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 23 – 09.06.2006 | www.pfbassoe.no | Nr 23. Vol 29

Tanker chartering – Crude

Market comments

Based on this week's very busy VLCC market one would not believe that a large part of the industry allegedly has been lounging by the various pools in Athens. The market's strong finish to last week has continued and charterers moved swiftly to cover early July cargoes. Owners have responded enthusiastically by pushing MEG rates sharply higher to levels normally associated with winter conditions. Tonnage availability remains relatively low and with still plenty of uncovered cargoes, the momentum seems likely to continue into next week. The strength in the MEG has spilled over to the Atlantic, where rates are strengthening again after a few quiet weeks. The Suezmax market, on the other hand, has dropped. Activity has been slow and owners are keen to fix, all resulting in a textbook case of lower rates. For much of the same reasons, Aframaxes in the North Sea have taken a massive blow, hitting multi-year lows. Other trades are also weaker, but not to the same extent.

VLCC (DH)	Current trend: Firming		
Route	**WS today**	**Last week**	**USD/day**
270' MEG – Korea	120.0	105.0	77,314
275' MEG – UKC	90.0	80.0	66,123
260' Bonny – LOOP	107.5	100.0	67,215

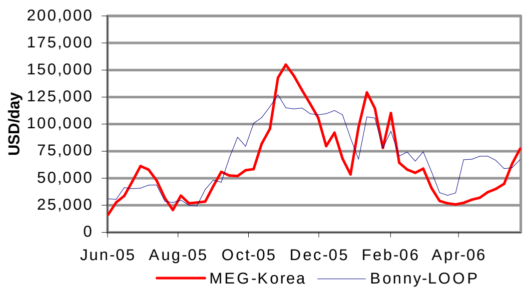
Suezmax (DH)	Current trend: Weaker		
Route	**WS today**	**Last week**	**USD/day**
130' Bonny – Phila.	125.0	140.0	35,518
130' MAF – Ningpo	130.0	140.0	36,351
135' Novo – Augusta	130.0	140.0	50,857

Aframax (DH)	Current trend: Weaker		
Route	**WS today**	**Last week**	**USD/day**
80' TEES – R.dam	80.0	125.0	5,923
70' PLC – Texas	185.0	190.0	30,683
80' MEG – Singapore	115.0	125.0	16,998

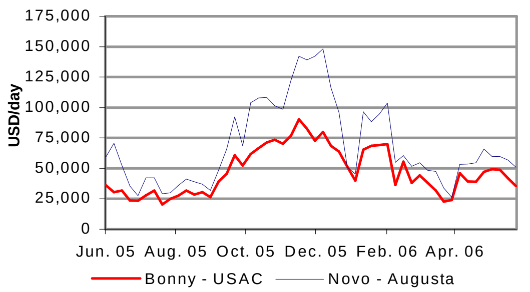
VLCC availability in MEG (# vessels)		
	Single hull	**Double hull**
Spot	0	0
Next 30 days	23	15

Bunkers (USD/mt)			
Fujairah	328	**Rotterdam**	305

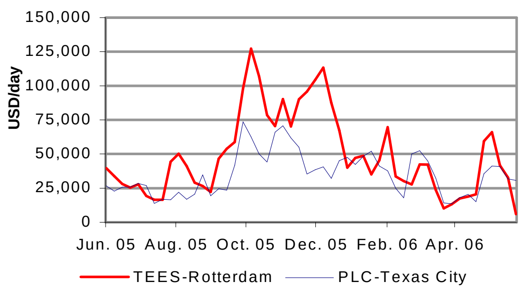
VLCC earnings



Suezmax earnings

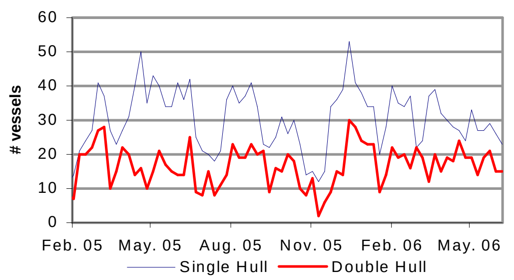


Aframax earnings



VLCC availability in MEG

vessels next 30 days ex. FRO and TI



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Tanker chartering – Clean

Market Comment

Most product markets bottomed out during the middle of the week. Towards the end of the week most trades have seen slightly higher rate levels.

