

Bassøe Friday Report

Week 4 – 27.01.2006

www.pfbassoe.no

Nr 4. Vol 29

Tanker chartering – Crude

Market comments

Another heady week for the VLCC market, but one that is ending in a definite weekend/holiday mode. High activity early in the week pushed rates sharply higher, continuing the trend from the previous week. The trend came to a halt and the market calmed down after several fixtures failed. Tonnage availability has come down, but the question is if it has been reduced to sufficiently compensate for the expected sharp slowdown in activity that is expected next week as the Chinese New Year rolls around. The Suezmax market is up in all areas, with focus on heavy delays in the Turkish strait. Aframaxes are enjoying drastically higher rates in the Med and Black sea, whilst North Sea is flat.

VLCC (DH)		Current trend: Quiet		
Route	WS today	Last week	USD/day	
270' MEG – Korea	175.0	140.0	129,101	
275' MEG – UKC	120.0	100.0	102,216	
260' Bonny – LOOP	150.0	107.5	106,565	

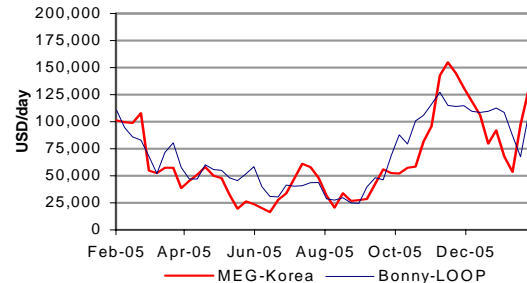
Suezmax (DH)		Current trend: Firm		
Route	WS today	Last week	USD/day	
130' Bonny – Phila.	190.0	132.5	65,457	
130' MAF – Ningpo	170.0	140.0	54,737	
135' Novo – Augusta	202.5	120.0	96,334	

Aframax (DH)		Current trend: Mixed		
Route	WS today	Last week	USD/day	
80' TEES – R.dam	150.0	147.5	48,734	
70' PLC – Texas	250.0	227.5	48,294	
80' MEG – Singapore	230.0	280.0	46,956	

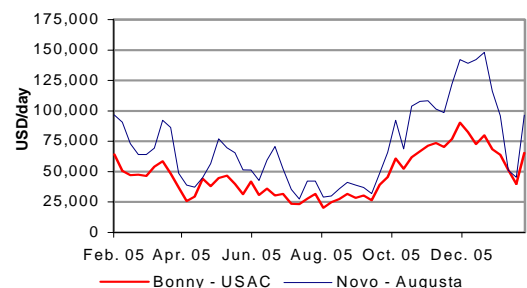
VLCC availability in MEG (# vessels)		
	Single hull	Double hull
Spot	0	0
Next 30 days	28	14

Bunkers (USD/mt)				
	Fujairah	309	Rotterdam	288

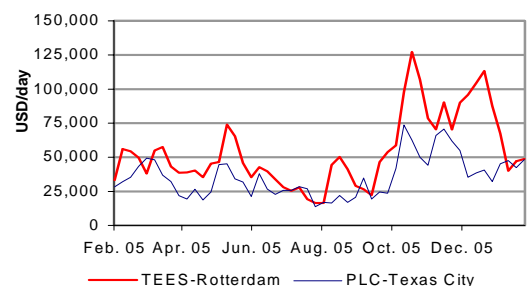
VLCC earnings



Suezmax earnings

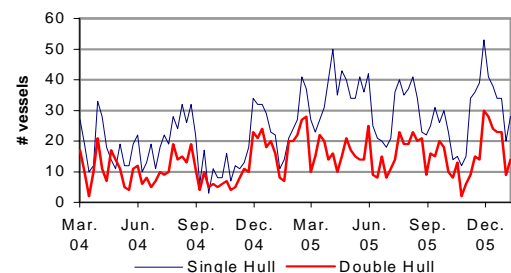


Aframax earnings



VLCC availability in MEG

vessels next 30 days ex. FRO and TI



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Tanker chartering – Clean

Market Comment

Ratelevels in the West remained more or less unchanged through the week, contrary to LR1+2 East and MR Singapore/Japan. Chinese New Year is kicking in and next week is expected to be relatively quiet in the East.

