

Bassøe Friday Report

Week 25 – 23.06.2006

www.pfbassoe.no

Nr 25. Vol 29

Tanker chartering – Crude

Market comments

After several weeks of high activity in the MEG, the waters have calmed down this week and only around ten fixtures have been completed. With both owners and charterers biding their time, there have not been any major changes in benchmark rates. It seems quite clear, however, that maintaining present levels will be a challenge for owners if the slow period continues. Roughly one third of the July cargo program is still uncovered, and a rebound in activity thus seems likely next week. It's been a far different story for VLCC owners in the Atlantic with busy markets both in West Africa and the Caribs, and rates moving substantially higher. Suezmaxes have been this week's star performer with West African rates soaring on high activity, although things have calmed down towards the end of the week. Aframaxes in the North Sea have followed a similar pattern, while both the Med and Caribs are holding their respective gains.

| VLCC (DH) | | Current trend: Slow | | |
|-------------------|----------|----------------------------|---------|--|
| Route | WS today | Last week | USD/day | |
| 270' MEG – Korea | 120.0 | 130.0 | 78,584 | |
| 275' MEG – UKC | 95.0 | 95.0 | 73,109 | |
| 260' Bonny – LOOP | 120.0 | 102.5 | 80,211 | |

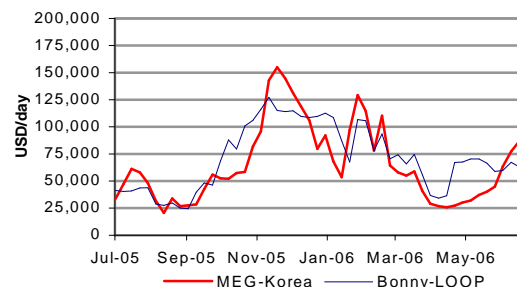
| Suezmax (DH) | | Current trend: Firm | | |
|---------------------|----------|----------------------------|---------|--|
| Route | WS today | Last week | USD/day | |
| 130' Bonny – Phila. | 170.0 | 127.5 | 56,009 | |
| 130' MAF – Ningpo | 145.0 | 126.0 | 43,609 | |
| 135' Novo – Augusta | 190.0 | 125.0 | 88,498 | |

| Aframax (DH) | | Current trend: Peaking | | |
|---------------------|----------|-------------------------------|---------|--|
| Route | WS today | Last week | USD/day | |
| 80' TEES – R.dam | 140.0 | 122.5 | 42,478 | |
| 70' PLC – Texas | 190.0 | 165.0 | 32,664 | |
| 80' MEG – Singapore | 145.0 | 115.0 | 25,111 | |

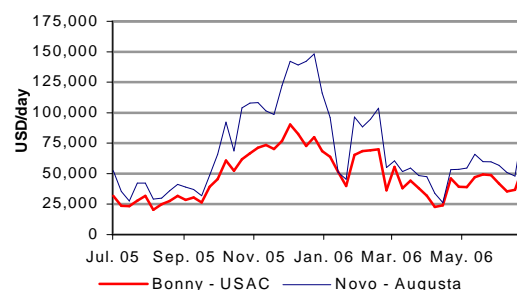
| VLCC availability in MEG (# vessels) | | |
|--------------------------------------|-------------|-------------|
| | Single hull | Double hull |
| Spot | 1 | 0 |
| Next 30 days | 26 | 14 |

| Bunkers (USD/mt) | | | |
|------------------|-----|-----------|-----|
| Fujairah | 314 | Rotterdam | 295 |