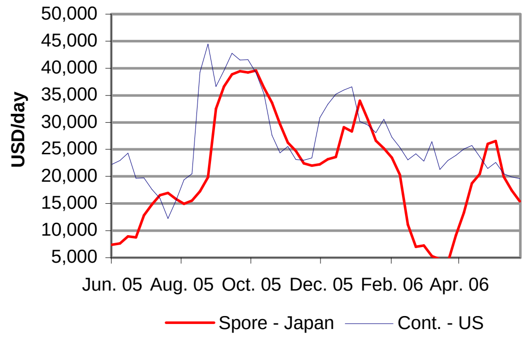
Market assessment – MR

Route	WS today	Last week	USD/day
30' Spore – Japan	260.0	280.0	15,427
37' Cont. – US	235.0	240.0	19,593
38' Car. – USAC	215.0	210.0	16,442

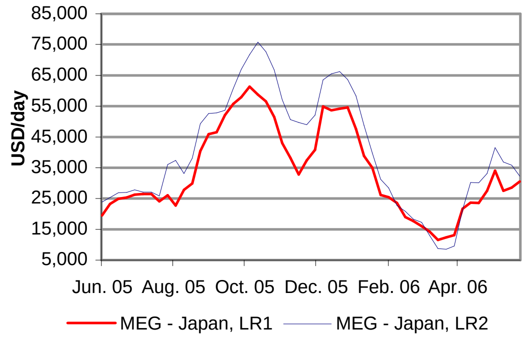
Market assessment – LR

Route	WS today	Last week	USD/day
55' MEG – Japan	235.0	225.0	30,487
75' MEG – Japan	195.0	210.0	32,316

MR earnings



LR earnings



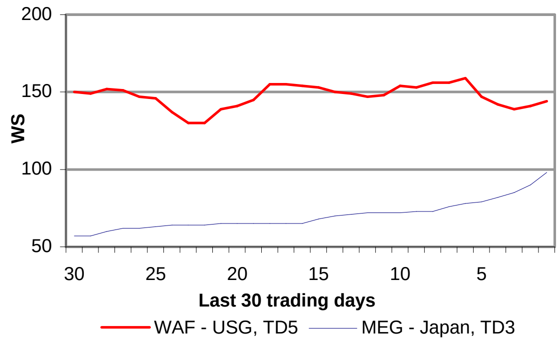
Freight derivatives

TD3 continuing it's firm trend from last week. June and July gained more weight, but are still well placed below spot suggesting a shortlived upswing. Suezmaxes finally came off on the physical side and the inflated prompt month was hit hard, while the curve suffered minor losses. TD7 experienced the same as w110 was fixed in NSEA. The clean markets in the West are mixed to say the least, Cbs soft while Cont looking tighter. Eastern markets are looking healthy in MEG, while more sluggish further East.

