Pareto Bassøe Shipbrokers

Market Reports

Please find enclosed the weekly market reports from the Pareto Bassøe Shipbrokers Group

P. F. Bassøe AS
Tanker chartering, FFA, Projects

Pareto Shipbrokers AS
S&P, Newbuildings

Pareto Dry Cargo AS
Dry cargo chartering

Bassøe Friday Report

Week 20 – 19.05.2006 | www.pfbassoe.no | Nr 20. Vol 29

Tanker chartering – Crude

Market comments

The VLCC market is continuing to challenge conventional wisdom. Two weeks ago, rates began to appreciate despite relatively slow activity, raising owners' optimism. This week, in contrast, activity has been quite healthy, but rates have moved up only marginally. Charterers have skillfully navigated through the first half of the June program by utilizing the greater availability of single hulls. They have been further helped by relatively slow Westbound activity, so far, which has increased the availability of double hulls somewhat. Still, the MEG market remains finely balanced and much stronger Atlantic rates continue to provide support. The tightrope act looks set to continue next week, in other words. Suezmaxes are still seeing solid activity and have been able to hold onto last week's gains. Aframax rates in the North Sea have moved higher, despite limited activity, but are likely to come off the boil unless that changes. The Caribs and Med markets are very strong.

VLCC (DH)	Current trend: Flat		
Route	WS today	Last week	USD/day
270' MEG – Korea	80.0	77.5	40,178
275' MEG – UKC	70.0	67.5	42,479
260' Bonny – LOOP	107.5	112.5	66,491

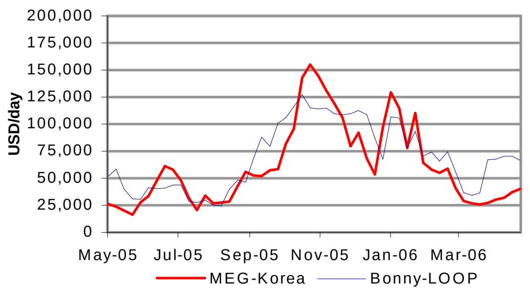
Suezmax (DH)	Current trend: Firm		
Route	WS today	Last week	USD/day
130' Bonny – Phila.	155.0	152.5	49,214
130' MAF – Ningpo	110.0	110.0	27,237
135' Novo – Augusta	145.0	155.0	59,918

Aframax (DH)	Current trend: Firm		
Route	WS today	Last week	USD/day
80' TEES – R.dam	180.0	170.0	65,964
70' PLC – Texas	225.0	205.0	41,181
80' MEG – Singapore	120.0	120.0	18,009

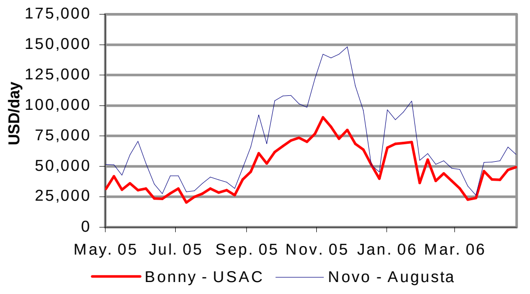
VLCC availability in MEG (# vessels)		
	Single hull	Double hull
Spot	0	0
Next 30 days	27	19

Bunkers (USD/mt)			
Fujairah	336	Rotterdam	317

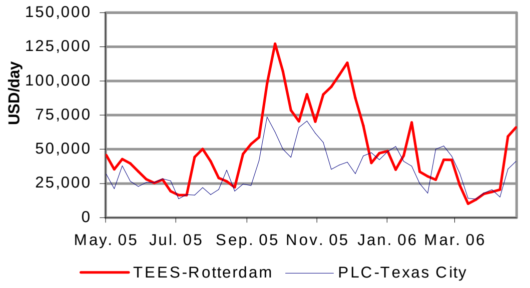
VLCC earnings



Suezmax earnings

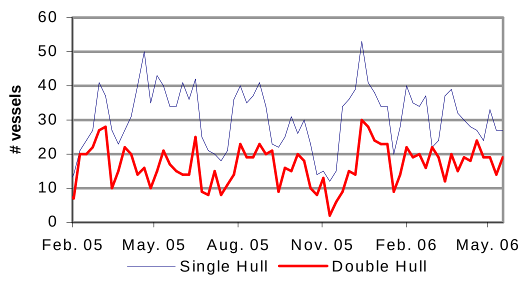


Aframax earnings



VLCC availability in MEG

vessels next 30 days ex. FRO and TI



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Tanker chartering – Clean

Market Comment

LR1+2 continued to improve this week by another 25-30 WS points MEG/East. MR levels Sing/Japan remain unchanged. The west has been relatively active, but European shorthauls have softened, whilst Caribs/Up went north. Cont/US seems to be stable at 37'mt at 255 level.