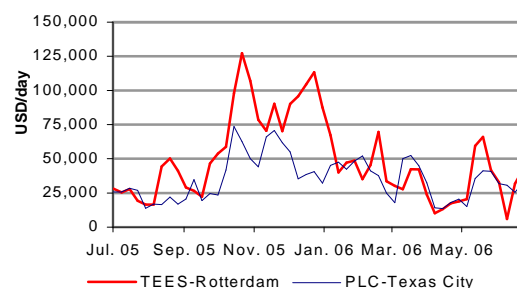
VLCC earnings



Suezmax earnings

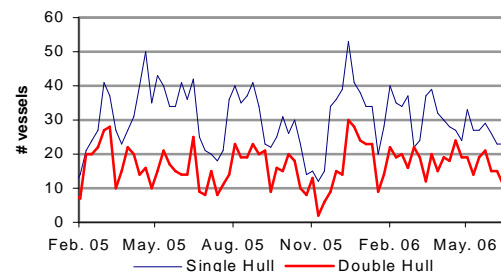


Aframax earnings



VLCC availability in MEG

vessels next 30 days ex. FRO and TI



Tanker chartering – Clean

Market Comment

A positive week across the board for main product trades in the western Hemisphere. The Caribs as well as Cont/US and the short hauls in Europe developed nicely. A run of distillates from the US back to Europe seems to be steady. The Eastern markets softened just a little thru the week.

Market assessment – MR

| Route | WS today | Last week | USD/day |
|-------------------|----------|-----------|---------|
| 30' Spore – Japan | 245.0 | 250.0 | 14,221 |
| 37' Cont. – US | 275.0 | 255.0 | 25,269 |
| 38' Car. – USAC | 240.0 | 217.5 | 20,269 |

Market assessment – LR

| Route | WS today | Last week | USD/day |
|-----------------|----------|-----------|---------|
| 55' MEG – Japan | 225.0 | 230.0 | 28,740 |
| 75' MEG – Japan | 180.0 | 185.0 | 28,689 |

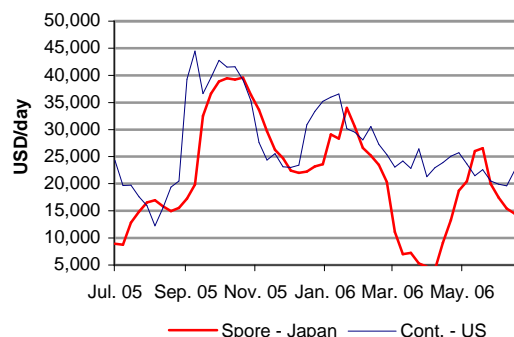
Freight derivatives

Relatively quiet on TD3, the short end of the curve seems a bit softer while deferred contracts remain firm. A few strong fixtures mid-week caused TD5 to trade up about 10 points before easing off end week. TD7 mostly unchanged. TC2 firmed up in line with the underlying market. Q3 and Q4 have been busy on TC4 and TC5, both outright and spreads.

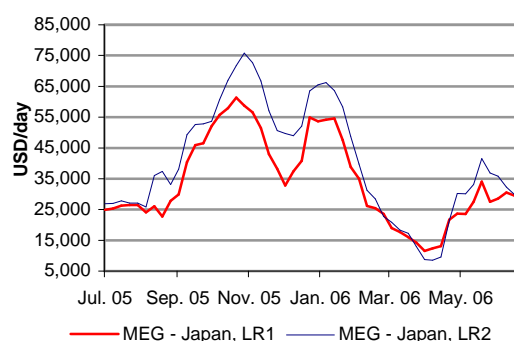
Weekly change in key FFA contracts

| Jul | Aug | Q3'06 | Q4'06 | Q1'07 | CAL07 |
|--|-------|-------|-------|-------|-------|
| TD3 MEG-Japan, 250' dwt | | | | | |
| 93.0 | 84.0 | 90.0 | 129.0 | 99.0 | 77.5 |
| 2.0 | -- | 1.0 | 1.5 | 0.0 | -2.5 |
| TD 5 West Africa – USAC, 130' dwt | | | | | |
| 150.0 | 128.0 | 142.0 | 178.0 | 140.0 | 122.5 |
| 29.0 | -- | 19.0 | 9.0 | 0.0 | 0.0 |
| TD 7, North Sea, UKC, 80' dwt | | | | | |
| 130.0 | 117.0 | 127.5 | 175.0 | 143.0 | 129.0 |
| 21.0 | -- | 14.5 | 5.0 | 0.0 | 0.0 |
| TC 2 Cont-USAC, 37' dwt | | | | | |
| 169.0 | 267.5 | 280.0 | 318.0 | 267.5 | 240.0 |
| 19.0 | -- | 5.0 | 15.5 | 2.5 | 2.0 |
| TC 5, MEG-Japan, 55' dwt | | | | | |
| 220.0 | 225.0 | 228.0 | 290.0 | 239.0 | 210.0 |
| -2.5 | -- | 0.5 | 7.5 | -6.0 | -3.0 |

