Bassøe Friday Report

Week 15 – 13.04.2006 www.pfbassoe.no Nr 15. Vol 29

Tanker chartering – Crude

Market comments

The VLCC market has remained quiet as charteres holding back only allowing very few cargoes in the market at the same time, managing to secure the "conference rate" of WS50 for single hull MEG/East. The end of the week experienced increased interest for double hull tonnage with Vela taking 3 and Exxon 1 at only marginally softer rates than last done. The market does seem to feel we are close to a bottom.
Increased activity for Suezmaxes in the Atlantic, particularly Med/Black Sea combined with the lack of VLCC's in the Atlantic may aid the Suezmax rates next week.
Aframax rates are still soft in all areas.

VLCC (DH)	Current trend: Soft		
Route	**WS today**	**Last week**	**USD/day**
270' MEG – Korea	65.0	65.0	25,799
275' MEG – UKC	57.5	57.5	27,432
260' Bonny – LOOP	75.0	72.5	36,469

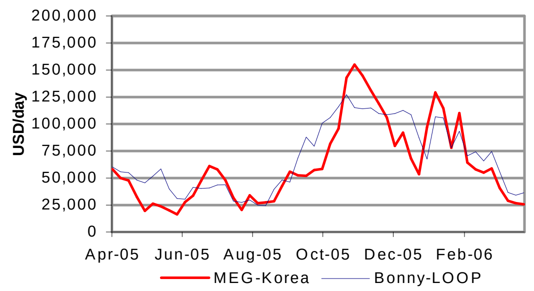
Suezmax (DH)	Current trend: Soft		
Route	**WS today**	**Last week**	**USD/day**
130' Bonny – Phila.	97.5	95.0	23,993
130' MAF – Ningpo	77.5	77.5	12,692
135' Novo – Augusta	90.0	102.5	26,163

Aframax (DH)	Current trend: Soft		
Route	**WS today**	**Last week**	**USD/day**
80' TEES – R.dam	92.5	87.5	13,074
70' PLC – Texas	122.5	125.0	13,472
80' MEG – Singapore	120.0	110.0	17,746

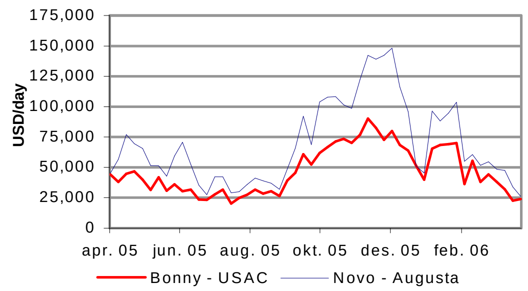
VLCC availability in MEG (# vessels)		
	Single hull	**Double hull**
Spot	6	0
Next 30 days	28	18

Bunkers (USD/mt)			
Fujairah	344	**Rotterdam**	318

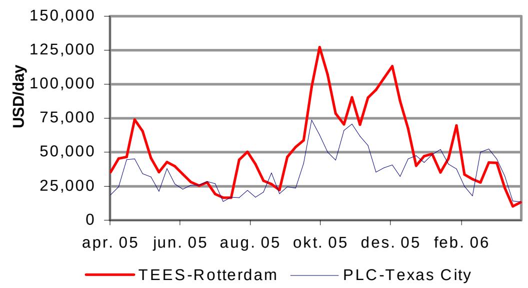
VLCC earnings



Suezmax earnings

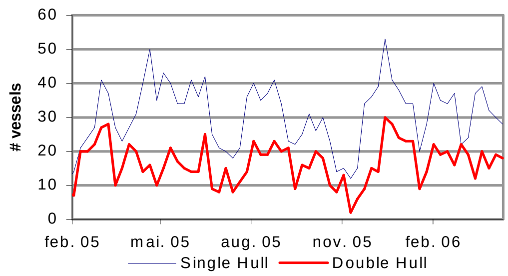


Aframax earnings



VLCC availability in MEG

\# vessels next 30 days ex. FRO and TI



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Tanker chartering – Clean

Market Comment

Good activity in the transatlantic market this week. The Caribs market has followed. Rates in both areas has improved, and we expect further increase next week if the activity continues.

