

# **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 26 – 30.06.2006

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

Nr 26. Vol 29

## Tanker chartering – Crude

### Market comments

Slowly but surely charterers have been able to even the battlefield in the MEG. By carefully dripping cargoes into the market they have made owners' job more difficult, and benchmark rates have come under greater downward pressure as a result. What has been peculiar is the strong focus of single hulls which has gradually forced double hull owners into a bidding war, a job that has been made tougher by an unusually high presence of oil company relets. There are no signs of panic, however, as continued strength in the West African market and a fairly balanced tonnage list mean that the situation could turn around quickly. Suezmaxes began the week on a strong note, with rates hitting new highs. Activity is slowing down towards the end of the week, however and rates are off their peaks. Aframaxes in the North Sea have followed a similar pattern, but the markets in the Caribs and certainly in the MEG have enjoyed sharp spikes to the upside.

VLCC (DH)		Current trend: <b>Softer</b>		
Route	WS today	Last week	USD/day	
270' MEG – Korea	100.0	120.0	59,653	
275' MEG – UKC	85.0	95.0	60,928	
260' Bonny – LOOP	125.0	120.0	84,196	

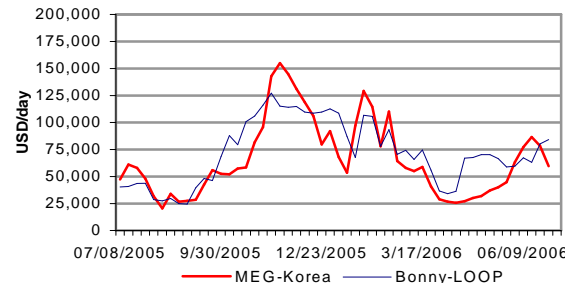
Suezmax (DH)		Current trend: <b>Slow</b>		
Route	WS today	Last week	USD/day	
130' Bonny – Phila.	160.0	170.0	51,866	
130' MAF – Ningpo	130.0	145.0	36,668	
135' Novo – Augusta	172.5	190.0	77,215	

Aframax (DH)		Current trend: <b>Firm</b>		
Route	WS today	Last week	USD/day	
80' TEES – R.dam	130.0	140.0	36,282	
70' PLC – Texas	230.0	190.0	43,202	
80' MEG – Singapore	215.0	145.0	42,701	

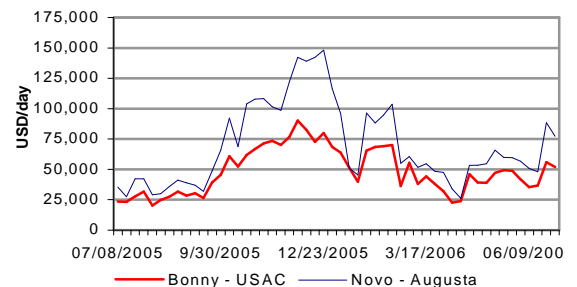
VLCC availability in MEG (# vessels)		
	Single hull	Double hull
Spot	1	0
Next 30 days	24	15

Bunkers (USD/mt)			
Fujairah	322	Rotterdam	300

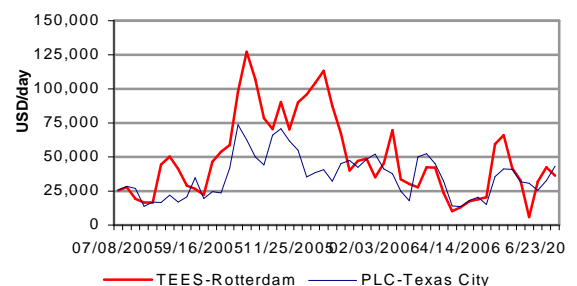
### VLCC earnings



### Suezmax earnings

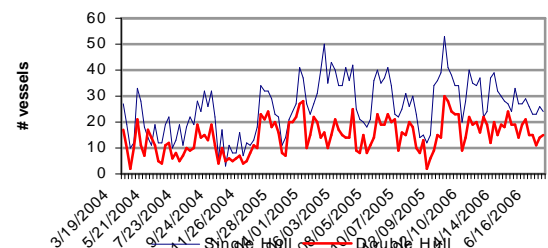


### Aframax earnings



### VLCC availability in MEG

# vessels next 30 days ex. FRO and TI



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# Tanker chartering – Clean

## Market Comment

Gasoline to the US still attracts a lot of attention, and we have had another busy week with rates firming and tonnage being in demand. W300 was broken today 37’mt Cont/US. The shorthauls in Europe looks to firm up whilst the East continue soft.