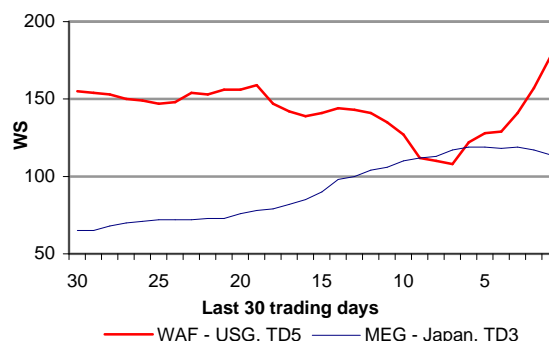
MR earnings



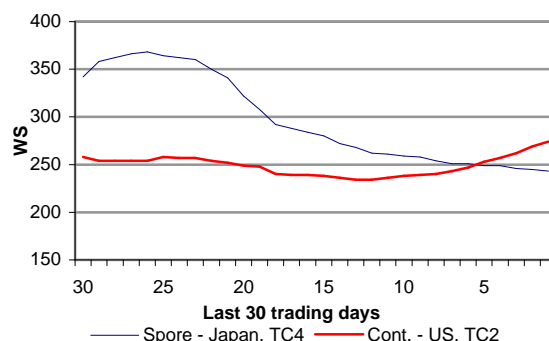
LR earnings



BITR rates, crude



BITR rates, clean



Research

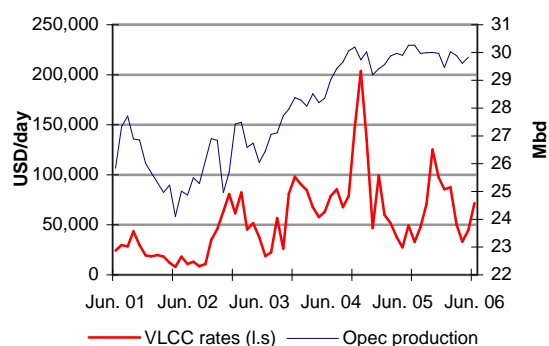
Ever met an analyst who said he was flat-out wrong? No? We won't be the first. Our view of the market this year has been to expect upside surprises for crude tankers but be wary of downside risks in the clean markets. On the crude side, things are rolling along with a significant lift in rates across the board, as rising refinery demand clashes with reduced crude availability in the Atlantic Basin. Clean rates looked vulnerable during the Q1 collapse (certainly for LRs) but have since made a nice recovery. If anything, recent strength in the LRs and MR Atlantic markets may be beginning to defy seasonal trends. While this certainly would be contrary to our expectations (if continued) it is worthwhile noting that the simultaneous strength of both the crude and clean markets probably is the best indicator that global oil demand is strengthening (and possibly by more than expected). A relatively slow stockbuild in the US despite record high imports is a case in point, the strength of global refining margins is another. The moral of the story is that while clean rates are having a harder time relative to crude this year, which is in line with our predictions, unexpected strength in demand is lifting all boats, at least for the present time.

| 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 |

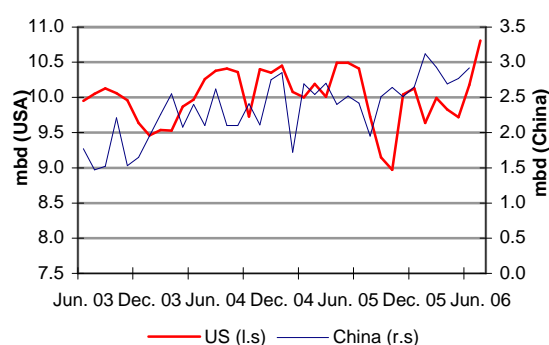
| Average earnings | 2004 | 2005 | 2006 YTD |
|-------------------------|--------|--------|----------|
| VLCC, MEG – Korea | 97,657 | 60,232 | 61,064 |
| Suezmax, Bonny – Phila. | 65,965 | 46,907 | 46,324 |
| Aframax, TEES – R.dam | 56,610 | 54,304 | 36,519 |

