

# Bassøe Friday Report

Week 14 – 07.04.2006

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Nr 14. Vol 29

## Tanker chartering – Crude

### Market comments

S-L-O-W is the acronym for the VLCC market this week. The April program is winding down, and cargo volumes have slowed to a trickle. Rates remain under downward pressure, but at present very low levels, owners see no reason to chase what little business there is around. With April being the traditionally weakest month of the year, there are few bright spots on the horizon for owners. The tonnage list, at least, has held close to last week's levels and is actually little different from a couple of month ago, when rates were 50% higher. As long as charterers continue to bide their time, however, there is little prospect for a change in trend. Suezmaxes have headed south in West Africa. Activity improved towards the end of the week, and given a relative absence of VLCCs in the region, a continuation of that trend could mean that the bottom has been seen. North Sea Aframaxes have taken it on the chin as reduced production in the area is cutting cargo volume.

VLCC (DH)		Current trend: <b>Soft</b>		
Route	WS today	Last week	USD/day	
270' MEG – Korea	65.0	67.5	26,796	
275' MEG – UKC	57.5	60.0	28,418	
260' Bonny – LOOP	72.5	75.0	34,160	

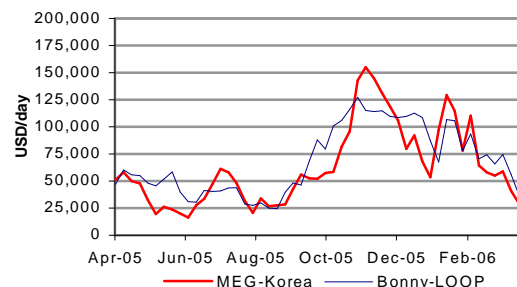
Suezmax (DH)		Current trend: <b>Soft</b>		
Route	WS today	Last week	USD/day	
130' Bonny – Phila.	95.0	115.0	22,720	
130' MAF – Ningpo	77.5	77.5	13,273	
135' Novo – Augusta	102.5	125.0	33,880	

Aframax (DH)		Current trend: <b>Soft</b>		
Route	WS today	Last week	USD/day	
80' TEES – R.dam	87.5	110.0	10,115	
70' PLC – Texas	125.0	192.5	14,148	
80' MEG – Singapore	110.0	115.0	15,558	

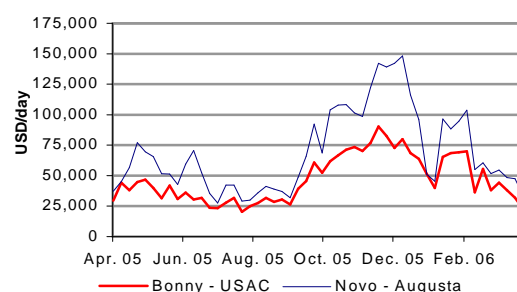
VLCC availability in MEG (# vessels)		
	Single hull	Double hull
Spot	3	0
Next 30 days	30	19

Bunkers (USD/mt)			
Fujairah	333	Rotterdam	316

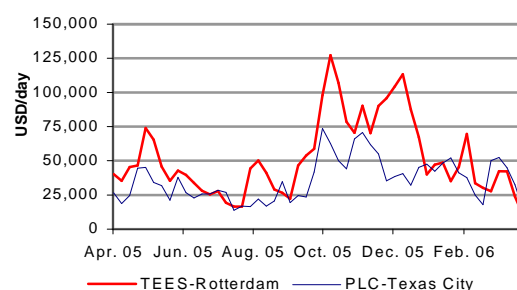
### VLCC earnings



### Suezmax earnings

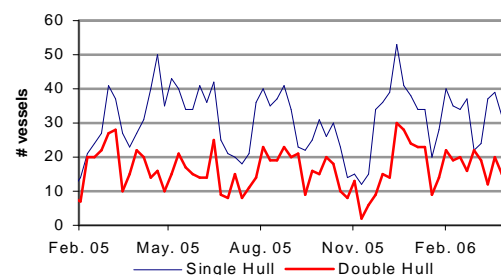


### Aframax earnings



### VLCC availability in MEG

# vessels next 30 days ex. FRO and TI



# Tanker chartering – Clean

## Market Comment

We would like to draw the attention to the fact that LR1 has been very active and a large number of ships are on subs in the East. Looking at paper, something is about to happen there. Cont/US continue to be active, and early positions are hard to find.