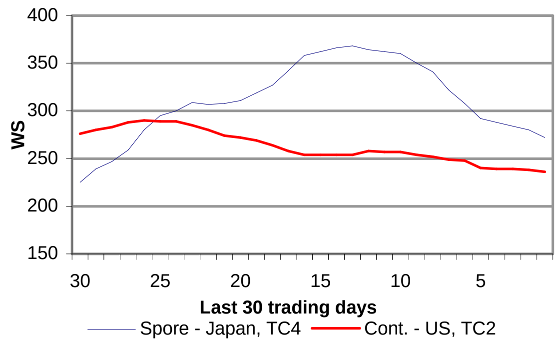
Weekly change in key FFA contracts

Jun	Jul	Q3'06	Q4'06	Q1'07	CAL07
TD3 MEG-Japan, 250' dwt					
102.0	91.0	89.0	127.5	99.0	80.0
9.0	3.0	1.0	1.5	2.0	1.5
TD 5 West Africa – USAC, 130'dwt					
130.0	121.0	123.0	169.0	140.0	122.5
-12.0	-1.5	-1.0	-1.0	0.0	-0.5
TD 7, North Sea, UKC, 80'dwt					
119.0	109.0	113.0	170.0	143.0	129.0
-15.0	-1.0	-1.0	-0.5	-2.0	-1.0
TC 2 Cont-USAC, 37' dwt					
242.5	250.0	265.0	302.5	265.0	238.0
2.5	7.5	5.0	2.5	0.0	1.0
TC 5, MEG-Japan, 55' dwt					
225.0	222.5	227.5	282.5	245.0	213.0
2.0	2.5	0.0	-2.5	2.5	0.0

BITR rates, crude



BITR rates, clean



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Research

What is behind the unusually buoyant tanker market seen over the past few weeks? A lot of focus is on tanker supply being reduced due to more floating storage or shipping delays. We believe the driving force is more fundamental in nature, however; After what looks like an inadequate Q2 stockbuild (US inventories have so far risen at less than half the normal rate), the call-on-Opec crude is on the rise again. Based on the EIA's latest analysis, the call on Opec is set to rise by 0.6 mbd to 30.2 mbd during Q3. What is significant about this is that it is becoming increasingly clear that actual Opec output is trailing the "call", by an unusually wide margin. The EIA estimates that output is 29.4 mbd, almost 1 mbd short. Competition for barrels is therefore on the rise, which in turn is raising tanker demand. The effect is being compounded by the fact that part of the rise is driven by the shortfall in oil supplies in the Atlantic Basin. The hurricane aftershocks from last year are still constraining US Gulf supplies, and Russian export growth is slowing. With refineries boosting runs ahead of the driving season, there is a bigger hole to fill than usual in the Atlantic, despite present higher-than normal inventories. It could be a hot summer…

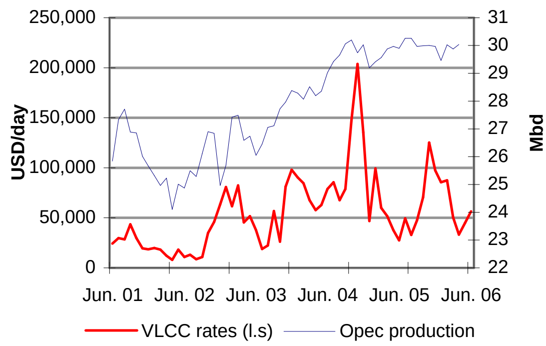
Key market drivers

	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	139			
Deliveries		17	33	36
Suezmax fleet (# vessels)	341			
Orderbook	60			
Deliveries		24	28	7

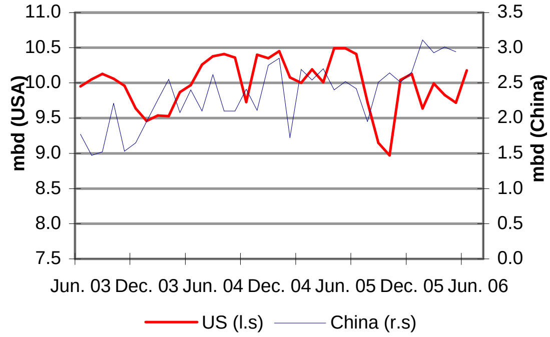
Average earnings	2004	2005	2006 YTD
VLCC, MEG – Korea	97,657	60,232	59,188
Suezmax, Bonny – Phila.	65,965	46,907	46,317
Aframax, TEES – R.dam	56,610	54,304	36,463

