

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 22 – 02.06.2006

www.pfbassoe.no

Nr 22. Vol 29

Tanker chartering – Crude

Market comments

It's been another active week in the VLCC market, and after a long period of very gradual rate changes the market is now definitely gathering steam. Single hulls have been the centre of charterers' attention for some time, but the seemingly endless stream of candidates is now thinning out. With a steady flow of late-June cargoes in the market, the result has been a pronounced upward move in MEG rates, to the highest level since late February. Where the market goes from here will as usual depend on how the remainder of the month-end cargo program looks. Owners certainly look like they will arrive at Posidonia next week in a confident mood, however. In the Suezmax market rates have come down from last week but the drop may be short-lived, as tonnage is thin for end-month. Aframaxes have dropped throughout the Atlantic Basin, but seem to be stabilizing at week's end.

VLCC (DH)		Current trend: Firming		
Route	WS today	Last week	USD/day	
270' MEG – Korea	105.0	85.0	63,479	
275' MEG – UKC	80.0	72.5	54,480	
260' Bonny – LOOP	100.0	100.0	59,653	

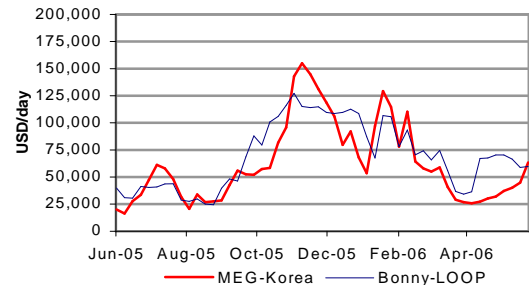
Suezmax (DH)		Current trend: Flat		
Route	WS today	Last week	USD/day	
130' Bonny – Phila.	140.0	155.0	41,785	
130' MAF – Ningpo	140.0	100.0	40,591	
135' Novo – Augusta	140.0	145.0	56,831	

Aframax (DH)		Current trend: Weaker		
Route	WS today	Last week	USD/day	
80' TEES – R.dam	125.0	140.0	32,738	
70' PLC – Texas	190.0	225.0	31,759	
80' MEG – Singapore	125.0	110.0	19,483	

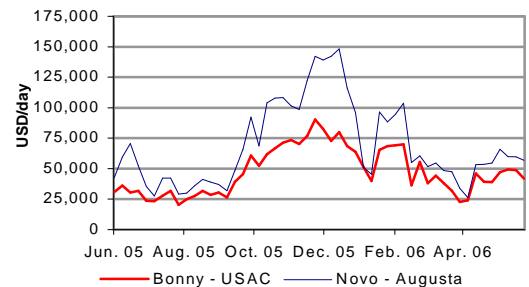
VLCC availability in MEG (# vessels)		
	Single hull	Double hull
Spot	0	0
Next 30 days	26	15

Bunkers (USD/mt)			
Fujairah	330	Rotterdam	317

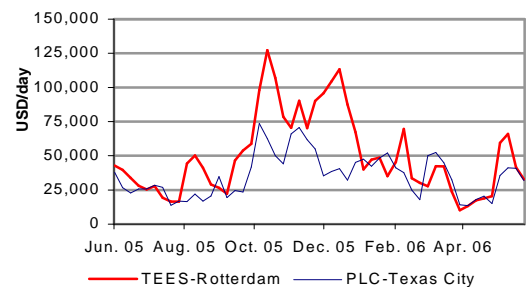
VLCC earnings



Suezmax earnings

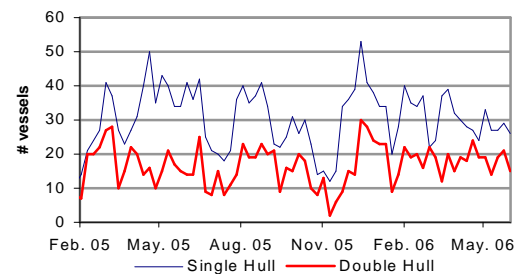


Aframax earnings



VLCC availability in MEG

vessels next 30 days ex. FRO and TI



Tanker chartering – Clean

Market Comment

Most markets fell inch by inch this week, however with only moderate changes. MR's in the Atlantic have been fairly active, and stabilized at WS 240 level towards the end of the week.