### Market assessment – MR

Route	WS today	Last week	USD/day
30’ Spore – Japan	235.0	245.0	12,912
37’ Cont. – US	302.5	275.0	28,826
38’ Car. – USAC	250.0	240.0	21,329

### Market assessment – LR

Route	WS today	Last week	USD/day
55’ MEG – Japan	200.0	225.0	24,077
75’ MEG – Japan	160.0	180.0	23,482

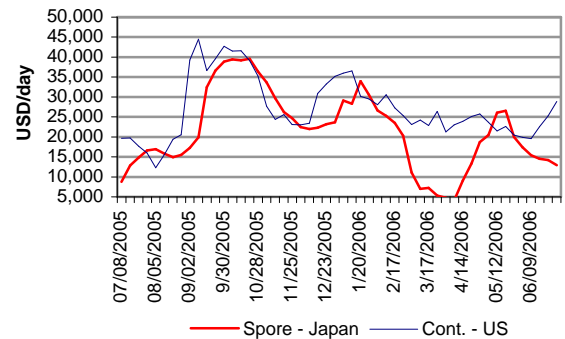
## Freight derivatives

With VLs trending down in MEG, so also came the softening on paper. TD3 dropped some points on the near term contracts up until Q3, while next year came up some points. TD5 is also a touch lower than last weeks close, but feelings are that the physical market might be lending some support to the bid side here. Aframaxes didn’t move much through the week – the bids starting to come in on Thursday and support the close contracts. Clean markets in the East traded down, but regained some lost ground on week’s end. TC2 has been very strong the whole week, and Jul through Q4 trade up with a strong physical market

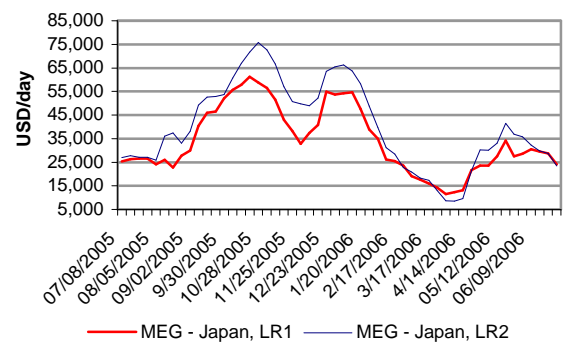
### Weekly change in key FFA contracts

Jul	Aug	Q3’06	Q4’06	Q1’07	CAL07
<b>TD3 MEG-Japan, 250’ dwt</b>					
84.0	81.0	86.0	128.0	103.0	80.0
-9.0	-3.0	-4.0	1.0	4.0	2.5
<b>TD 5 West Africa – USAC, 130’ dwt</b>					
147.0	131.0	139.0	179.0	143.0	122.5
-3.0	3.0	-3.0	1.0	3.0	0.0
<b>TD 7, North Sea, UKC, 80’ dwt</b>					
132.0	118.0	134.0	178.0	143.0	131.0
2.0	1.0	6.5	3.0	0.0	2.0
<b>TC 2 Cont-USAC, 37’ dwt</b>					
285.0	277	290.0	325.0	267.5	240.0
0.0	9.5	10.0	7.0	0.0	0.0
<b>TC 5, MEG-Japan, 55’ dwt</b>					
205.0	215.0	222.0	290.0	239.0	210.0
-15.0	-10.0	-6.0	0.0	0.0	0.0

