

# **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 21 – 26.05.2006

[www.pfbassoe.no](http://www.pfbassoe.no)

Nr 21. Vol 29

## Tanker chartering – Crude

### Market comments

It's been another active week, and the VLCC market has taken on a more decisive tone. Although charterers continue to skillfully utilize single hulls, the selection has been steadily thinning out, resulting in more resistant upward pressure on rates. Activity needs to be sustained for this to continue, but there should be a sufficient amount of June cargoes to do so. Rates in the Atlantic have taken a setback, but are still significantly higher than in the MEG. Suezmax rates remain strong but are off their highs. It is a similar story for Aframax in the North Sea, where the end-of-month squeeze now is over.

VLCC (DH)		Current trend: <b>Firm</b>		
Route	WS today	Last week	USD/day	
270' MEG – Korea	85.0	80.0	44,911	
275' MEG – UKC	72.5	70.0	45,524	
260' Bonny – LOOP	100.0	107.5	58,838	

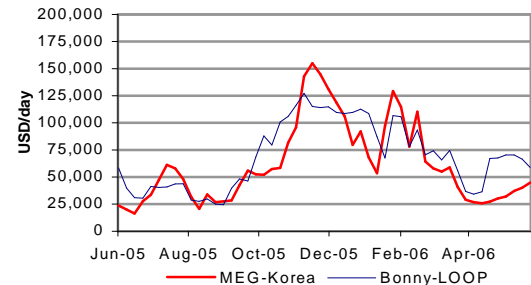
Suezmax (DH)		Current trend: <b>Flat</b>		
Route	WS today	Last week	USD/day	
130' Bonny – Phila.	155.0	155.0	48,897	
130' MAF – Ningpo	100.0	110.0	22,997	
135' Novo – Augusta	145.0	145.0	59,758	

Aframax (DH)		Current trend: <b>Mixed</b>		
Route	WS today	Last week	USD/day	
80' TEES – R.dam	140.0	180.0	41,676	
70' PLC – Texas	225.0	225.0	40,866	
80' MEG – Singapore	110.0	120.0	15,525	

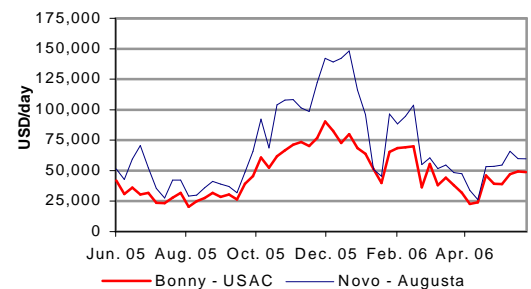
VLCC availability in MEG (# vessels)		
	Single hull	Double hull
Spot	0	0
Next 30 days	29	21

Bunkers (USD/mt)				
	Fujairah	334	Rotterdam	321

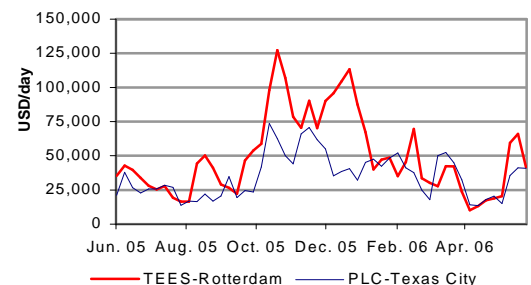
### VLCC earnings



### Suezmax earnings

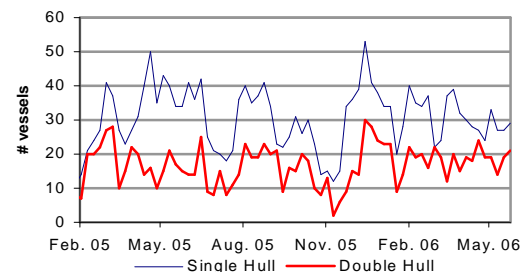


### Aframax earnings



### VLCC availability in MEG

# vessels next 30 days ex. FRO and TI



# Tanker chartering – Clean

## Market Comment

The continued its negative trend towards the end of this week, and rates are under pressure in all areas. Next week will probably see lower activity, and we expect the negative trend to continue.