Source: IEA, DoE, Bassøe estimates

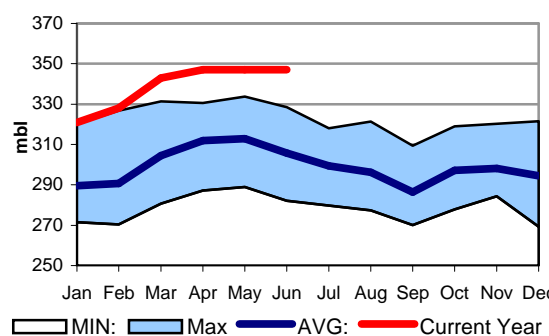
VLCC rates vs. Opec production



Crude oil imports



Crude oil inventories – USA



SALE & PURCHASE

MARKET COMMENTS

Seemingly not a cloud on the horizon with bulkers, tankers and LPG's all enjoying strong earnings. Not surprisingly, shipping equities are benefitting from this, with revenue forecasts being upped this week.

Sellers of modern tankers are in no rush to entertain buying interests below their target prices and buyers may soon even see these targets move north. Reports that Q-Ships' two aframaxs blt 2005 being sold appear premature.

Attractive bulkers in the market are quickly sold and the hot money is now chasing capesizes. Few modern ships are for sale.

Despite lack of representative sales, we are looking at increased values of VLGC's due lack of willing sellers at the previously indicated levels. MUSD 100 being declined for fairly prompt resales and increasing interest rates and time-to-delivery suggest we shall get more than acquainted to these levels.

TANKERS

SALES

| Vessel | Dwt | Built | Buyer | \$ Mill | Comments |
|----------------|-------|-------|----------|---------|----------|
| Patrokolos | 61400 | 1981 | Algoma | 7 | |
| Redina | 60900 | 1988 | Undiscl. | 13.5 | |
| High Wind | 46470 | 1999 | Undiscl. | 35.5 | Low tc |
| Isere | 35400 | 1999 | Biendong | 35.75 | |
| Anadolu resale | 18000 | 2008 | Undiscl. | 40 | Imo 2 |

SECONDHAND VALUES (MUSD)

| | PPT resale | 5 | 10 | 15 |
|------|------------|-----|----|------------------|
| VLCC | 140 | 115 | 90 | 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 |
|-----------------|--------|-------|--------------|---------|------------|
| Mineral Oak | 165600 | 1996 | Chang Myung | 45 | tc 5@26000 |
| Aristagoras | 69900 | 1989 | Chinese | 17.5 | |
| Bright City | 68200 | 1988 | Undisclosed | 15.5 | |
| New Wind | 41600 | 1985 | Greece | 10.2 | |
| New Wave | 39600 | 1985 | Greece | 9.9 | |
| Anangel Power | 34000 | 1982 | Undiscl | 14.4 | |
| Anangel Eagle | 34000 | 1983 | " | | en-bloc |
| DD Trader | 23900 | 1984 | Samin | 7 | |
| Kingston Trader | 74000 | 1999 | Golden Ocean | 30 | |
| Marine Island | 28000 | 1996 | COSCO | 20 | |

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 |
|----------|------|------|-------|------------|---------|----------|
| Batangas | 3300 | P | 1995 | Stealthgas | 9.4 | |

SECONDHAND VALUES (MUSD)

| | PPT resale | 5 | 10 | 15 |
|---------|------------|-----------|-----------|-----------|
| VLGC | 100 | 85 | 68 | 54 |
| MGC | 71 | 60 | 50 | 38 |
| 20' SR | 70 | 60 | 50 | 40 |
| 10' ETH | 48 | 40 | 32 | 23 |
| 3,5' FP | 15 | 12 | 9.5 | 4,5 |

NEWBUILDING

MARKET COMMENTS

Transpetro of Brazil this week finally signed contracts with 3 domestic yards for 16 tankers at a whopping total USD 1.27 billion. Contracts for 10 suezmaxes are still under negotiation between Transpetro and the Atlantico Sul consortia. All contracts are subject to financing and final t/c's with Petrobras. Break-even tc rates required to support these prices (and Brazilian flag) are mind-gobbling.