Market assessment – MR			
Route	WS today	Last week	USD/day
30' Spore - Japan	205.0	160.0	9,100
37' Cont. – US	270.0	262.5	23,929
38' Car. – USAC	217.5	207.5	16,786

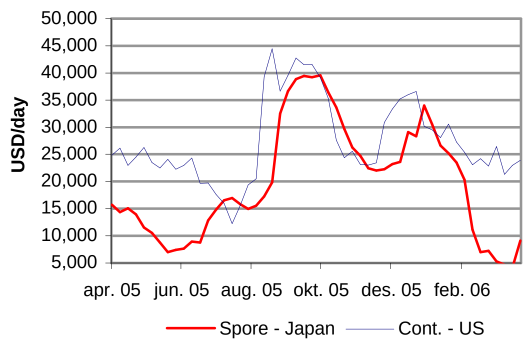
Market assessment – LR			
Route	WS today	Last week	USD/day
55' MEG – Japan	140.0	135.0	13,115
75' MEG – Japan	105.0	100.0	9,599

Freight derivatives

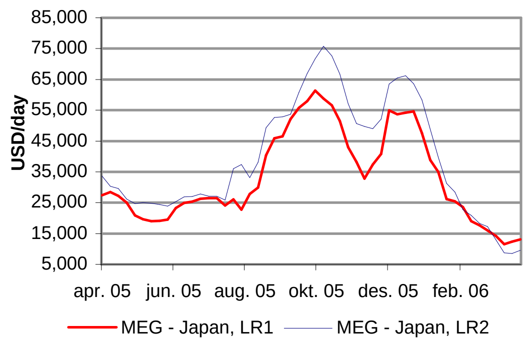
A very quiet week for the crude routes as the market seems to be on holiday mode. The downside is very limited and yet most players consider it too early to go long. The clean routes, however, have seen decent activity and rates have picked up considerably, both east and west. Optimistic buyers of both call options and FFAs have pushed rates up more than 30pts on certain clean contracts.

Weekly change in key FFA contracts					
Apr	May	Q2'06	Q3'06	Q4'06	CAL07
TD3 MEG-Japan, 250' dwt					
62.0	75.0	71.0	78.0	108.0	78.0
1.0	-1.0	-2.0	0.0	1.0	1.0
TD 5 West Africa – USAC, 130'dwt					
107.0	122.0	112.0	113.0	157.0	123.0
-3.0	6.0	-4.0	5.0	2.0	0.0
TD 7, North Sea, UKC, 80'dwt					
103.0	115.0	112.0	113.0	162.5	128.5
0.5	2.5	-4.0	5.0	6.5	0.0
TC 2 Cont-USAC, 37' dwt					
267.5	268.0	268.0	250.0	290.0	233.0
-12.5	28.0	27.0	5.0	8.0	0.5
TC 5, MEG-Japan, 55' dwt					
147.5	190.0	182.5	215.0	272.5	210.0
8.5	17.5	22.5	20.0	17.5	0.0