Market assessment – MR

Route	WS today	Last week	USD/day
30' Spore - Japan	410.0	440.0	30,520
37' Cont. - US	305.0	310.0	29,511
38' Car. - USAC	280.0	290.0	25,842

Market assessment – LR

Route	WS today	Last week	USD/day
55' MEG – Japan	280.0	330.0	38,869
75' MEG – Japan	260.0	300.0	48,762

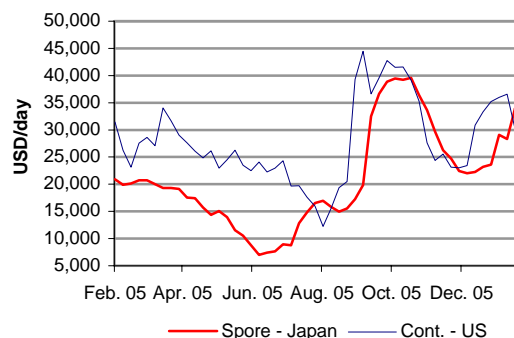
Freight derivatives

TD3 Feb climbed even further to reaching a 148 mid-week peak. The buying spree halted as charterers took a breather before Chinese New Year, and the contracts were sold down close to where the week started. A burst of activity in WAF pushed up both close months and further along the curve in TD5, while TD7 remained largely flat yet again - calendar '06 traded actively again. Clean trades in general showed declining levels, with the exception of the deferred TC2 contracts that traded up for the second week running despite a weaker spot market.

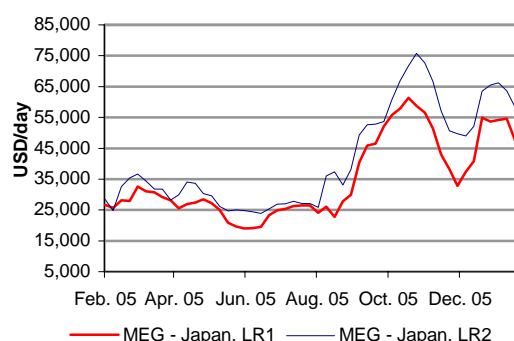
Weekly change in key FFA contracts

Feb	Mar	Q2'06	Q3'06	Q4'06	CAL07
TD3 MEG-Japan, 250' dwt					
127.0	94.5	73.0	72.5	105.0	76.0
5.0	-0.5	0.0	1.5	0.0	-
TD 5 West Africa – USAC, 130' dwt					
175.0	155.0	125.0	115.0	154.0	124.5
15.0	12.5	5.0	5.0	4.0	-
TD 7, North Sea, UKC, 80' dwt					
160.0	150.0	127.5	115.0	159.0	130.0
0.0	2.5	2.5	0.0	-1	-
TC 2 Cont-USAC, 37' dwt					
285.0	285.0	261.0	239.0	275.0	237.0
-10.0	5.0	3.0	7.0	7.5	-
TC 5, MEG-Japan, 55' dwt					
255.0	230.0	215.0	220.0	265.0	207.5
-7.5	-5.0	-10.0	-5.0	-2.5	-

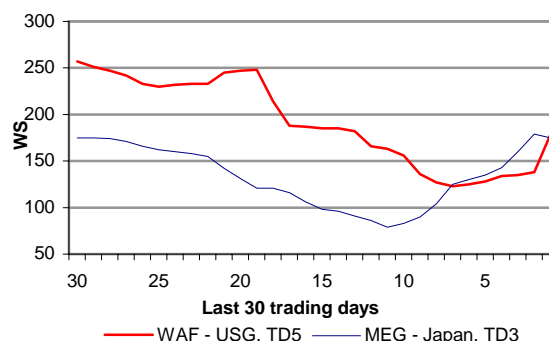
MR earnings



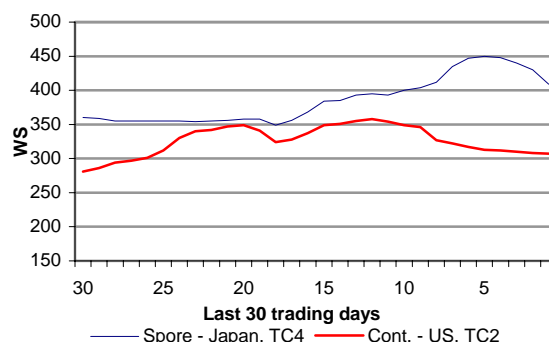
LR earnings



BITR rates, crude



BITR rates, clean



Research

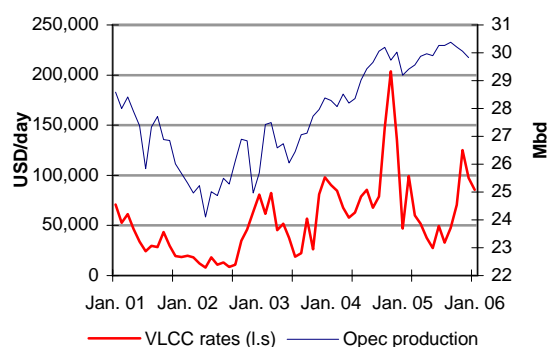
With the oil market squarely focused on supply risks, inventory trends are less noticed but may ultimately be more important. There are contrasting developments on this front; On the worrying side US product stocks have begun the year on a rising note, which is unusual, particularly for distillate stocks, which contain heating oil. They typically fall at this time of the year as demand increases and refinery maintenance brings down production. Unusually mild weather on the East Coast and record high imports (twice last year's level) have brought about this swing. Unless demand now picks up there is thus the risk that the boom in product shipments to the US could be on a short leash. Inventory trends in other regions are running counter to this; however. Crude and product stocks are coming down in Asia, where stocks were quite low even before the recent cold spell hit. With high refinery runs over the winter, partly to supply the US, a stronger than normal bounce in crude oil inventory replenishments could offset some of the drop in clean movements, for those owners exposed to both markets.