In Norway, Aker Yards have aquired chemical tanker builder Kleven Floroe, to be supported by hulls from Okean, Ukraine, (50/50 Aker/Damen).

Slots at the many new yards in China remain in hot pursuit. Zhousan Jinhai have now entered the market with a series of tanker contracts. Both STX and Hanjin are reported to soon join the aframax segment which, together with the much increased aframax capacity in China, will have a sobering effect on prices for such vessels.

Spurred by the strong dry market there are plenty of enquiries for bulkcarriers but it is hard to get slots from quality yards.

CONTRACTS

| Type | Nos | Size | Yard | Owner | Delivery | \$ Mill | Comments |
|------|-----|------------|----------------|---------------|-----------|----------|-----------------|
| MT | 4 | 110000 dwt | Zhousan Jinhai | HK | 2009 | | |
| MT | 5 | 107000 dwt | Rio Naval | Transpetro | 2009/2010 | 517 bloc | Sub. finance/tc |
| PC | 4 | 75000 dwt | Rio Naval | Transpetro | 2009/2010 | 349 bloc | Sub. finance/tc |
| PC | 6 | 75000 dwt | STX | SCI | 2009/2010 | | LoI |
| PC | 2 | 75000 dwt | Zhousan Jinhai | HK | 2009 | | |
| PC | 2+2 | 50000 dwt | Shina | World Tankers | 2009 | 45 | |
| PC | 4 | 45000 dwt | Maua-Jurong | Transpetro | 2009/2010 | 277 bloc | Sub. finance/tc |
| PC | 3 | 38000 dwt | STX | MISC | 2009/2010 | 43 | Options |
| LPG | 3 | 7200 cbm | Itajai | Transpetro | 2009/2010 | 131 bloc | Sub. finance/tc |
| BC | 1 | 176000 dwt | SWS | Bocimar | 2009 | 60 | |

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 | 60 | 59 |
| Pmax | 35 | 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 dry bulk market continues to be active. The recent published reports from China indicating a broad based economic strength. The industrial production for May was up 19,7 percent, the fastest in nearly two years, while investment was up nearly 30 percent. The market upturn in dry bulk freight rates over the past months also indicates that underlying economic activity in the region is not only healthy, but improving.

The Cape size market has had another exciting week, with firmer rates across the board. The Atlantic market showed its strength as Usd 53,000 per day was paid for a 180,000 dwt size for trip east. The Pacific market remain steady. Once again the period market has been very active and several units have fixed medium to long period. 'Brilliant Arc' 177,000 dwt built '02 fixed delivery Cape Passero for 11/13 months period at Usd 37,750 per day. 'Mineral Hong Kong' 174,000 dwt newbuilding fixed 3 years period at Usd 31,500 per day. 'CSK Beilun' 172,000 dwt built '99 fixed 5 years period at Usd 26,000 per day. 'Cape Mercury' 165.000 dwt built '97 fixed 2 years trading at Usd 30,000 per day. 'Mineral Kyoto' 180,000 dwt built '04 fixed delivery Rotterdam for a trip via Colombia to Turkey at Usd 34,000 per day. 'Maria A. Angelicoussi' 170,000 dwt built '93 fixed delivery S.E. Asia for a trip via Australia to China at Usd 35000 per day.

The Panamax market had a slow start to the week, but recovered nicely. Same goes for the Pacific basin where the activity is high and several ships got fixed for periods. 'Bulk Japan' 82,800 dwt newbuilding fixed delivery ex yard for 11/13 months period at Usd 20,750 per day. 'Medi Lausanne' 82.800 dwt built '06 fixed delivery Japan for a NoPac round trip at Usd 22,000 per day. 'Bellatrix' 76,000 dwt built '06 fixed delivery China for a trip redel Continent at Usd 21.500 per day. 'Danae' 75,000 dwt built '01 fixed delivery Vietnam for 5/7 months period at Usd 19,500 per day. 'Coronado' 75.000 dwt built '00 fixed delivery on the Continent for 4-6 months at Usd 22,000 per day. 'Ioannis N. Pateras' 70,000 dwt built '96 fixed delivery Japan for 12 months period at Usd 18,250 per day.