### Market assessment – MR

Route	WS today	Last week	USD/day
30' Spore – Japan	305.0	362.5	19,959
37' Cont. – US	245.0	260.0	20,476
38' Car. – USAC	212.5	220.0	15,863

### Market assessment – LR

Route	WS today	Last week	USD/day
55' MEG – Japan	220.0	257.5	27,544
75' MEG – Japan	215.0	235.0	36,807

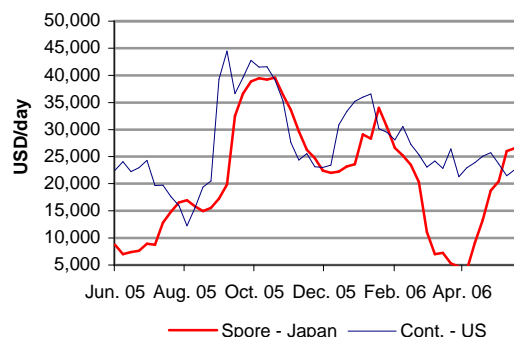
## Freight derivatives

The crude markets are struggling hard to gain momentum. Both VLCCs and Suezmaxes remain in a firm trendline, and the paper market is poised in its waiting for the break-out. Aframaxes dropped significantly on the spot this week, and the paper traded down accordingly. On the clean side, both Eastern and Western markets have taken a hit and the paper traders are heftily selling into expected further declines.

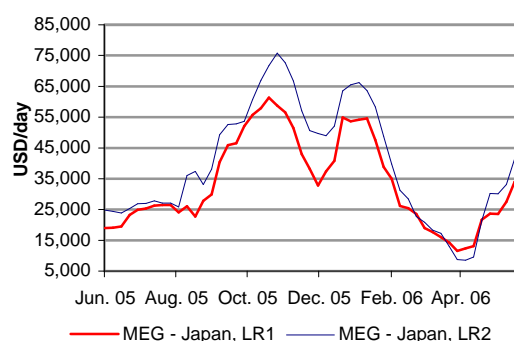
### Weekly change in key FFA contracts

Jun	Jul	Q3'06	Q4'06	Q1'07	CAL07
<b>TD3 MEG-Japan, 250' dwt</b>					
82.0	81.0	83.5	122.0	97.0	78.5
-1.0	2.0	0.5	2.0	0.0	-0.5
<b>TD 5 West Africa – USAC, 130' dwt</b>					
136.0	122.5	122.5	170.0	140.0	123.0
2.0	2.5	1.5	2.0	2.0	-1.0
<b>TD 7, North Sea, UKC, 80' dwt</b>					
120.0	107.0	111.5	167.5	145.0	130.0
-7.5	-3.0	-2.5	-1.5	0.0	0.0
<b>TC 2 Cont-USAC, 37' dwt</b>					
240.0	237.0	254.0	295.0	265.0	238.0
-20.0	-8.0	-7.0	-7.5	-5.0	0.0
<b>TC 5, MEG-Japan, 55' dwt</b>					
208.0	211.0	220.0	277.5	242.5	213.0
-27.0	-19.0	-10.0	-17.5	-2.5	-3.0