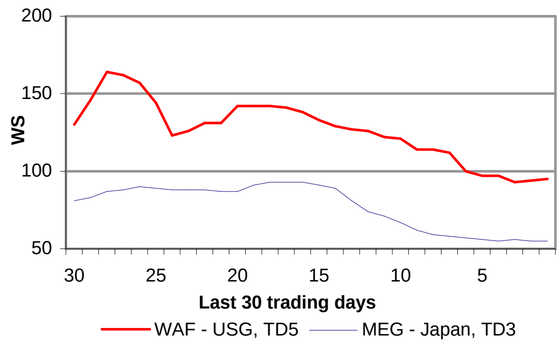
MR earnings



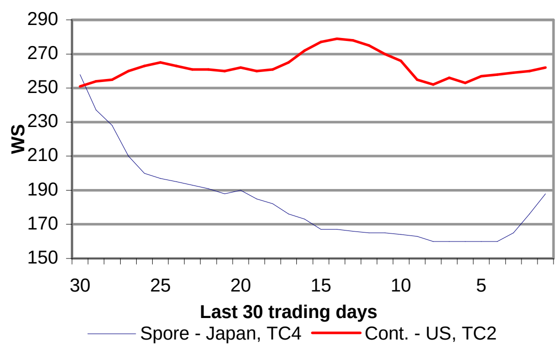
LR earnings



BITR rates, crude



BITR rates, clean



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Research

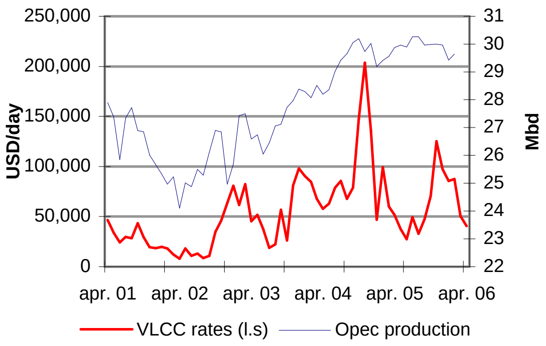
Is there a clean crash in the making? That certainly seems a pertinent question after clean rates in general have dropped sharply during the past couple of months. While the extreme seasonal fluctuations in the tanker market make it difficult to disentangle short-term and long-term forces, our sense is that there has indeed been a shift in longer-term fundamentals. On the one hand there has been a sharp drop in US product imports, coming down from an all-time high of 4 mbd in Q4 post-hurricanes, to a more normal 3 mbd range. With US refineries now preparing to come out of a deep maintenance period, imports are unlikely to rebound very quickly, although uncertainty remains over the impact of new US gasoline specifications. Some of the oil presently going to the US will be needed elsewhere once demand begins to improve in other regions, but that is still a few months away. On the tonnage side, the expansion is continuing apace. Growth in the MR fleet YTD is still not explosive, but with newbuilding deliveries estimated to top 10% of fleet capacity this year alone, growth is bound to pick up further and make a return to the very tight market conditions from the second half of last year more challenging.

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

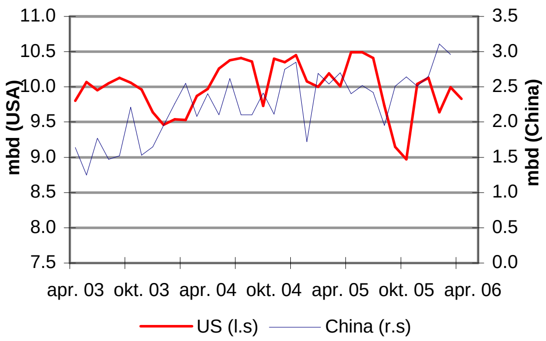
Average earnings	2004	2005	2006 YTD
VLCC, MEG – Korea	97,657	60,232	67,268
Suezmax, Bonny – Phila.	65,965	46,907	47,917
Aframax, TEES – R.dam	56,610	54,304	38,417

Source: IEA, DoE, Bassøe

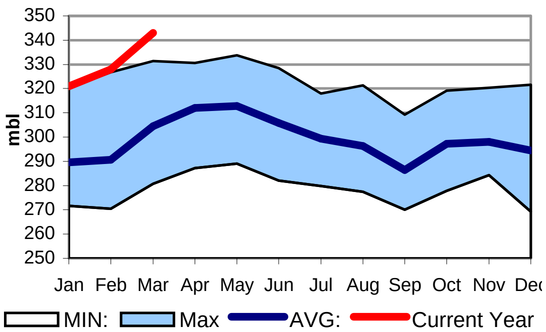
VLCC rates vs. Opec production



Crude oil imports



Crude oil inventories – USA



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