Market assessment – MR

Route	WS today	Last week	USD/day
30' Spore – Japan	280.0	305.0	17,444
37' Cont. – US	240.0	245.0	19,919
38' Car. – USAC	210.0	212.5	15,625

Market assessment – LR

Route	WS today	Last week	USD/day
55' MEG – Japan	225.0	220.0	28,572
75' MEG – Japan	210.0	215.0	35,784

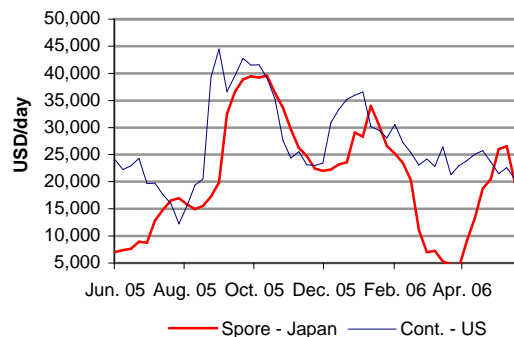
Freight derivatives

Finally the long awaited TD3 rally seems to be in the making. TD3 prompt started the week at mid 80 levels, before trading up to WS93 on Friday on the back of SH86 blt at WS87.5 and DH at WS105. TD5 prompt followed suit with a 6 point intraday move up. Still, the mover of the week is TD7 JUN which jumped 12 points on the back of heavy fixing by oil majors. Western clean markets appear steady, while the eastern side recouped some of the lost ground from last week.

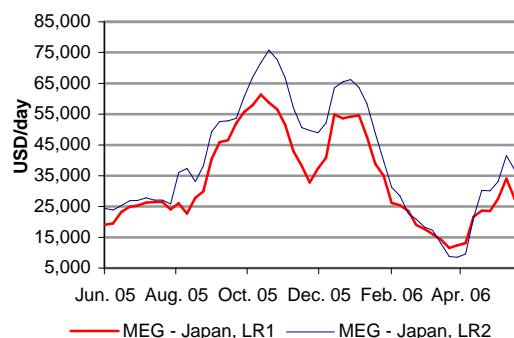
Weekly change in key FFA contracts

Jun	Jul	Q3'06	Q4'06	Q1'07	CAL07
TD3 MEG-Japan, 250' dwt					
93.0	88.0	88.0	126.0	97.0	78.5
11.0	7.0	4.5	4.0	0.0	0.0
TD 5 West Africa – USAC, 130' dwt					
142.0	122.5	124.0	170.0	140.0	123.0
6.0	2.5	1.5	0.0	0.0	0.0
TD 7, North Sea, UKC, 80' dwt					
134.0	110.0	114.0	170.5	145.0	130.0
14.0	3.0	2.5	3.0	0.0	0.0
TC 2 Cont-USAC, 37' dwt					
240.0	242.5	260.0	300.0	265.0	237.0
0.0	5.5	6.0	5.0	0.0	-1.0
TC 5, MEG-Japan, 55' dwt					
223.0	220.0	227.5	285.0	242.5	213.0
15.0	9.0	7.5	7.5	0.0	0.0

