

Bassøe Friday Report

Week 5 – 03.02.2006

www.pfbassoe.no

Nr 5. Vol 29

Tanker chartering – Crude

Market comments

It's been a very quiet week, as expected, in the VLCC market. Chinese New Year celebrations have kept many charterers off the market and only a handful of vessels have been fixed, as usual during this week. With more tonnage becoming available for late February, freight rates are seeing some downward pressure, particularly on Western destinations. Eastbound rates, as well as those from West Africa, have so far held up better. The real test will come next week, however, when activity is likely to pick up. Rates may still dip further in the near-term, depending on how eager owners are to fix at what are still very healthy levels. Suezmaxes have also had a quiet week and although rates are up from last week they are off the mid-week highs. Black Sea rates have come down in response to shorter waiting time in the Bosphorus. For aframaxes, there has been some improvement in the Caribs, but little action or change elsewhere.

VLCC (DH)		Current trend: Softer		
Route	WS today	Last week	USD/day	
270' MEG – Korea	160.0	175.0	114,541	
275' MEG – UKC	97.5	120.0	75,527	
260' Bonny – LOOP	150.0	150.0	105,750	

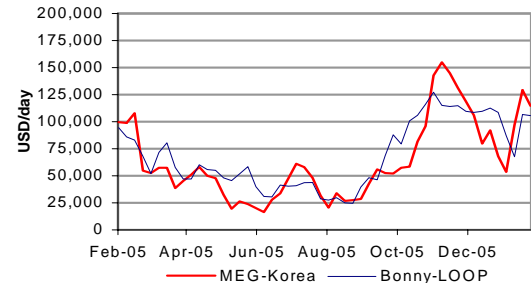
Suezmax (DH)		Current trend: Quiet		
Route	WS today	Last week	USD/day	
130' Bonny – Phila.	200.0	190.0	68,384	
130' MAF – Ningpo	180.0	170.0	58,554	
135' Novo – Augusta	190.0	202.5	88,218	

Aframax (DH)		Current trend: Flat		
Route	WS today	Last week	USD/day	
80' TEES – R.dam	127.5	150.0	35,049	
70' PLC – Texas	265.0	250.0	51,995	
80' MEG – Singapore	205.0	230.0	40,250	

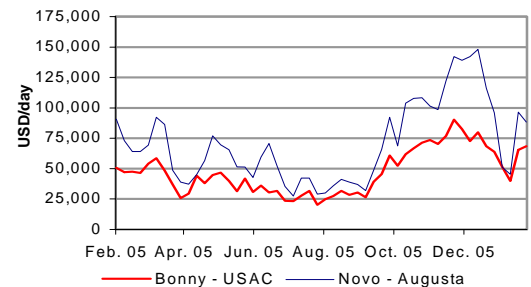
VLCC availability in MEG (# vessels)		
	Single hull	Double hull
Spot	0	0
Next 30 days	40	22

Bunkers (USD/mt)			
Fujairah	319	Rotterdam	291

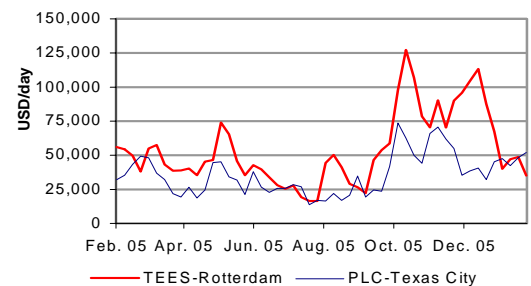
VLCC earnings



Suezmax earnings

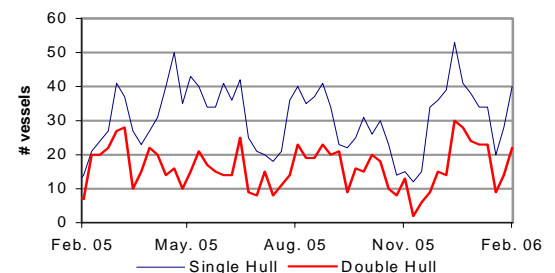


Aframax earnings



VLCC availability in MEG

vessels next 30 days ex. FRO and TI



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Tanker chartering – Clean

Market Comment

As expected, all markets dropped through the week. LR2 by some 35, LR1 by 20, Cont/US by 20, and Sing/Japan by some 42.5 points. Wee look forward to increased activity next week.