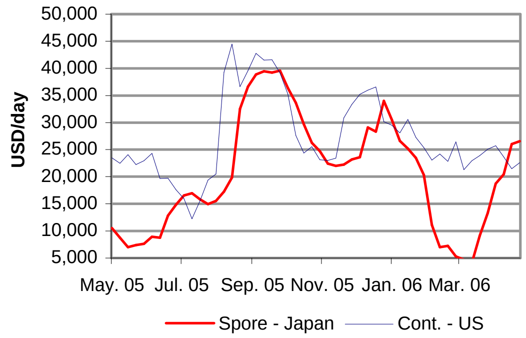
Market assessment – MR

Route	WS today	Last week	USD/day
30' Spore – Japan	362.5	360.0	26,562
37' Cont. – US	260.0	255.0	22,611
38' Car. – USAC	220.0	205.0	16,998

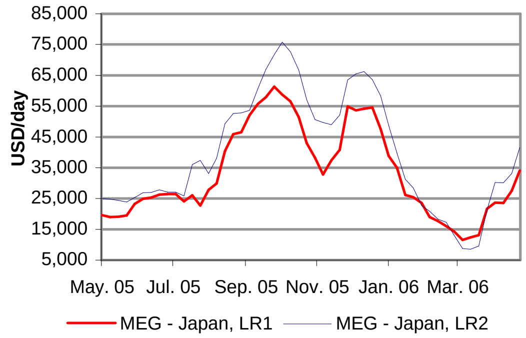
Market assessment – LR

Route	WS today	Last week	USD/day
55' MEG – Japan	257.5	222.5	34,090
75' MEG – Japan	235.0	202.5	41,537

MR earnings



LR earnings



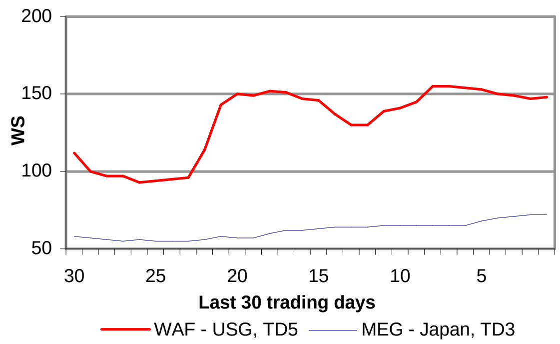
Freight derivatives

Changing sentiments. After last week's overall optimism, the markets hit the wall in the middle of the week. With the optimists all but gone from the market most of the gains from last week were eroded on Thursday and Friday. Most of the move was done on relatively modest volumes, however the market has clearly put a delay on any expected rise.

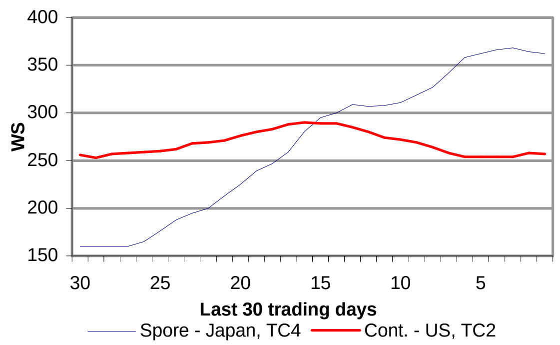
Weekly change in key FFA contracts

Jun	Jul	Q3'06	Q4'06	Q1'07	CAL07
TD3 MEG-Japan, 250' dwt					
83.0	79.0	83.0	120.0	97.0	79.0
-4.5	--	-5.0	-5.0	1.0	1.0
TD 5 West Africa – USAC, 130'dwt					
134.0	120.0	121.0	168.0	138.0	124.0
-4.0	--	-3.0	-6.0	0.0	0.0
TD 7, North Sea, UKC, 80'dwt					
127.5	110.0	114.0	169.0	145.0	130.0
-10.0	--	-3.0	-2.0	-1.0	0.0
TC 2 Cont-USAC, 37' dwt					
260.0	245.0	261.0	302.5	270.0	238.0
1.0	--	-1.0	1.5	0.0	0.0
TC 5, MEG-Japan, 55' dwt					
235.0	230.0	230.0	295.0	245.0	216.0
-2.5	--	-5.0	0.0	-5.0	-2.0