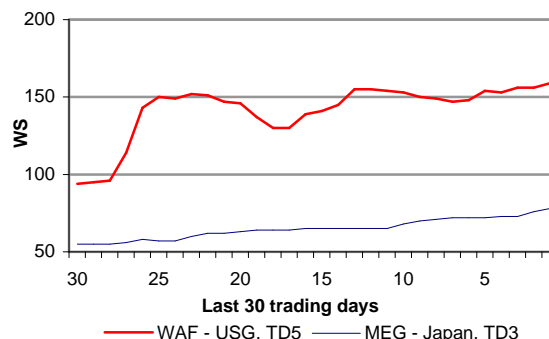
MR earnings



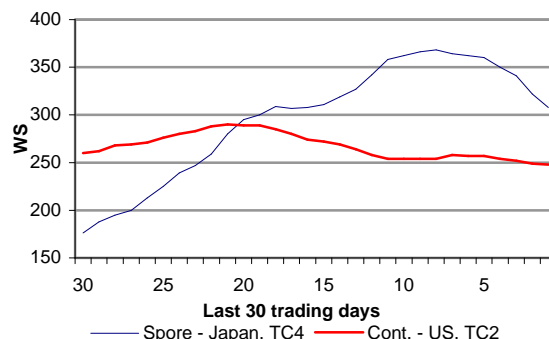
LR earnings



BITR rates, crude



BITR rates, clean



Research

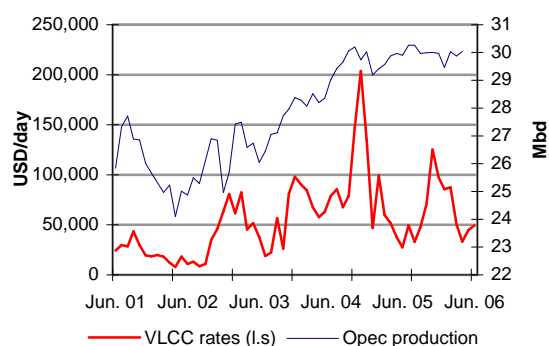
Despite all the focus on growth in emerging markets, the US continues to play an all-important role for tankers of all sizes. This week's figures from the EIA shows why; The sum of crude oil and product imports topped 15 mbd for the first time ever. In percent of total consumption, this comes to a staggering 70% (remember when 50% import dependency was considered high). However, with US inventories high and rising, the obvious question is if the best is behind for tanker owners. That will depend on how well the market absorbs this oil. Inventories are indeed high, but, the year on year surplus is steadily shrinking as the spring inventory build to date has been less than half the normal rate. The big question mark is demand growth. Here the news is almost too good to be believed (if you are a tanker owner). Demand so far in Q2 is up more than 3% y/y and for May alone the rise is nearly 5%, a stunning turnaround from the weather-inspired 1.3% contraction seen in Q1. History has shown that the weekly data is quite volatile, and prone to revisions. However, it would be highly unusual if all of the current strength was revised away. All lanes may thus continue to lead to the US for a while yet.

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

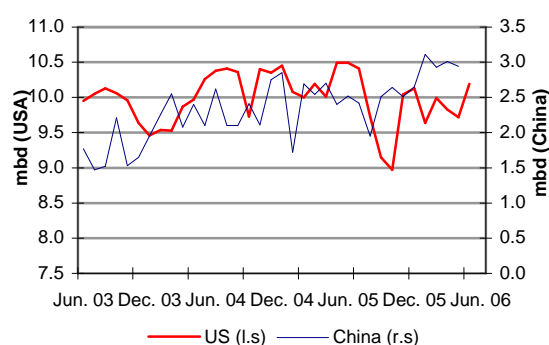
Average earnings	2004	2005	2006 YTD
VLCC, MEG – Korea	97,657	60,232	58,364
Suezmax, Bonny – Phila.	65,965	46,907	46,808
Aframax, TEES – R.dam	56,610	54,304	37,852

Source: IEA, DoE, Bassøe estimates

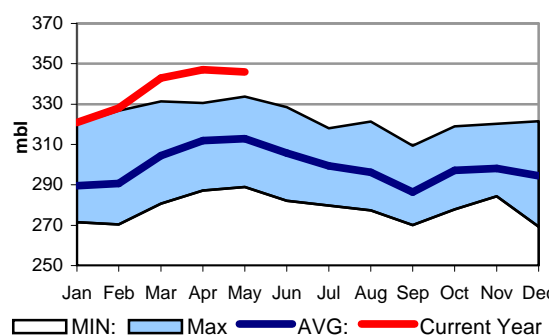
VLCC rates vs. Opec production



Crude oil imports



Crude oil inventories – USA



SALE & PURCHASE

MARKET COMMENTS

In a recent display of confidence in the gas market, Harpain has assumed the position as today's most aggressive buyer of large semi-ref LPG carriers. Following the bold December purchase of Queen Zenobia (23000/2000) and the fresh order for 2+4 x 16500 cbm ethylene at Dayang, Harpain eventually emerged as the buyer of Hans Maersk. The price being spot on our current estimates for 15 years old 20's when considering the upside cap by 5+3 years t/c back to APM at USD 645,000 pcm.

With expectations of a booming dry cargo market towards the end of this decade there is firm buying interest for modern tonnage and the focus this week is on handymaxes. At the same time and driven by Chinese demand, utilization of the fleet is increasing in a period with almost no scrapping and an impressive orderbook for the next couple of years. The price spread for modern tankers results in no significant sales taking place. However a number of modern units could soon be in play and with the further improved earnings seen in the tanker market this week sellers may turn out to be holding the best cards.