Source: IEA, DoE, Bassøe estimates

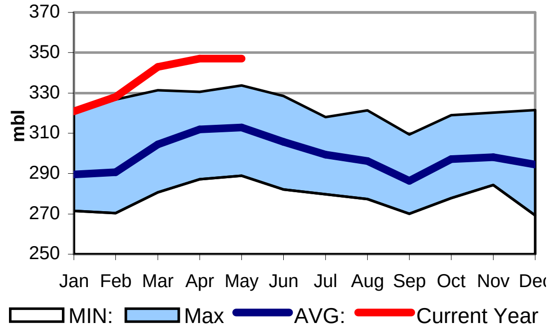
VLCC rates vs. Opec production



Crude oil imports



Crude oil inventories – USA



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Pareto Shipbrokers

Oslo, Friday 9th June 2006

SALE & PURCHASE

MARKET COMMENTS

Whilst the shipping industry enjoyed great hospitality on offer at Posidonia this week, the stock markets took another tumble. OSE dropped 9.3% whilst the shipping shares covered by Pareto Securities only got half the beating - down 4.4% on average. Meantime, second-hand tanker values have enjoyed sustained firm levels for the past 18 months and remain very resilient to the law of gravity. Determined buyers of modern tankers find it very difficult to identify ships at realistic prices, hence no significant sales taking place.

Followed in the footsteps of Quintana, public Diana Shipping is boosting its credit facility and growing the fleet. Having similar credit facilities in place the market awaits Genco's next moves with interest.

TANKERS

SALES

Vessel	Dwt	Built	Buyer	$ Mill	Comments

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
Yasmine Venture	73800	2006	Diana	39	China built
Torm Herdis	70000	1992	Chinese	21.5	
Cemtex Hunter	66000	1989	Greeks	15.5	
Brave Imperiale	46000	1999		24	
Brave SV	46000	1999		24	

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

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

The recent rush of orders for post-panamax container vessels take centre-stage and the leading Koreans builders are now almost covered for 2009. This leaves the field open for new yards in China and Korea with slots still available. Sungdong continues to secure Greek orders and SPP have also in a short time taken on an impressive number of MR's – by last tally it stood at 34+2 vessels. Further tanker orders at some of the new Chinese yards are also in the pipeline.

All in all we expect it will be a quiet summer in the newbuilding market, only interrupted by specialized vessels being booked (LPG/PCTC etc).

CONTRACTS

Type	Nos	Size	Yard	Owner	Delivery	$ Mill	Comments
PC	1	7600 dwt	Ferus Smith	Gotland	2009		Ice 1A
PC	1	7600 dwt	Ferus Smith	Wisby	2009		Ice 1A
BC	2	175000 dwt	Sungdong	Restis	2009	60	
BC	1	75000 dwt	Rong Sheng	Golden Ocean	2008	34.5	Option / Ice 1B

PRICES (MUSD)

TANKERS

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

MARKET COMMENTS

The Capesize rates continued to improve this week as more enquiries appeared in both hemispheres. ‘Cyclades’ 171.000 dwt built ’04 fixed delivery China at Usd 32.500 for a west Australia round trip. ‘CSK Glory’ 173,000 dwt built ’03 fixed two Aussie rounds at Usd 30,000 per day. ‘Cecilia’ 170.000 dwt built ’99 fixed delivery France for a transatlantic roundtrip at Usd 31,500 per day. ‘Taunton’ 186.000 dwt built ’86 fixed delivery China for 7-9 months period at Usd 30,000 per day. ‘Cape Jupiter’ 175.000 dwt built ‘’97 fixed delivery Korea for a trip via Richards Bay to Skaw/Cape Passero at Usd 21,000 per day. ‘Mineral Beijing’ 174,000 dwt built ’04 fixed delivery UK for a trip via Brazil to China at Usd 43,500 per day.

The Panamax market recovered nicely this week. Early modern tonnage in the Pacific have been fixed for roundtrips at Usd 22,000 per day. There seems to be a general shortage of June loaders in most areas worldwide. ‘Navios Star’ 76,000 dwt built ’02 fixed delivery Ghent for a trip via EC South America to Far East at Usd 21,750 per day. ‘Avax’ 75,000 dwt built ’99 fixed delivery S.China for 4-6 months period at Usd 20,500 per day. ‘Golden Gunn’ 74,000 dwt built ’05 fixed delivery Tilbury for a trip via EC South America to Far East at Usd 22,000 per day. ‘Tian Hua Feng’ 74,000 dwt built ’01 fixed delivery Liverpool for 5-7 months period at usd 19,750 per day. ‘Global F’ 73,000 dwt built ’98 fixed delivery Muscat for 11/13 months period at Usd 17,250 per day. ‘Rainshadow’ 73,000 dwt built ’97 fixed delivery Hong Kong for a trip via Indonesia to Japan at Usd 22,500 per day.