BITR rates, crude



BITR rates, clean



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Research

The sun is definitely rising in the East, but this time it on Japan, at last. Its economy, once a China-like engine of the shipping markets, is showing signs of its old self. GDP figures for Q1 came in at +1.9% (annualized), well ahead of expectations. That puts it on the path to reaching the IMF's projection of 2.8% growth this year, the highest level in almost a decade. A noteworthy difference in the current recovery is the role of stronger domestic demand, as opposed to exports. That should give an important growth contribution to its other trading partners in the region. As for the tanker market, Japan is the world's second biggest oil importer, twice the size of China. That means anything affecting its growth or its availability of domestic supplies has a huge impact. This has been amply demonstrated in recent weeks when unexpected shutdowns to two of its refineries, on top of normal seasonal maintenance, has contributed to the sharp bounce in product tanker rates in the region. If recent rumours that Japan is about to start building emergency stockpiles of oil products are true, it would be highly important support for a product market facing a huge orderbook.

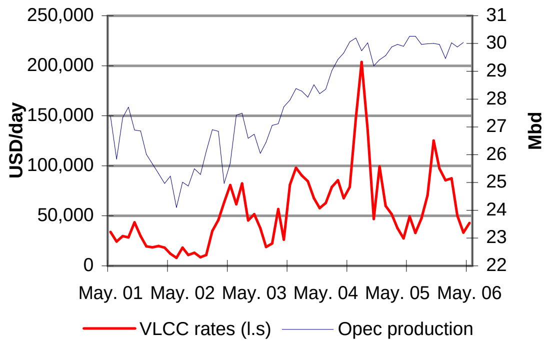
Key market drivers

	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

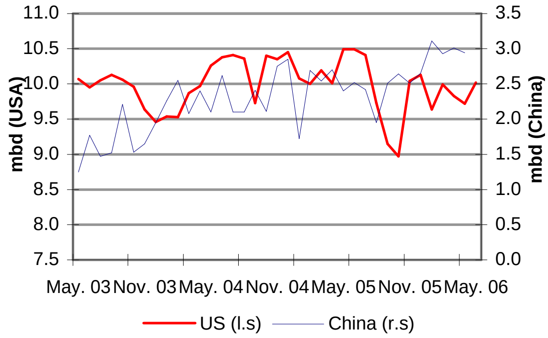
Average earnings	2004	2005	2006 YTD
VLCC, MEG – Korea	97,657	60,232	58,781
Suezmax, Bonny – Phila.	65,965	46,907	46,955
Aframax, TEES – R.dam	56,610	54,304	37,916

Source: IEA, DoE, Bassøe estimates

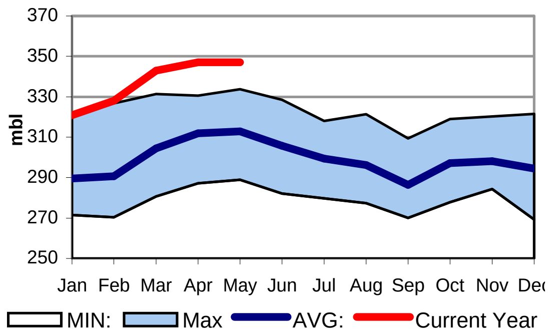
VLCC rates vs. Opec production



Crude oil imports



Crude oil inventories – USA



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Pareto Shipbrokers

Oslo, Friday 19th May 2006

SALE & PURCHASE

MARKET COMMENTS

Equities saw a tumultuous week on all major exchanges, but shipping was less hurt than other indices. OSE being down 12% from last Friday whilst the shipping stocks covered by Pareto Sec have dropped an average of 6%. The uncertainty in the paper markets has sofar not impacted the balance of power in the physical tanker market where determined buyers of modern vessels having no choice but to accept that sellers have the upper hand on prices.

Several modern suezmaxes, aframaxes and MR's are in play and we are confident that the next sales will be concluded at last done or higher. That said, buyers do discriminate when it comes to specifications and we clearly have a two-tier market whereby vessels without centre-line bulkhead and with low cubic do not enjoy the same robust values.

A similar tendency is seen in the dry bulk market where only a few modern vessels are available for sale, but those inviting offers are sold at firm levels. However, with an increasing number of early/mid 1990's built units available for sale few ships are sold and prices are at best going sideways.