TANKERS

SALES

Vessel	Dwt	Built	Buyer	\$ Mill	Comments
Berana	83890	1985	Norway k/s	23.5	bb 5@15250
Sun Light	39700	1983	Greece	9	
Venus G	38200	1982	Greece	8.5	
Alexandros	29999	1987	Undiscl.	10.25	

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
Dayang resale	53000	2006	Undiscl.	33.75	
Dayang resale	53000	2007	"	33.75	
Yasa H.Emirhan	52434	2001	Kaptanoglou	32	
Yasa H.Mulla	52434	2002	"	33.5	
Yasa Kapt.Erbil	52434	2002	"	33.5	
PT Pal resale	50000	2006	Seven Seas	34.1	semi o.hatch
PT Pal resale	50000	2007	Seven Seas	34.1	" "
Gem of Madras	42.000	1986	Undisclosed	10.9	
Kanda Resale	32500	2007	Pac Basin	27	

SECONDHAND VALUES (MUSD)

	PPT resale	5	10	15
Cape	63	55	38	25
Pmax	41	34	27	20
Hmax	36	31	22	17

LPG

SALES

Vessel	Cbm	Type	Built	Buyer	\$ Mill	Comments
Hans Maersk	20700	SR	1993	Harpain	41	5 yrs tc back

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	4,5



NEWBUILDING

MARKET COMMENTS

Negotiations are taking place in China for both aframaxes and suezmaxes whereas Korean yards enjoy renewed interest for large container vessels. The latter never come in single orders and with good margins for the yards.

Post-CSR prices being quoted show a modest increase in prices with Japanese and Chinese yards holding the sharpest pencils, particularly for aframaxes, however earliest deliveries are generally still found in Korea.

Fast expanding Aker Yards now have a combined order-book worth NOK 60 bn (abt USD 9 bn) and their need for a reliable source for low-cost hulls is strengthened by the company's 50 % equity stake in Damen Okean in Ukraine announced this week.

CONTRACTS

Type	Nos	Size	Yard	Owner	Delivery	\$ Mill	Comments
MT	2	300000 dwt	IHI	Formosa Plastics	2010	120	
MT	2	107000 dwt	Tsuneishi	Polyar	2009	61	
MT	2	107000 dwt	Namura	Korea Line	2009	61	
MT	2	51000 dwt	STX	Prisco	2009		Options/ice 1a

PRICES (MUSD)

TANKERS

Type	This week	Last week
VLCC	120	118
Suez	73	71
Afra	61	60
LR2	64	63
LR1	51	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	91	92
MGC	59	59
20' SR	57	57
10' ETH	40	40
3,5' FP	15	15



MARKET COMMENTS

The Capesize rates recovered nicely in the Pacific this week. Also the Atlantic look better with firmer rates paid for early tonnage. 'Pacific Confidence' 180,000 dwt built '04 fixed delivery Taranto for a trip via Brazil to China at Usd 43,500 per day. 'Scope' 174,000 dwt newbuilding fixed delivery ex yard Shanghai 18 months period at Usd 29,000 (net of commissions). 'Anangel Innovation' 172,000 dwt built '04 fixed delivery China for 4-6 months period at Usd 34,000 per day. 'Cape Mercury' 165,000 dwt built '97 fixed delivery Korea for a trip via Australia to Japan at Usd 27,500 per day. 'Cape Heron' 177,000 dwt built '05 fixed delivery Cape Passero for a trip via Brazil to China at Usd 42,000 per day. 'Marvellous' 169,000 dwt built '00 fixed 4.5-5.5 months period delivery in China at Usd 32,250 per day.

The Panmax market is a bit more active with higher rates both in the Atlantic and the Pacific. Operators continue to charter in tonnage for medium to long period. 'Marijeannie' 74,000 dwt built '01 fixed delivery Far East for 11/13 months period at Usd 17,000 per day. 'Bulk Two' 76,000 dwt built '04 fixed delivery Taiwan for 4/6 months period at Usd 17,500 per day. 'Eastern Queen' 70,000 dwt built '94 fixed delivery China at Usd 16,500 for 6/8 months period. 'Kalliopi L' 76,000 dwt built '01 fixed delivery Philippines for a trip via Australia to the Continent at Usd 19,750 per day. 'Mega Wisdom' 76,000 dwt built '01 fixed delivery Italy for a trip via EC South America to Far East at Usd 20,150 per day. 'Elinakos' 73,000 dwt built '97 fixed delivery UK for a trip via Brazil redelivery Continent at Usd 18,500 per day.