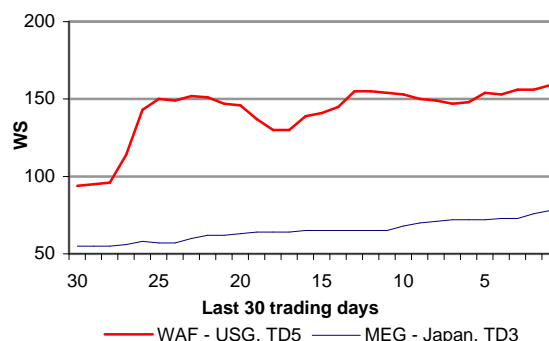
### MR earnings



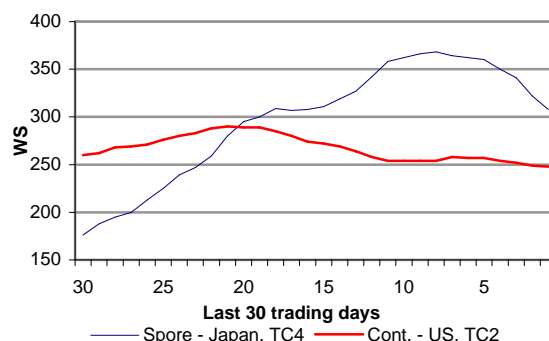
### LR earnings



### BITR rates, crude



### BITR rates, clean



## Research

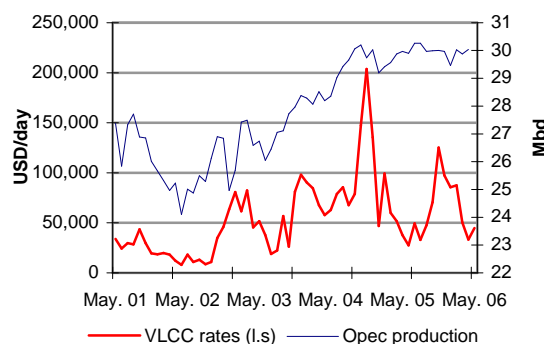
It's been a wild couple of weeks for oil, with prices gyrating wildly in response to headline news. We see this mainly as a game between the "paper boys" who have had a lot of fun in the commodity pits this year. In contrast, the physical market in both the US and Asia have been sending signals of tightening. In the US, prompt oil has appreciated markedly relative to oil for forward delivery, cutting the discount in half over the past couple of weeks. Furthermore, WTI has erased its month-long and unusual discount to Brent. In sum, the market is starting to signal some degree of tightness and the need for more imports going forward. It also ties in nicely with the very strong Atlantic Basin tanker market we have seen over the past month. In Asia, refining margins are showing unusual strength. Scheduled and unscheduled refinery shutdowns are contributing factors, but underlying demand seems very strong based hefty macro figures from China and Japan, and a sharp rise in crude imports this year. Tighter oil market conditions tend to be good news for tanker owners, even more so when tightness begins during what is supposed to be the seasonal low point of the 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

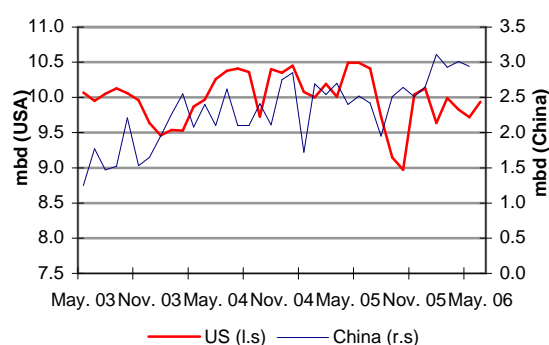
Average earnings	2004	2005	2006 YTD
VLCC, MEG – Korea	97,657	60,232	58,120
Suezmax, Bonny – Phila.	65,965	46,907	47,047
Aframax, TEES – R.dam	56,610	54,304	38,095

Source: IEA, DoE, Bassøe estimates

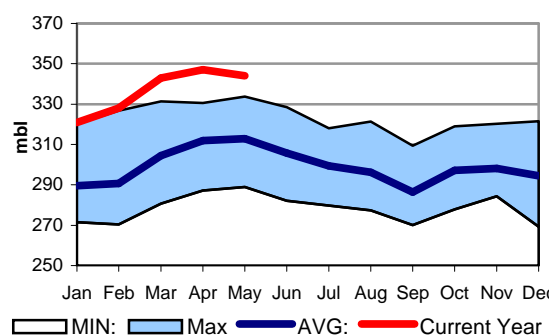
### VLCC rates vs. Opec production



### Crude oil imports



### Crude oil inventories – USA



## SALE & PURCHASE

### MARKET COMMENTS

With most of the industry soon about to pack their sunglasses for Posidonia it's not only the weather in Greece that looks good. Tanker earnings are showing improved returns and perhaps more importantly, the period market is holding up nicely indeed. The transaction volume is low but several modern units remain for sale if the sellers' price ideas are met.

At the same, we continue to see a run for bulkers with new ships on the market every week. Vroon, who has already been disposing of several modern units so far this year (as well as buying 2 panamax resales), has placed 2 resale handymax bulkers for sale with a price tag of abt usd 32 mill each reflecting both place of build, size and forward delivery.