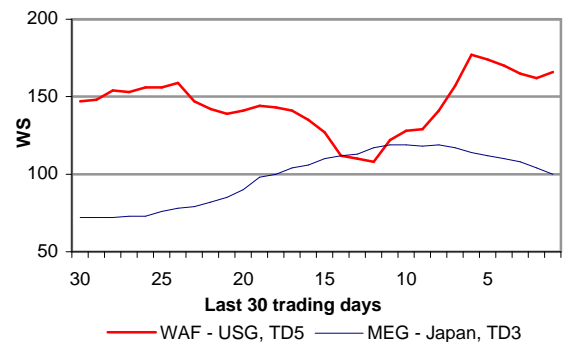
MR earnings



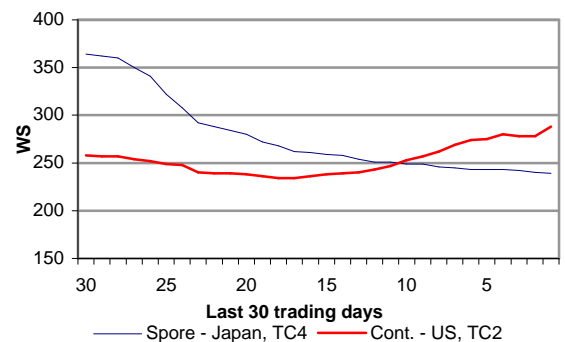
LR earnings



BITR rates, crude



BITR rates, clean



## Research

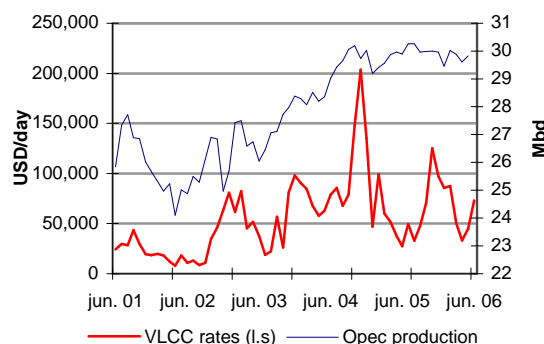
Although slowing down in the last week, the VLCC market has experienced one of the strongest “weak” periods on record. Average earnings (based on the routes used in this report) came in at \$50,000, well ahead of the \$38,000 averaged in Q2 last year. The familiar spring dip in rates was much shorter than usual, with charterers only capable of squeezing owners for a few weeks in March and April. The strength in oil demand is an obvious explanatory factor; Asian crude oil imports are running nearly 1 mbd up on last year, roughly tripling the increase seen in 2005. Strength in end-user consumption, restocking and higher refinery capacity, are all contributing factors. Another key factor behind the tighter market is increased demand for VLCCs from other regions. West African crudes remain in high demand, owing to their high gasoline yields, and this has increased VLCC employment opportunities in the region both to the US and to Asia. In recent weeks VLCCs have been sought after from the North Sea and certainly from the Caribs, as well. All of this has contributed to a systematically shorter tonnage list in the MEG, sparking a considerably more dynamic market.

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

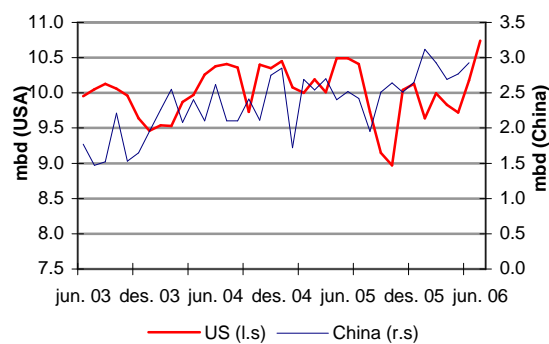
Average earnings	2004	2005	2006 YTD
VLCC, MEG – Korea	97,657	60,232	61,009
Suezmax, Bonny – Phila.	65,965	46,907	46,537
Aframax, TEES – R.dam	56,610	54,304	36,510

Source: IEA, DoE, Bassøe estimates

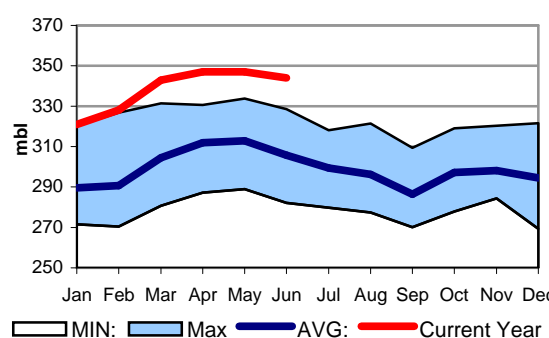
VLCC rates vs. Opec production



Crude oil imports



Crude oil inventories – USA



## SALE & PURCHASE

### MARKET COMMENTS

It's all happening in the dry market with handymaxes and panamaxs in focus. Few modern capes for sale but Drybulk disposing of one just out from the yard (SWS) at new bench-mark levels. Norwegian buyers being linked to purchase of a 1998 blt panamax at new highs but we await further details. Asking prices are moving targets and the pace is simply too fast for many buyers. Dry bulk equities are following suit with f.instance Golden Ocean and Jinhui leading the pack with substantial increases in share prices last two weeks.

High expectations also in the tanker market but the price spread for modern units still dampens liquidity although many unconfirmed rumours about further VLCC sales in the making by OSG and Formosa.