TANKERS

SALES

Vessel	Dwt	Built	Buyer	$ Mill	Comments
Genie	155200	1981	BW Offsh.	16	FPSO conv.
Southern Unity	40000	2004	Undiscl.	40	
Celtic Wind	28610	1986	Undiscl.	12.5	Dbl hull
Cederberg	12600	2006	Koenig	25	Imo2

SECONDHAND VALUES (MUSD)

	PPT resale	5	10	15
VLCC	142	117	92	43 [1)]
Suez	85	74	63	31 [1)]
Afra	76	65	48	24 [1)]
LR2	78	67	56	
LR1	62	50	45	32
MR	54	46	37	24

[1)] Non dbl hull

BULKERS

SALES

Vessel	Dwt	Built	Buyer	$ Mill	Comments
Mona Lisa	147000	1986	Koreans	21	2 yr @28'
Fortune Ocean	76500	2006		40	
Fortune Clover	76500	2006		40	
Fortune tbn	76500	2007		40	
Brave Unity	69100	1996		24.5	
2 x resale	58500	2007/08	UK	29.9	
Spring Laker	30900	1996	Seastar	19.5	

SECONDHAND VALUES (MUSD)

	PPT resale	5	10	15
Cape	63	55	38	25
Pmax	40	33	26	20
Hmax	35	30	22	17

LPG

SALES

Vessel	Cbm	Type	Built	Buyer	$ Mill	Comments

SECONDHAND VALUES (MUSD)

	PPT resale	5	10	15
VLGC	98	83	67	53
MGC	71	60	50	38
20' SR	68	60	50	40
10' ETH	48	40	32	23
3,5' FP	15	12	9.5	4

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NEWBUILDING

MARKET COMMENTS

In general, second-half 2010 deliveries are now the earliest slots available in Japan and we have already seen several 2010 deals done in China. Koreans have more flexibility and 2009 deliveries are expected to be around for some time still. However, the rebound in demand for container vessels can close the Korean books for 2009 much earlier than anticipated only a few weeks ago.

Not wanting to be outrun by their competitors, Grieg have signed up for a new series of gantry craned open hatch bulkcarriers after extensive rounds in Japan, China and Korea. This is a first for Hyundai Mipo, although they have previously delivered a one-off specialized open hatch bulker/liquid pitch carrier for Gearbulk. With very few yards willing to build these sophisticated vessels we will not be surprised to see Vietnam emerging as open hatch builders in the future.

VLGC's are steadily surfing along at rates due north of usd 1,5mill per month and it seems that the volume of resale opportunities that some have anticipated will not become available. Instead more newbuildings are confirmed every forthnight. The somewhat uncertain situation is perhaps best displayed by "Japan Inc" which is both offering long-term sale/lease-backs of VLGCs at bareboat rates the mid usd 600' pcm while at the same time timechartering out newbuildings around usd 900' pcm.

CONTRACTS

Type	Nos	Size	Yard	Owner	Delivery	$ Mill	Comments
PC	3	115000 dwt	New Century	Zachello	2009/2010	60	Coated
PC	2+2	4500 dwt	Volgograd	Svithoid	2007		
BC	1	50000 dwt	PT Pal	Fairmont	2008	29	
BC	4+2	49000 dwt	H.Mipo	Grieg	2009/2010	65	Open hatch / gantry
LPG	2	83000 cbm	DSME	Ghandour	7/2009		

PRICES (MUSD)

TANKERS

Type	This week	Last week
VLCC	118	118
Suez	71	71
Afra	60	60
LR2	63	63
LR1	50	50
MR	44	44

BULKERS

Type	This week	Last week
Cape	59	59
Pmax	34	34
Hmax	29	29

LPG

Type	This week	Last week
VLCG	92	92
MGC	59	59
20' SR	57	57
10' ETH	40	40
3,5' FP	15	15

MARKET COMMENTS

The Capesize rates remain steady in the Atlantic whilst in the Pacific the market is softerthis week. ‘Mineral Capeasia’ (Lauritzen relet) 172,000 dwt built ‘05 fixed delivery China for 3-5 months period at Usd 31,000 per day. ‘Mineral Antwerpen’ 172,000 dwt built ’03 fixed to Lauritzen for 20/22 months period delivery on the Continent at Usd 29,000 per day. The same ship was relet for 12 months period to Bottiglieri at Usd 32,400 who in turn let the ship out to Korean SK Shipping at Usd 35,000 for a period of 4-6 months. ‘Anangel Eternity’ 171,000 dwt built ’99 fixed delivery Cape Passero at Usd 30,000 per day for an Atlantic roundtrip. ‘Star Zulu’ 170,000 dwt built ’86 fixed delivery China for a trip via Richards Bay to the Continent at Usd 15.250 per day. ‘Aquaglory’ 171,000 dwt built ’03 fixed delivery China for 3-5 months period at Usd 32.250 per day.