The Handymax market in the Atlantic is active with better rates concluded this week. The US Gulf and NCSA/ S.America market remain strong. In the Pacific, the market is also firm and steady with good fixing volume. The Indian iron ore market seems less active this week. A modern 53,000 dwt grab fitted vessel fixed 14/16 months period at Usd 20,500 per day delivery in South America. A 51,000 dwt modern bulker fixed 4-6 months with delivery in China at Usd 23,000 per day. 'Stiogeo' 53,000 dwt built '06 fixed 4-5 months period delivery on the Continent at Usd 22,000 per day. 'Gwendolen' 50,300 dwt built '02 fixed delivery china for 4-6 months at Usd 24,000 per day. 'Anassa Ioanna' 53,000 dwt built '02 fixed delivery USG for 3-5 months at Usd 22,500 per day. 'Nordglint' 50,000 dwt built '00 fixed delivery East Mediterranean for a trip with steels to South East Asia at Usd 17,500 per day. 'Sea Duckling' 53,000 dwt built '02 fixed delivery USG for a trip to Mediterranean at Usd 26,000 per day.



RATES

| Size: | | 23/06 | 16/06 | 09/06 |
|---|---------|--------|--------|--------|
| MODERN CAPE SIZE 172,000 DWT: | | | | |
| - TC trip Cont/Far East | USD/day | 51.500 | 46.500 | 45.000 |
| - TC trip Far East/Cont | USD/day | 22.500 | 22.500 | 21.000 |
| - TC round trip in the Atlantic | USD/day | 35.500 | 33.500 | 32.000 |
| - TC round trip in the Pacific | USD/day | 33.000 | 33.000 | 31.500 |
| - 12 months TC 172,000 DWT (Delivery Far East) | USD/day | 36.000 | 34.500 | 33.000 |
| MODERN PANAMAX 74,000 DWT: | | | | |
| - 54,000 hss USGulf/Japan - No Combo | USD/Ton | 37,85 | 37,05 | 36,50 |
| - TC trip Cont to Far East | USD/day | 22.750 | 22.000 | 22.000 |
| - TC roundtrip in the Atlantic | USD/day | 21.250 | 20.250 | 19.750 |
| - TC roundtrip in the Pacific | USD/day | 22.000 | 21.500 | 21.500 |
| - TC Far East/Continent | USD/day | 21.000 | 19.750 | 19.500 |
| - 4-6 months TC (Delivery Far East) | USD/day | 21.000 | 21.000 | 20.000 |
| - 12 months TC (Delivery Far East) | USD/day | 18.500 | 17.500 | 17.500 |
| MODERN HANDYMAX 50/55,000 DWT: | | | | |
| - TC trip Continent to Far East | USD/day | 20.750 | 20.000 | 18.750 |
| - TC round trip in the Atlantic | USD/day | 19.750 | 18.500 | 17.250 |
| - TC trip Black Sea to Far East | USD/day | 18.250 | 16.750 | 16.000 |
| - TC round trip in the Pacific | USD/day | 22.750 | 23.500 | 23.000 |
| - TC trip Far East to Cont. | USD/day | 25.500 | 26.500 | 26.000 |
| - 4-6 months TC 44-46,000 DWT (Delivery Far East) | USD/day | 22.500 | 23.000 | 21.000 |
| - 12 months TC 44-46,000 DWT (Delivery Far East) | USD/day | 18.250 | 18.250 | 17.500 |
| - 4-6 months TC 50-55,000 DWT (Delivery Far East) | USD/day | 24.000 | 24.500 | 23.000 |
| - 12 months TC 50-55,000 DWT (Delivery Far East) | USD/day | 20.000 | 20.000 | 18.750 |
| BALTIC INDICES: | | | | |
| - Baltic Dry Index | (BDI) | 2808 | 2725 | 2653 |
| - Baltic Supramax Index | (BSI) | 2172 | 2103 | 2050 |
| - Baltic Panamax Index | (BPI) | 2755 | 2676 | 2617 |
| - Baltic Cape Index | (BCI) | 3514 | 3412 | 3308 |

Index Summary