The Handymax market remained basically unchanged in both hemispheres. In the Atlantic there has been more activity from the USGulf with better rates being fixed to Continent and Mediterranean whilst rates to Far East are unchanged. In the Far East the demand for grabbed vessels for short period is still active. The cement trade from China to west Africa and USA is still requiring a lot of prompt tonnage in the area. A 45000 tdw built 00 was fixed delivery Mediterranean for a trip to USEC at Usd12000 daily. A 50400 tdw built 02 was fixed delivery Italy for a trip to Far East at Usd15000 daily. A 52000 tdw built 02 was fixed delivery USGulf for 4/6 months at Usd20000 daily. A 47000 tdw built 97 was fixed from USGulf to Continent or Mediterranean at Usd21000 DAILY. A 49000 tdw built 04 was fixed delivery USGulf for a trip to Far East at Usd19000 daily. A 45000 tdw built 97 was fixed delivery west Africa for a trip via Brazil to USGulf at Usd15250 daily. A 51000 tdw built 00 was fixed delivery Brazil for a trip to Australia at usd20000 daily plus usd270000 ballast bonus. A 52000 tdw built 02 was fixed delivery Brazil for a trip to India at Usd20000 daily. A 53500 tdw built 04 was fixed delivery east coast India for a trip to China at Usd23000 daily. A 52000 tdw built 02 was fixed delivery north China for a trip via Australia to east coast India at Usd24000 daily. A 48000 tdw built 00 was fixed delivery China for 4/6 months at usd22000 daily. A 50300 tdw built 02 was fixed delivery Far East for 12 months at Usd18750 daily.



RATES

Size:		02/06	26/05	19/05
MODERN CAPE SIZE 172,000 DWT:				
- TC trip Cont/Far East	USD/day	43.000	40.000	42.750
- TC trip Far East/Cont	USD/day	19.500	17.000	18.500
- TC round trip in the Atlantic	USD/day	30.000	28.500	30.000
- TC round trip in the Pacific	USD/day	30.000	24.500	28.500
- 12 months TC 172,000 DWT (Delivery Far East)	USD/day	32.000	32.000	32.500
MODERN PANAMAX 74,000 DWT:				
- 54,000 hss USGulf/Japan - No Combo	USD/Ton	35,30	35,15	34,85
- TC trip Cont to Far East	USD/day	20.250	19.750	19.500
- TC roundtrip in the Atlantic	USD/day	18.500	18.250	18.000
- TC roundtrip in the Pacific	USD/day	18.500	17.750	17.250
- TC Far East/Continent	USD/day	17.500	16.750	16.000
- 4-6 months TC (Delivery Far East)	USD/day	17.500	17.500	17.750
- 12 months TC (Delivery Far East)	USD/day	17.000	17.000	16.750
MODERN HANDYMAX 50/55,000 DWT:				
- TC trip Continent to Far East	USD/day	18.500	18.500	18.500
- TC round trip in the Atlantic	USD/day	16.750	16.750	16.250
- TC trip Black Sea to Far East	USD/day	15.250	15.250	15.250
- TC round trip in the Pacific	USD/day	23.000	22.750	22.500
- TC trip Far East to Cont.	USD/day	26.000	25.500	25.000
- 4-6 months TC 44-46,000 DWT (Delivery Far East)	USD/day	21.000	21.000	20.750
- 12 months TC 44-46,000 DWT (Delivery Far East)	USD/day	17.500	17.500	17.250
- 4-6 months TC 50-55,000 DWT (Delivery Far East)	USD/day	23.000	23.000	22.750
- 12 months TC 50-55,000 DWT (Delivery Far East)	USD/day	18.750	18.750	18.500
BALTIC INDICES:				
- Baltic Dry Index	(BDI)	2514	2432	2479
- Baltic Supramax Index	(BSI)	2010	2022	1991
- Baltic Panamax Index	(BPI)	2397	2339	2293
- Baltic Cape Index	(BCI)	3150	2951	3168

Index Summary

