Bassøe Friday Report

Week 19 – 12.05.2006 www.pfbassoe.no Nr 19. Vol 29

Tanker chartering – Crude

Market comments

Despite a relatively slow market in terms of outright fixtures, a more optimistic tone has emerged in the VLCC market this week. As it turned out, charterers' appetite for May cargoes was bigger than expected and that has absorbed a good portion of the tonnage over-hang. Tonnage availability is now at the lowest level since January and that is raising owners' chances of achieving further rate gains when June cargoes begin to move in earnest next week. The change in sentiment is being fed further by a booming market in the Atlantic Basin for all size classes. Suezmaxes had plenty of cargoes to choose from and dutifully experienced a sharp jump in rates. Still, the biggest mover of the week were Aframaxes, with both the North Sea and Caribs enjoying rate spikes due to solid activity and lack of tonnage.

VLCC (DH)	Current trend: Firm		
Route	**WS today**	**Last week**	**USD/day**
270' MEG – Korea	77.5	72.5	37,086
275' MEG – UKC	67.5	65.0	38,807
260' Bonny – LOOP	112.5	112.5	70,385

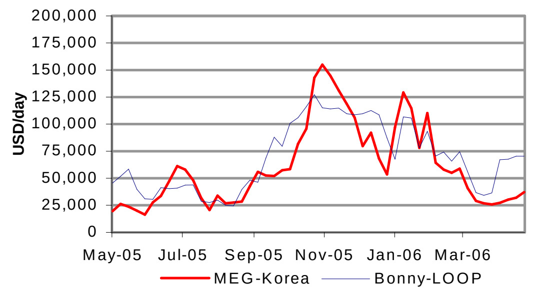
Suezmax (DH)	Current trend: Firm		
Route	**WS today**	**Last week**	**USD/day**
130' Bonny – Phila.	152.5	135.0	47,042
130' MAF – Ningpo	110.0	110.0	26,761
135' Novo – Augusta	155.0	137.5	65,772

Aframax (DH)	Current trend: Firm		
Route	**WS today**	**Last week**	**USD/day**
80' TEES – R.dam	170.0	105.0	59,430
70' PLC – Texas	205.0	130.0	35,460
80' MEG – Singapore	120.0	130.0	17,713

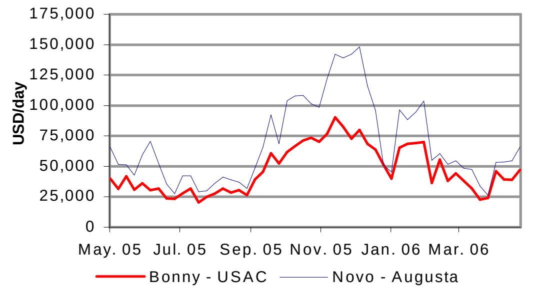
VLCC availability in MEG (# vessels)		
	Single hull	**Double hull**
Spot	0	0
Next 30 days	27	14