### Market assessment – MR

Route	WS today	Last week	USD/day
30' Spore – Japan	160.0	165.0	4,111
37' Cont. – US	262.5	250.0	22,977
38' Car. – USAC	207.5	205.0	15,412

### Market assessment – LR

Route	WS today	Last week	USD/day
55' MEG – Japan	135.0	130.0	12,339
75' MEG – Japan	100.0	100.0	8,536

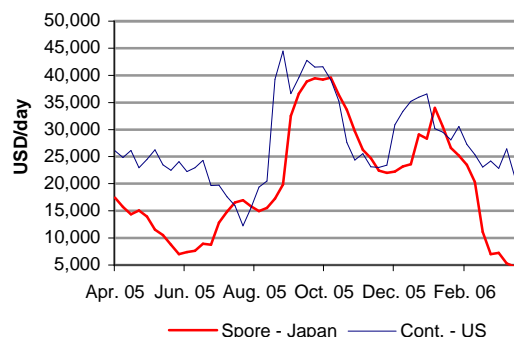
## Freight derivatives

The contango in all crude routes is getting steeper as ratelevels softened further through the week. However, the fall seems to have halted and we have seen buying into May, June and quarters to move them up a tad – particularly on TD3. Clean routes were trading very volatile this week. TC4 was well bid up on Friday after a busy week, while TC2 moved up mid-week and came off somewhat closer to the weekend. TC5 softened on the close contracts.

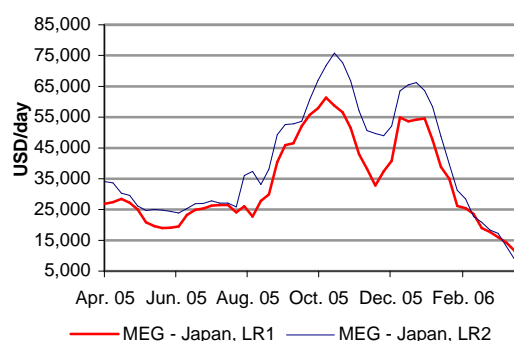
### Weekly change in key FFA contracts

Apr	May	Q2'06	Q3'06	Q4'06	CAL07
<b>TD3 MEG-Japan, 250' dwt</b>					
61.0	76.0	73.0	78.0	107.0	77.0
-6.0	6.5	4.0	5.0	2.0	0.5
<b>TD 5 West Africa – USAC, 130' dwt</b>					
110.0	116.0	117.0	113.0	155.0	123.0
-5.0	0.0	1.0	1.0	2.0	-1.0
<b>TD 7, North Sea, UKC, 80' dwt</b>					
102.5	112.5	116.0	108.0	156.0	128.5
-15.5	-5.5	-2.0	-3.0	--1.0	-1.5
<b>TC 2 Cont-USAC, 37' dwt</b>					
255.0	240.0	241.0	245.0	282.0	232.5
12.5	0.0	0.0	15.0	7.0	0.5
<b>TC 5, MEG-Japan, 55' dwt</b>					
139.0	172.5	157.5	195.0	255.0	210.0
-8.5	7.5	-22.5	-7.5	-10.0	-2.0