There is more activity for the Panamaxes in the Atlantic with rates unchanged from last week. Also the Pacific is steady but rates are a bit lower this week. ‘Ajax’ 77,000 dwt newbuilding fixed delivery Japan for a trip via Australia back to Japan at Usd 17,750 per day. ‘CSE Fortune Express’ 76,000 dwt built ’04 fixed delivery China for 4-6 months period at Usd 17.700 per day. ‘Red Gardenia’ 76,000 dwt built ’05 fixed delivery Gijon for a trip via EC South America to China at Usd 20,500 per day. ‘Nord Mercury’ 76,000 dwt built ’04 fixed delivery on the Continent for a trip via Orinocco river to the Continent at Usd 19,000 per day. ‘Yasa Fortune’ 82,000 dwt newbuilding fixed delivery yard Japan at Usd 17,500 for 4-6 months period. ‘Kookaburra’ 75,000 dwt built ’00 fixed delivery Taiwan for a trip via S.E Asia to the Continent at Usd 16.250 per day.

The handymax market is basically unchanged in the Atlantic except from Black Sea where it is still very slow due to lack of new business. The iron ore trade from west coast India to China is slower due to the effect of the monsoon season. In the Far East charterers are still fixing vessels for period to cover their prompt cargoes. A lot of prompt cement requirements from China to USGulf and West Africa keep the market firm in this area. A 56000 tdw built 06 was fixed delivery Baltic for 4/6 months at usd19500 daily. A 56000 tdw built 06 was fixed delivery Baltic for a trip with scrap to Turkey at Usd24000 daily. A 50000 tdw built 01 was fixed delivery Black Sea for a trip to South East Asia at Usd14750 daily. A 53500 twd built 04 was fixed delivery Continent for a trip to South East Asia at Usd18500 daily. A 55000 tdw built 05 was fixed delivery West coast India for a trip to China at Usd18750 daily. A 52000 tdw built 02 was fixed delivery east coast India for a triop to China at Usd21000 daily. A 48000 tdw built 02 was fixed from Taiwan via Indonesia to east coast India at Usd23000 daily. A 53703 tdw built 05 was fixed delivery Japan spot for 4/6 months at Usd21500 daily. A 53800 tdw built 04 was fixed delivery China for 12 months at Usd18950 daily. A 45000 tdw built 97 was fixed delivery Morocco for 4/6 months at Usd17000 daily.

Pareto Dry Cargo

Friday, May 19th 2006

RATES

Size:		19/05	12/05	05/05
MODERN CAPESIZE 172,000 DWT:				
- TC trip Cont/Far East	USD/day	42.750	43.000	39.000
- TC trip Far East/Cont	USD/day	18.500	19.500	18.500
- TC round trip in the Atlantic	USD/day	30.000	30.500	28.500
- TC round trip in the Pacific	USD/day	28.500	31.000	29.000
- 12 months TC 172,000 DWT (Delivery Far East)	USD/day	32.500	32.500	32.000
MODERN PANAMAX 74,000 DWT:				
- 54,000 hss USGulf/Japan - No Combo	USD/Ton	34,85	34,75	34,20
- TC trip Cont to Far East	USD/day	19.500	19.750	18.250
- TC roundtrip in the Atlantic	USD/day	18.000	18.250	17.750
- TC roundtrip in the Pacific	USD/day	17.250	17.500	17.000
- TC Far East/Continent	USD/day	16.000	16.750	16.000
- 4-6 months TC (Delivery Far East)	USD/day	17.750	18.000	17.250
- 12 months TC (Delivery Far East)	USD/day	16.750	17.000	17.000
MODERN HANDYMAX 50/55,000 DWT:				
- TC trip Continent to Far East	USD/day	18.500	18.750	18.000
- TC round trip in the Atlantic	USD/day	16.250	16.000	15.750
- TC trip Black Sea to Far East	USD/day	15.250	15.750	15.500
- TC round trip in the Pacific	USD/day	22.500	22.750	22.500
- TC trip Far East to Cont.	USD/day	25.000	25.000	23.500
- 4-6 months TC 44-46,000 DWT (Delivery Far East)	USD/day	20.750	20.500	20.000
- 12 months TC 44-46,000 DWT (Delivery Far East)	USD/day	17.250	17.000	16.000
- 4-6 months TC 50-55,000 DWT (Delivery Far East)	USD/day	22.750	23.000	22.000
- 12 months TC 50-55,000 DWT (Delivery Far East)	USD/day	18.500	18.250	17.750
BALTIC INDICES:				
- Baltic Dry Index	(BDI)	2479	2491	2383
- Baltic Supramax Index	(BSI)	1991	1948	1905
- Baltic Panamax Index	(BPI)	2293	2322	2205
- Baltic Cape Index	(BCI)	3168	3217	3056