Bunkers (USD/mt)			
Fujairah	345	**Rotterdam**	333

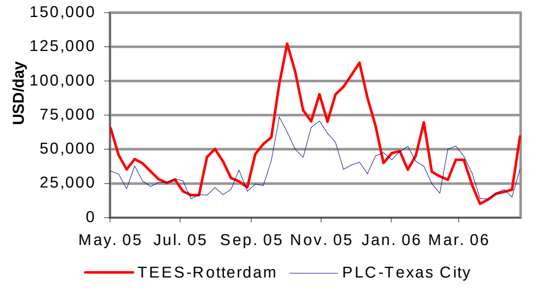
VLCC earnings



Suezmax earnings

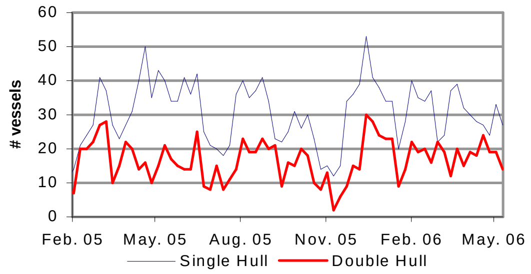


Aframax earnings



VLCC availability in MEG

vessels next 30 days ex. FRO and TI



Tanker chartering – Clean

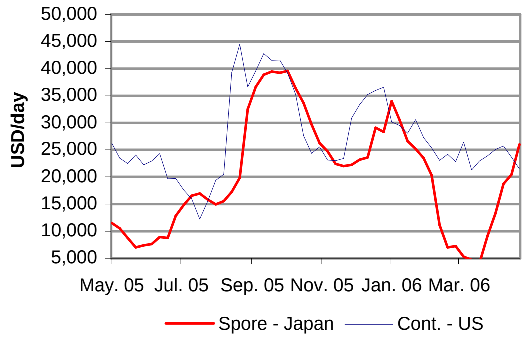
Market Comment

Despite good activity in the Western hemisphere, rates continued to drop as surplus tonnage available. The Mediterranean trades have been steady with no major changes in rates. Another week with high activity in all segments East of Suez. Lack of tonnage will continue to keep Eastern markets high.

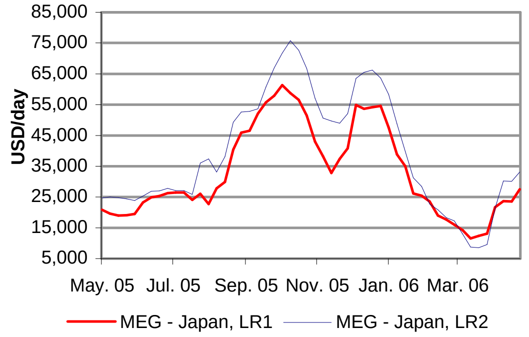
Market assessment – MR			
Route	WS today	Last week	USD/day
30' Spore – Japan	360.0	310.0	26,057
37' Cont. – US	255.0	270.0	21,474
38' Car. – USAC	205.0	230.0	14,729

Market assessment – LR			
Route	WS today	Last week	USD/day
55' MEG – Japan	222.5	200.0	27,512
75' MEG – Japan	202.5	190.0	33,076

MR earnings



LR earnings

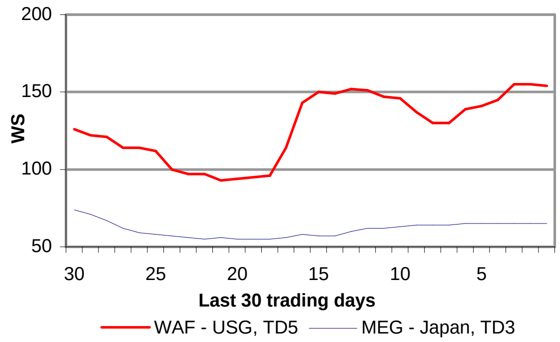


Freight derivatives

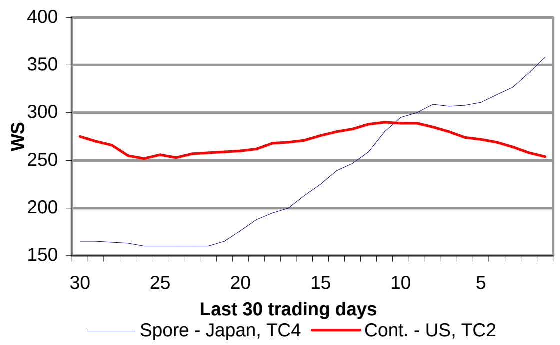
The whole market is looking much more optimistic now. Both crude and clean trades are either clinging to high levels or in the process of moving upwards. TD3 remained largely flat until Thursday, and traded up on both prompt end and longer datet paper on Friday. TD5 was nervous mid-week, but suezmax rates managed to stay above 150 and paper regained confidence. TD7 made a sharp turn up on Thursday, paper following suit. TC2 seems to have found it's feet, and the eastern markets are also looking confident at the moment.

Weekly change in key FFA contracts					
May	Jun	Q3'06	Q4'06	Q1'07	CAL07
TD3 MEG-Japan, 250' dwt					
77.0	87.5	88.0	125.0	96.0	78.0
3.0	8.5	6.5	9.0	-1.0	0.0
TD 5 West Africa – USAC, 130'dwt					
145.0	138.0	124.0	174.0	138.0	124.0
10.0	8.0	4.0	8.0	2.0	0.0
TD 7, North Sea, UKC, 80'dwt					
150.0	137.5	117.0	171.0	146.0	130.0
23.0	10.0	-0.5	3.5	1.0	2.0
TC 2 Cont-USAC, 37' dwt					
260.0	259.0	262.0	301.0	270.0	238.0
2.5	9.0	14.5	12.0	8.0	2.0
TC 5, MEG-Japan, 55' dwt					
222.5	237.5	235.0	295.0	250.0	218.0
2.5	14.5	2.5	0.0	5.0	0.0