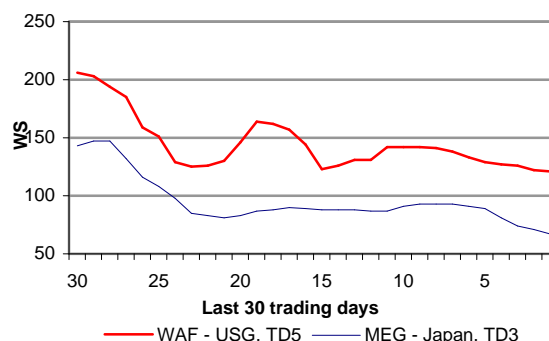
MR earnings



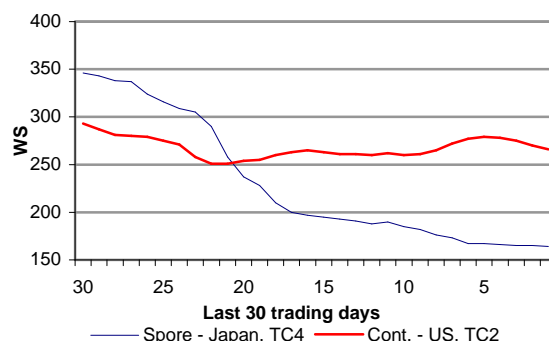
LR earnings



BITR rates, crude



BITR rates, clean



## Research

Could US crude oil stocks be too low? Funny question, considering that these highly publicized figures this week hit a seven year high at more than 340 mbls. While there is no doubt that the absolute level is high, there is a relative comparison that bears watching. The most important element to understand is that the rise in stocks is mainly a result of exceptionally low US refinery demand in Q1, down 3.5% y/y, due to extensive maintenance. This makes for a potentially vigorous upswing once preparation for the driving season begins later this quarter. It is this low level of demand that has cushioned the impact of the big drop in domestic crude output (down nearly 0.5 mbd y/y, due to shutdowns in the Gulf and Alaska). This means that the present level of imports (lower than last year) is way too low and will eventually have to make a jump in order to prevent a big drawdown of inventories when refinery runs begin their typical 1 mbd in Q2. If the world has mistaken US crude stocks for being too high, might it also have made the same kind of mistake when judging the presently very low level of VLCC rates?

### Key market drivers

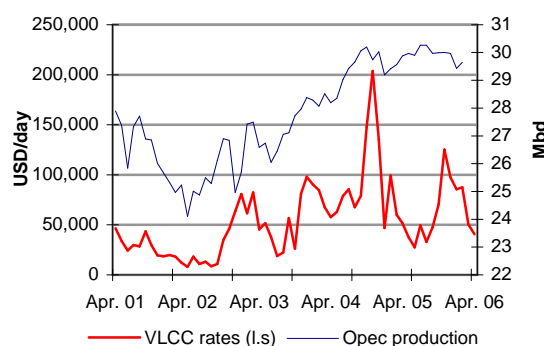
	2004	2005	2006E	2007E
World oil demand (% change)	+3.7 %	+1.3 %	+1.8 %	+2.2 %
USA	+3.5 %	+0.2 %	+1.5 %	+1.9 %
Europe	+1.1 %	-0.1%	2.1%	0.6%
China	+15.4	+2.9%	+6.0%	+6.8%
Japan	-2.7 %	+1.1 %	0.2%	0.0%
Opec production (mbd)	29.1	29.9	30.5	
FSU production (mbd)	11.2	11.6	12.1	
<b>Fleet statistics</b>	<b>Curre</b>	<b>2006P</b>	<b>2007E</b>	<b>2008E</b>
VLCC fleet (# vessels)	466			
Orderbook	122			
Deliveries		17	33	36
Suezmax fleet (# vessels)	341			
Orderbook	60			
Deliveries		24	28	7

### Average earnings

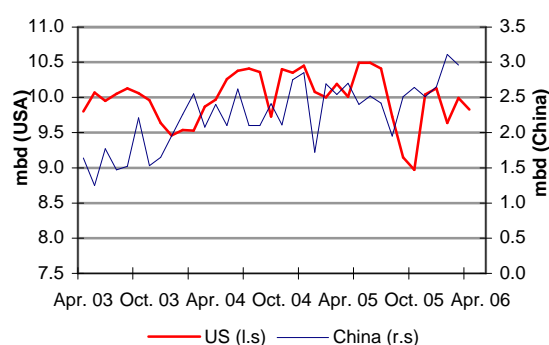
	2004	2005	2006 YTD
VLCC, MEG – Korea	97,657	60,232	70,230
Suezmax, Bonny – Phila.	65,965	46,907	49,625
Aframax, TEES – R.dam	56,610	54,304	40,228

Source: IEA, DoE, Bassøe

### VLCC rates vs. Opec production



### Crude oil imports



### Crude oil inventories – USA