Key market drivers				
	2003	2004	2005E	2006E
World oil demand (% change)	+2.3 %	+3.7 %	+1.3 %	+2.2 %
USA	+1.4 %	+3.5 %	+0.2 %	+1.8%
Europe	+1.6 %	+1.1 %	-0.1%	0.0%
China	+11.0	+15.4	+2.9%	+5.9%
Japan	+2.2 %	-2.7 %	+1.1 %	0.6%
Opec production (mbd)	27.1	29.1	29.9	30.5
FSU production (mbd)	10.3	11.2	11.6	12.1
Fleet statistics	Curre	2006P	2007E	2008E
VLCC fleet (# vessels)	473			
Orderbook	92			
Deliveries		17	33	32
Suezmax fleet (# vessels)	334			
Orderbook	65			
Deliveries		24	28	7

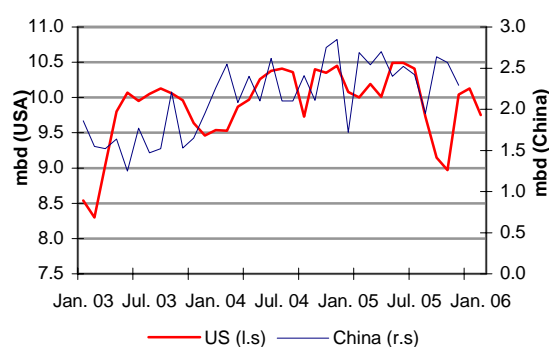
Average earnings	2004	2005	2006 YTD
VLCC, MEG – Korea	97,657	60,232	86,930
Suezmax, Bonny – Phila.	65,965	46,907	55,116
Aframax, TEES – R.dam	56,610	54,304	50,799

Source: IEA, DoE, Bassøe

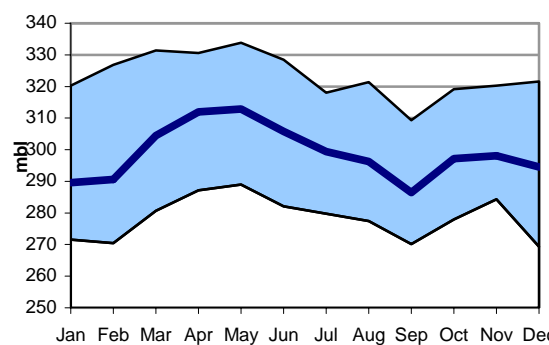
VLCC rates vs. Opec production



Crude oil imports



Crude oil inventories – USA



BROKERS OF P. F. BASSØE AS

	AOH (+47)	Mobile (+47)
Gerhard N. Dahl - President	22 95 19 94	91 16 42 35
Ole-Rikard Hammer - Managing Director	66 90 49 91	97 54 06 82
SALE & PURCHASE / NEWBUILDING / PROJECT	22 01 08 25	
Petter A. Thorendahl	22 44 63 83	90 12 33 06
Nils W. Koren	67 53 01 47	90 03 32 30
Lars Kalbakken	90 02 25 25	90 02 25 25
FREIGHT DERIVATIVES	22 01 08 50	
Kristian Thunes	22 59 27 05	91 58 14 57
Fredrik Sagen Andersen	41 23 30 29	41 23 30 29
Nils Andreas Arnesen	22 43 05 25	90 18 46 49
Magnus Dehli	92 45 92 90	92 45 92 90
Alf Fjetland	92 63 44 95	92 63 44 95
TANKER CHARTERING	22 01 08 20	
Gerhard N. Dahl	22 95 19 94	91 16 42 35
Morten Austvold	64 86 78 11	91 70 50 31
Lars Irgens	22 49 32 72	90 60 13 99
Bjørn-Erik Løkken	22 92 14 74	90 18 80 44
Morten Røine	67 59 11 11	90 61 44 72
CLEAN	22 01 08 80	
Tom Ranum	67 12 01 01	90 69 72 10
Knut Ebbesen	22 49 16 95	90 11 09 15
David Sand	66 82 01 05	90 14 34 31
Inge Wallentin	22 73 27 20	90 89 99 28
OPERATION	22 01 08 30	
Gustav Myreng	67 14 92 37	90 12 19 47
Åge Johnny Haug	69 88 56 80	90 03 55 40
Øystein Heggen	67 12 46 51	90 12 19 46
RESEARCH	22 01 09 06	
Ole-Rikard Hammer	66 90 49 91	97 54 06 82
Lars Kalbakken	90 02 25 25	90 02 25 25

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