All in all, 2006 looks set to be another bumper year !

### TANKERS

#### SALES

Vessel	Dwt	Built	Buyer	\$ Mill	Comments
Seavinha	39000	1987	Warm Seas	17.3	
Treguier	31000	1986	Undiscl.	8.5	
Kapit. Korotaev	17400	1988	Undiscl.	8.5	
Akad. Semenov	17400	1989	Undiscl.	9.5	
Swartberg	12600	2007	Schulte	25	Imo 2
Giada D	10115	1996	Odfjell		St.steel

#### SECONDHAND VALUES (MUSD)

	PPT resale	5	10	15
VLCC	140	115	90	43 <sup>1)</sup>
Suez	85	74	63	31 <sup>1)</sup>
Afra	74	63	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
Venturo	175000	2006	HCI/Vogeman	72.5	Nov. dely
Rainshadow	73500	1997	Golden Ocean	28.7	
"Spar" x 3	70424	1990	Undiscl.	57 bloc	Crs 4x25ts
Anaxagoras	69000	1990	China	18	
Star Victory	52300	2001	Pacific Basin	32	
Fred. Selmer	52400	2004	Eagle Bulk	105	
Helga Selmer	50300	2004	# #	en-	
Ida Selmer	50200	2003	# #	bloc	
Falcon Trader	45500	2000	Pacific Basin	27.6	
Constantinos S	42000	1990	Undiscl.	15.5	

#### SECONDHAND VALUES (MUSD)

	PPT resale	5	10	15
Cape	72	56	38	25
Pmax	43	35	28	20
Hmax	38	32	22	17

### LPG

#### SALES

Vessel	Cbm	Type	Built	Buyer	\$ Mill	Comments
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#### 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

Chinese yards continue to grab export orders in segments hitherto dominated by Korean and Japanese yards. The first post-panamax container export contracts are about to be done by Hudong and we expect it's just a matter of time before also LNG export orders are concluded. Chinese yards entered the VLCC export market big time earlier in the year and newcomer Jiangnan Changxing now have a total of 13+2 VLCC's on order - 4 x Nanjing Tankers, 6+2 x Frontline (of which 2 resold to Clipper), 2 x Drytank and 1 x Oak.

Korean yards are doing their best to talk prices up and buyers looking for tankers may still find the odd 2009 deliveries there but it comes at a price.

### CONTRACTS

Type	Nos	Size	Yard	Owner	Delivery	\$ Mill	Comments
MT	3	318000 dwt	SWS	Ocean Tankers	2009	115	
MT	2+2	297000 dwt	Jiangn. Changxing	Frontline	2010	107	
MT	2	155000 dwt	Universal	Hartmann	2009		
PC	4+4	16500 dwt	Loaning Hongguan	TB Marine	2008/2009		
PC	2	16400 dwt	Jiangnan	Meling	2009	32	Imo 2 / Ice 1A
PC	4	13000 dwt	INP	India	2008/2009	22	Imo 2
LPG/ETH	3	8500 cbm	Severnav	Hartmann	2008/2009		
BC	2	300000 dwt	NACKS	COSCO	2009		Ore

### 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	60
Pmax	35	35
Hmax	29	29

#### LPG

Type	This week	Last week
VLGC	91	91
MGC	59	59
20' SR	57	57
10' ETH	40	40
3,5' FP	15	15



## MARKET COMMENTS

The cape size market remained steady during this week. The focus has been on the period market 'Cape Condor' 180180 tdw built 04 was fixed delivery retroactive Yura Jun 27 for 5 years at Usd30500 daily to Cetrappa. 'Pacific Fortune' 171218 tdw built 04 delivery South Korea Jun 27/30 for 3 years at Usd34500 daily 'Alpha Century' 170145 tdw built 00 delivery Baoshan Jul 6/8 for 4/6 months at Usd38500 to K-line. 'Xingsheng Hai' 182008 tdw built 89 was fixed delivery Sines via Tubarao to Fos at Usd41000 daily. 'Lowlands Sunrise' 176298 tdw built 03 delivery Luojing Jul 1/5 via West Australia to China at Usd37000 daily.