BITR rates, crude



BITR rates, clean



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Research

After a long period of very similar views of the oil market outlook, forecasters have begun to part ways again. The latest monthly reports from the IEA and the DoE offer different views of where the market is headed, with obvious implications for tankers. The DoE maintains an upbeat view of demand looking for growth of 1.6 mbd this year going to 2.0 in ’07. The IEA, however, which began the year as the most optimist forecaster, has returned to its familiar position as having the most bearish view. ’06 demand estimates have come down from an expected increase of 1.8 mbd to 1.2 mbd. Our view is much more in line with the DoE; Given the continued strength of the global economy, it remains difficult to be too bearish on oil demand growth in emerging countries. The sharp increase in crude oil imports to Asia in Q1 (+10%) certainly indicates that demand is doing well. As for FSU exports, the central point of available statistics is that the sharp slowdown in exports that began last year continued through Q1. The least controversial argument from the IEA is that US demand growth was weak in Q1. Recent figures indicate renewed strength, however. Overall, we continue to look for a meaningful rebound in oil and tanker demand this year.

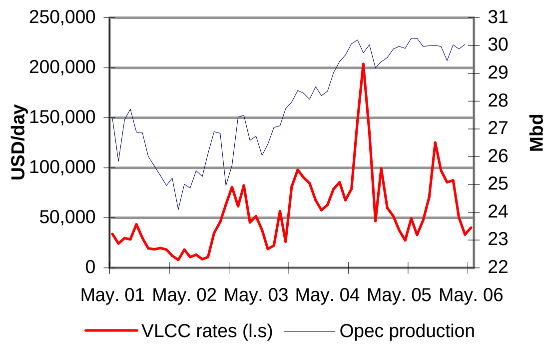
Key market drivers

	2004	2005	2006E	2007E
World oil demand (% change)	+3.7 %	+1.3 %	+1.9 %	+2.3 %
USA	+3.5 %	+0.2 %	+0.5%	+2.4%
Europe	+1.1 %	-0.1%	+0.0%	+0.6%
China	+15.4	+2.9%	+7.3%	+6.8%
Japan	-2.7 %	+1.1 %	0.2%	0.0%
Opec production (mbd)	29.1	29.9	30.1	30.4
FSU production (mbd)	11.2	11.6	12.0	12.5
Fleet statistics	**Curre**	**2006P**	**2007E**	**2008E**
VLCC fleet (# vessels)	465			
Orderbook	127			
Deliveries		17	33	36
Suezmax fleet (# vessels)	341			
Orderbook	60			
Deliveries		24	28	7

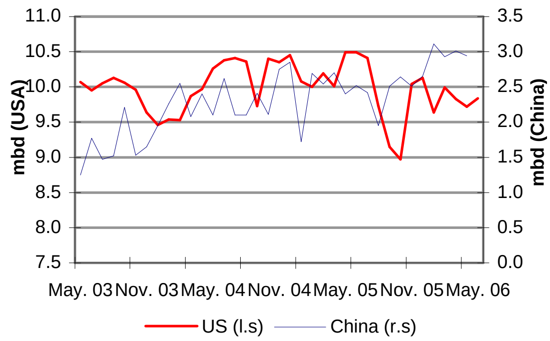
Average earnings	2004	2005	2006 YTD
VLCC, MEG – Korea	97,657	60,232	59,760
Suezmax, Bonny – Phila.	65,965	46,907	46,836
Aframax, TEES – R.dam	56,610	54,304	36,440

Source: IEA, DoE, Bassøe estimates

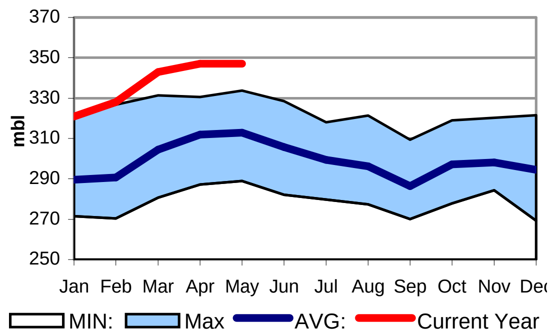
VLCC rates vs. Opec production



Crude oil imports



Crude oil inventories – USA



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