It's also interesting to note that most dry bulk shares are trading at a high premium to their NAV which makes buying bulkers a more attractive option than (dry bulk) shares at the moment.

### TANKERS

#### SALES

Vessel	Dwt	Built	Buyer	\$ Mill	Comments
Usuki HN 1700	19990	2006	First Ship L.	45	bb back / st st
Usuki HN 1701	19900	2006	First Ship L.	45	bb back / st st
Alfios	38481	1983	Champion	8.5	dbl bottom

#### SECONDHAND VALUES (MUSD)

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

<sup>1)</sup> Non dbl hull

### BULKERS

#### SALES

Vessel	Dwt	Built	Buyer	\$ Mill	Comments
Pythagoras	75000	2002	Adelphia	34	tc 07/2007
Pantanassa	69750	1988	Chinese	15.4	
Liberty Ace	45750	1996		21.8	
Dixie Monach	44700	1991	TMT	14.1	
Samos Dream	40300	1989	Greeks	13.5	
Magdalena Old.	24250	1998		20	2 yrs bbc

#### 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
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#### 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



## NEWBUILDING

### MARKET COMMENTS

Korean yards don't like coming empty-handed to Posidonia and we expect they're now fine-tuning both their calculations and delivery positions before this important event. Much increased container activity and the weak dollar will for sure be re-occurring themes put forward by the Korean representatives when they shall justify their prices !

Maersk add another two VLGC's to their newbuilding programme now comprising 6 such units. The last two ships will be time chartered from Japanese owners at usd 900,000 pcm with purchase options. Similar deal was recently concluded by BWG and based on newbuilding prices excess usd 90 mill we expect this will provide the Japanese owners with a return on tot. cap. of a modest 4 % p.a. if the purchase options are declared.

We expect more tanker orders will soon materialise in China, for instance for suezmaxes at Rongsheng which will be a first of this type for this new yard.

### CONTRACTS

Type	Nos	Size	Yard	Owner	Delivery	\$ Mill	Comments
MT	2	300000 dwt	Namura	MOL	2009/2010	115	
PC	2+2	50000 dwt	SPP	Hellenic Star	2008	45	
PC	4	12600 dwt	21 <sup>st</sup> Century	Camillo Eitzen	2007/2008	23	Imo2
PC	2	8000 dwt	Yanzhou	Semua Shipping	2008/2009	12	
LPG	1	78000 cbm	MHI	Daiichi	2009	91/92	Maersk tc
LPG	1	78000 cbm	MHI	Yuyo	2009	91/92	Maersk tc
BC	4	53000 dwt	Chengxi	China Shipping	2009/2010	29	DbI hull
BC	2	32000 dwt	Hakodate	Clipper	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
VLGC	92	92
MGC	59	59
20' SR	57	57
10' ETH	40	40
3,5' FP	15	15



## MARKET COMMENTS

The Capesize market remains uneventful with rates moving sideways. There are a few ships fixed for short period this week. 'Mineral China' 172,000 dwt built '03 fixed 4.5-6.5 months period at Usd 34.000 per day delivery on the Continent. 'Constantia' 171,000 dwt built '96 fixed delivery Spain for 7-9 months period at Usd 34.250 per day. 'Martzoukas A' 161,000 dwt built '95 fixed delivery China for 4-6 months period at Usd 26,000 per day. 'Chloe' 160,000 dwt built '97 fixed delivery Far East July/August at Usd 25,000 per day for 3 years period. 'Nightwing' 170,000 dwt built '06 fixed delivery China for a trip via W.Australia to China at Usd 24,000 per day. 'Kassos Warrior' 194.000 dwt built '86 delivery China for a trip via Brazil to China at Usd 21,800 per day. 'Cape Lord' 143.000 dwt built '82 fixed delivery China for a round via Australia to Taiwan at Usd 15,000 per day.