The panamax market increased in both hemispheres this week. There has been a good demand for prompt tonnage at improved rates and also a number vessels have been fixed for period upto 12 months. 'Red Rose' 76629 tdw built 03 delivery Xiamen jul 12/16 fixed 4/6 months at usd25750 daily. 'F.D. Mariano 74463 tdw built 06 delivery retroactive PMO via EC South America to Far East at Usd22500 daily to Proline. 'Liberty One' 74500 tdw built 00 delivery Cape Passero June 30/July 1 for 4/6 months at Usd24000 daily to Armada. 'Bonanza' 73613 tdw built 04 delivery Hamburg end July for 12/14 months at Usd22000 daily to German charterers. 'Yuan Hui Hai 76000 tdw built 06 delivery South Korea July 5/7 for 9/11 months at Usd22500 daily to Bottgilieri. Atlantic Hawk' 74204 tdw built 02 delivery Kosichang July 7/12 for 4/6 months at Usd24000 daily to Cargill. 'Brave NV' 73000 tdw built 97 delivery Japan August for 2 years at usd19000 daily.

The handymax market improved further also this week. The USGulf market is still firm and from the Black Sea rates are also better to both Far East and within Atlantic. From West Africa the market has really moved up this week and rates for trips to Far East are close to Usd25000 daily. The Indian iron ore trade to China has slowed down caused by the usual monsoon season. The Indonesian coal shipments have been postponed due to heavy rain and landslide and vessels have been forced to find alternative trades. The period timecharter market is still firm and a number of charterers have now fixed vessel for 12 months in excess of Usd20000 daily. A 50000 tdw built 00 was fixed delivery Turkey for a trip to USGulf at Usd18000 daily. A 45000 tdw blt 95 was fixed from Black Sea to PG at Usd18000 daily. A 53000 tdw built 06 was fixed delivery West Africa for a trip to Far East at Usd24500 daily. A 52000 tdw built 00 was fixed delivery North China for 4/6 months at Usd25000 daily. A 53000 tdw built 01 was fixed delivery North China for a trip to PG at Usd27000 daily. A 52000 tdw built 00 was fixed delivery North China for a trip to West Africa at Usd27000 daily. A 52000 tdw built 00 was fixed delivery Far East for 12 months at Usd22000 daily. A 47500 tdw built 96 was fixed delivery Japan for 12 months at usd20000 daily.



## RATES

Size:		30/06	23/06	16/06
<b>MODERN CAPESIZE 172,000 DWT:</b>				
- TC trip Cont/Far East	USD/day	52.500	51.500	46.500
- TC trip Far East/Cont	USD/day	23.500	22.500	22.500
- TC round trip in the Atlantic	USD/day	37.000	35.500	33.500
- TC round trip in the Pacific	USD/day	36.000	33.000	33.000
- 12 months TC 172,000 DWT (Delivery Far East)	USD/day	37.000	36.000	34.500
<b>MODERN PANAMAX 74,000 DWT:</b>				
- 54,000 hss USGulf/Japan - No Combo	USD/Ton	40.00	37,85	37,05
- TC trip Cont to Far East	USD/day	25.000	22.750	22.000
- TC roundtrip in the Atlantic	USD/day	23.000	21.250	20.250
- TC roundtrip in the Pacific	USD/day	25.000	22.000	21.500
- TC Far East/Continent	USD/day	23.000	21.000	19.750
- 4-6 months TC (Delivery Far East)	USD/day	23.000	21.000	21.000
- 12 months TC (Delivery Far East)	USD/day	22.000	18.500	17.500
<b>MODERN HANDYMAX 50/55,000 DWT:</b>				
- TC trip Continent to Far East	USD/day	22.000	20.750	20.000
- TC round trip in the Atlantic	USD/day	21.000	19.750	18.500
- TC trip Black Sea to Far East	USD/day	20.000	18.250	16.750
- TC round trip in the Pacific	USD/day	23.500	22.750	23.500
- TC trip Far East to Cont.	USD/day	25.500	25.500	26.500
- 4-6 months TC 44-46,000 DWT (Delivery Far East)	USD/day	23.000	22.500	23.000
- 12 months TC 44-46,000 DWT (Delivery Far East)	USD/day	19.500	18.250	18.250
- 4-6 months TC 50-55,000 DWT (Delivery Far East)	USD/day	25.000	24.000	24.500
- 12 months TC 50-55,000 DWT (Delivery Far East)	USD/day	21.500	20.000	20.000
<b>BALTIC INDICES:</b>				
- Baltic Dry Index	(BDI)	2964	2808	2725
- Baltic Supramax Index	(BSI)	2227	2172	2103
- Baltic Panamax Index	(BPI)	3038	2755	2676
- Baltic Cape Index	(BCI)	3645	3514	3412