The Handymax rates improved marginally this week. In the Atlantic there are more enquiries in the US Gulf area. The South American market remain busy. The Pacific market is steady... ‘Ioannis K’ built ’01 51,000 dwt fixed delivery USG for a trip to Far East at Usd 21,000 per day. ‘Frontier Star’ 46,000 dwt built ’96 fixed delivery Black Sea for a trip to USG at Usd 14,500 per day. ‘Emerald’ 45000 dwt built ’98 fixed delivery USG for a trip to Singapore-Japan at Usd 19,000 per day. ‘Thor Endeavour’ 42,000 dwt fixed delivery Savannah for a trip via NC South America to Norway at Usd 19,000 per day. ‘Maro L’ 40,000 dwt bult ’85 fixed 3-5 months at Usd 14,000 per day delivery Gibraltar. A modern 52,000 grabfitted vessel fixed Usd 23,750 per day for a short South East Asia roundtrip. A 42,000 dwt built ’93 fixed 3-5 months period delivery USEC at Usd 17,500 per day. A 48,000 modern grabber fixed delivery West Africa via South America to Muscat at Usd 19,500 per day. A 50,000 grabber fixed delivery W.Africa for a trip to Black Sea at Usd 21,000 per day. A 52,000 modern grabfitted vessel fixed delivery Shanghai via Australia to the Continent at Usd 24,500 per day. A 52,000 dwt grabber fixed delivery EC India for a trip to WC India at Usd 32,500 per day.

RATES

Size:		09/06	02/06	26/06
MODERN CAPESIZE 172,000 DWT:				
- TC trip Cont/Far East	USD/day	45.000	43.000	40.000
- TC trip Far East/Cont	USD/day	21.000	19.500	17.000
- TC round trip in the Atlantic	USD/day	32.000	30.000	28.500
- TC round trip in the Pacific	USD/day	31.500	30.000	24.500
- 12 months TC 172,000 DWT (Delivery Far East)	USD/day	33.000	32.000	32.000
MODERN PANAMAX 74,000 DWT:				
- 54,000 hss USGulf/Japan - No Combo	USD/Ton	36,50	35,30	35,15
- TC trip Cont to Far East	USD/day	22.000	20.250	19.750
- TC roundtrip in the Atlantic	USD/day	19.750	18.500	18.250
- TC roundtrip in the Pacific	USD/day	21.500	18.500	17.750
- TC Far East/Continent	USD/day	19.500	17.500	16.750
- 4-6 months TC (Delivery Far East)	USD/day	20.000	17.500	17.500
- 12 months TC (Delivery Far East)	USD/day	17.500	17.000	17.000
MODERN HANDYMAX 50/55,000 DWT:				
- TC trip Continent to Far East	USD/day	18.750	18.500	18.500
- TC round trip in the Atlantic	USD/day	17.250	16.750	16.750
- TC trip Black Sea to Far East	USD/day	16.000	15.250	15.250
- TC round trip in the Pacific	USD/day	23.000	23.000	22.750
- TC trip Far East to Cont.	USD/day	26.000	26.000	25.500
- 4-6 months TC 44-46,000 DWT (Delivery Far East)	USD/day	21.000	21.000	21.000
- 12 months TC 44-46,000 DWT (Delivery Far East)	USD/day	17.500	17.500	17.500
- 4-6 months TC 50-55,000 DWT (Delivery Far East)	USD/day	23.000	23.000	23.000
- 12 months TC 50-55,000 DWT (Delivery Far East)	USD/day	18.750	18.750	18.750
BALTIC INDICES:				
- Baltic Dry Index	(BDI)	2653	2514	2432
- Baltic Supramax Index	(BSI)	2050	2010	2022
- Baltic Panamax Index	(BPI)	2617	2397	2339
- Baltic Cape Index	(BCI)	3308	3150	2951