The Panamax market is a bit firmer this week despite slow activity due to European holidays. The grainhouses have again been busy fixing tonnage for short period. 'Evanthia' 74,000 dwt built '01 fixed delivery China for 3-5 months period at Usd 17.300 per day. 'Anita' 72,000 dwt built '99 fixed 3-5 months period at Usd 17,500 per day delivery China. 'Vitali' 62,000 dwt built '82 fixed delivery Aden for 3-5 months period at Usd 12,400 per day. 'Ariana' 76,000 dwt built '05 fixed delivery Surabaya for 4-6 months period at Usd 19,000 per day. The same ship got fixed for a trip to the Mediterranean at Usd 19.500 per day. 'Valles TBN' 76,000 dwt newbuilding fixed 3 years period at Usd 13,500 per day to Chinese charterers. 'Eternal Grace' 76.500 dwt built '06 fixed delivery Ghent for a trip via E.C.South America to Far East At usd 19,500 per day. 'Halo Olympus' 72,000 dwt built '97 fixed delivery on the Continent for a transatlantic roundtrip at Usd 19,000 per day. 'Lord Byron' 76,000 dwt built '05 fixed delivery Japan for a trip via NoPac back to Far East at Usd 19,750 per day.

The handymax market has improved slightly this week in both hemispheres. However, in the Black Sea the market is still very quiet due to lack of new business and vessels are ballasting direction Gibraltar. In the Far East it is still a lot of cement movements from China to US Gulf and West Africa which maintain a firm market for trips and short period. A 50000 tdw built 02 was fixed from US Gulf to Far East at Usd18500 daily. A 46600 tdw built 99 was fixed delivery EC India for 5/7 months time charter at Usd18000 daily. A 43000 tdw built 95 was fixed delivery EC Mexico for 5/7 months time charter at Usd17500 daily. A 43600 tdw built 93 was fixed delivery Japan for 4/6 months at Usd19750 daily. A 56000 tdw built 06 was fixed delivery Japan end May for 11/13 months at Usd19500 daily.



## RATES

Size:		26/05	19/05	12/05
<b>MODERN CAPE SIZE 172,000 DWT:</b>				
- TC trip Cont/Far East	USD/day	40.000	42.750	43.000
- TC trip Far East/Cont	USD/day	17.000	18.500	19.500
- TC round trip in the Atlantic	USD/day	28.500	30.000	30.500
- TC round trip in the Pacific	USD/day	24.500	28.500	31.000
- 12 months TC 172,000 DWT (Delivery Far East)	USD/day	32.000	32.500	32.500
<b>MODERN PANAMAX 74,000 DWT:</b>				
- 54,000 hss USGulf/Japan - No Combo	USD/Ton	35,15	34,85	34,75
- TC trip Cont to Far East	USD/day	19.750	19.500	19.750
- TC roundtrip in the Atlantic	USD/day	18.250	18.000	18.250
- TC roundtrip in the Pacific	USD/day	17.750	17.250	17.500
- TC Far East/Continent	USD/day	16.750	16.000	16.750
- 4-6 months TC (Delivery Far East)	USD/day	17.500	17.750	18.000
- 12 months TC (Delivery Far East)	USD/day	17.000	16.750	17.000
<b>MODERN HANDYMAX 50/55,000 DWT:</b>				
- TC trip Continent to Far East	USD/day	18.500	18.500	18.750
- TC round trip in the Atlantic	USD/day	16.750	16.250	16.000
- TC trip Black Sea to Far East	USD/day	15.250	15.250	15.750
- TC round trip in the Pacific	USD/day	22.750	22.500	22.750
- TC trip Far East to Cont.	USD/day	25.500	25.000	25.000
- 4-6 months TC 44-46,000 DWT (Delivery Far East)	USD/day	21.000	20.750	20.500
- 12 months TC 44-46,000 DWT (Delivery Far East)	USD/day	17.500	17.250	17.000
- 4-6 months TC 50-55,000 DWT (Delivery Far East)	USD/day	23.000	22.750	23.000
- 12 months TC 50-55,000 DWT (Delivery Far East)	USD/day	18.750	18.500	18.250
<b>BALTIC INDICES:</b>				
- Baltic Dry Index	(BDI)	2432	2479	2491
- Baltic Supramax Index	(BSI)	2022	1991	1948
- Baltic Panamax Index	(BPI)	2339	2293	2322
- Baltic Cape Index	(BCI)	2951	3168	3217

Index Summary

