1.5	-5.0	0.0
TD 5 West Africa – USAC, 130' dwt					
115.0	116.0	116.0	112.5	153.0	124.0
-12.5	-9.0	-7.0	-0.5	-1.0	0.0
TD 7, North Sea, UKC, 80' dwt					
118.0	118.0	118.0	111.0	157.0	130.0
-8.0	-7.0	-7.0	-1.5	-3.0	-5.0
TC 2 Cont-USAC, 37' dwt					
242.5	240.0	241.0	230.0	275.0	232.0
-17.5	-10.0	-9.0	-9.0	-10.0	-4.0
TC 5, MEG-Japan, 55' dwt					
147.5	165.0	180.0	202.5	265.0	212.0
-15.0	-27.5	-15.0	-17.5	-5.0	-5.0

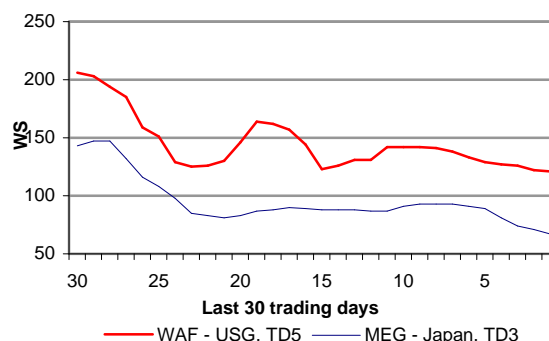
MR earnings



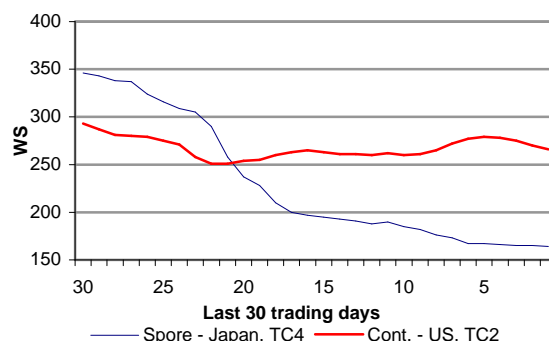
LR earnings



BITR rates, crude



BITR rates, clean



Research

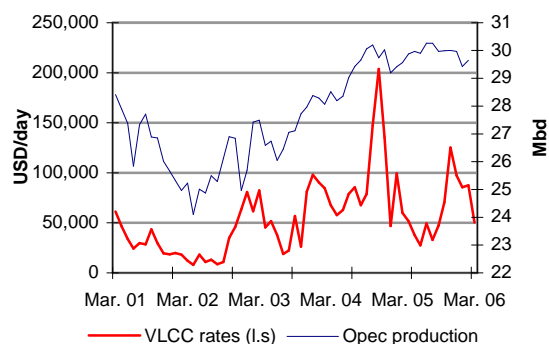
A sharp kick-up in Asian oil imports during January and February confirms that the strength of the crude tanker market this winter was driven by more than just the hurricane related trade chaos. Imports for the Big 4 (Japan, China, South Korea, India) were up 1.6 mbd or some 15% y/y for the first two months. The figures are exceptional and indicate a possible change in last year's dynamics, when imports scarcely budged in this important region. What is remarkable about the increase is the breadth. The fact that China leads the increase is not that surprising, given the exceptionally low figures for this period last year. A marked upswing in Japanese, Korean and Indian imports is more surprising, however. Asian refineries have been working overtime both due to the temporary loss of US refining capacity and due to a very cold winter, which sent Japanese crude stocks to a 20 year low. Refining capacity is on the rise in the region, but the impact was moderated by Chinese refiners reluctance to raise imports last year due to large price differences between the domestic and world markets. If the pace of imports indeed has turned the corner, tanker demand looks set for a healthy revival.

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

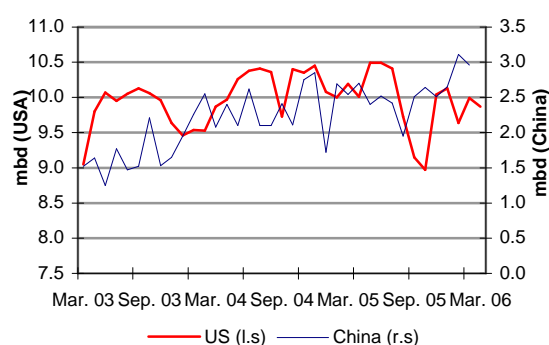
Average earnings	2004	2005	2006 YTD
VLCC, MEG – Korea	97,657	60,232	73,571
Suezmax, Bonny – Phila.	65,965	46,907	51,695
Aframax, TEES – R.dam	56,610	54,304	42,544

Source: IEA, DoE, Bassøe

VLCC rates vs. Opec production



Crude oil imports



Crude oil inventories – USA