Market assessment – MR

Route	WS today	Last week	USD/day
30' Spore - Japan	377.5	410.0	26,606
37' Cont. - US	295.0	305.0	28,077
38' Car. - USAC	267.5	280.0	23,863

Market assessment – LR

Route	WS today	Last week	USD/day
55' MEG – Japan	260.0	280.0	34,982
75' MEG – Japan	225.0	260.0	39,729

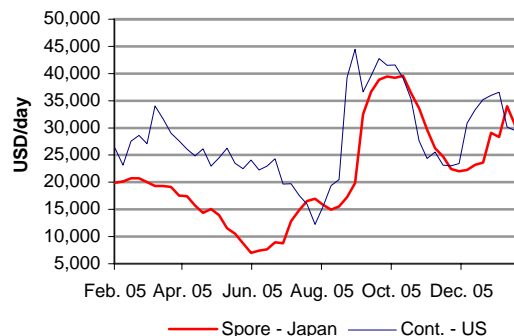
Freight derivatives

A fairly slow week as the Eastern holidays put a brake on the mkt. TD3 prompt trades down on thin volume, as does TD5. The latter coming off on Friday as the physical strength seems to have peaked. TD7 contracts lost several points on plunging ratelevels. Clean trades in the East were unsurprisingly weaker. TC2 experienced a mid-week dip before gaining strength on Friday, as charterers met resistance from owners in the w280s.

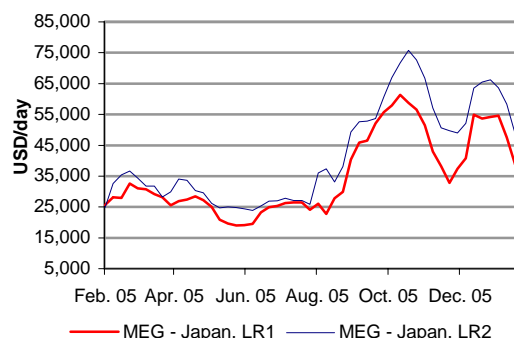
Weekly change in key FFA contracts

Feb	Mar	Q2'06	Q3'06	Q4'06	CAL07
TD3 MEG-Japan, 250' dwt					
123.0	94.0	74.0	72.0	105.0	76.0
-4.0	-0.5	1.0	-0.5	0.0	0.0
TD 5 West Africa – USAC, 130' dwt					
174.0	152.0	125.0	112.5	154.0	125.0
-1.0	-2.5	0.0	-2.5	0.0	0.5
TD 7, North Sea, UKC, 80' dwt					
142.0	145.0	125.0	115.0	159.0	130.0
-18.0	-5.0	-2.5	0.0	0.0	0.0
TC 2 Cont-USAC, 37' dwt					
292.0	292.5	266.0	240.0	282.0	237.5
7.0	7.5	4.0	1.0	7.5	0.5
TC 5, MEG-Japan, 55' dwt					
245.0	240.0	222.0	224.0	265.0	202.5
-10.0	10.0	7.0	4.0	0.0	-5.0

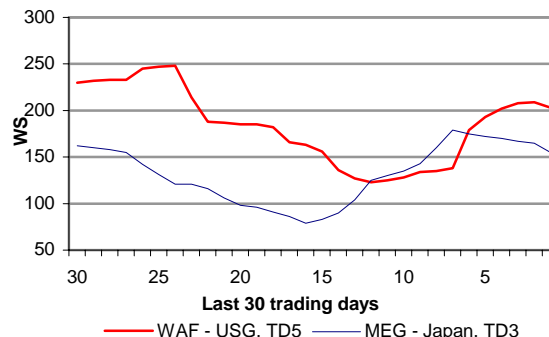
MR earnings



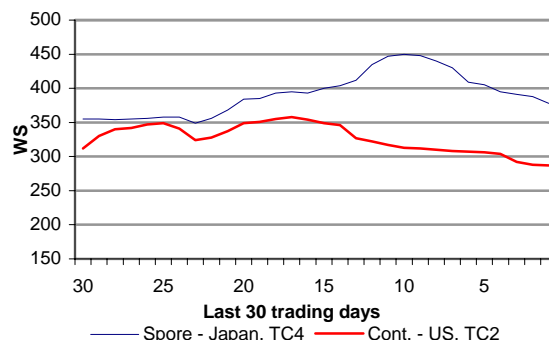
LR earnings



BITR rates, crude



BITR rates, clean



Research

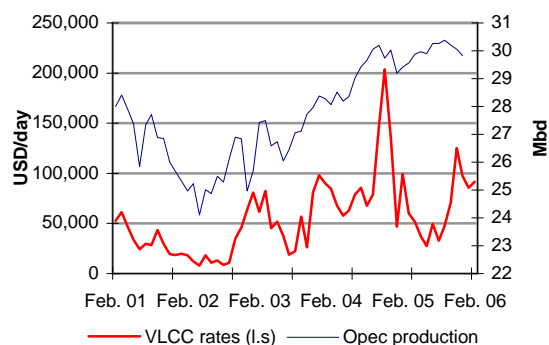
The pendulum is swinging in the other direction in the product tanker market. Having benefited from the surge in US imports after the hurricane season, vessels are now busy taking products back to Europe again. Good fun for owners and a fascinating study in market dynamics, as trade flows are realigning in response to market signals. US product imports have consistently exceeded 4 mbd in recent months, (+35% y/y), as soaring prices sucked in all available oil. It looks like the party may have been overdone, however, with product stocks building contraseasonally after an unusually mild January. The market adjusts quickly, though, and the gasoline price differential between NY and Europe hit a 7 month low this week. Similarly, the plunge in natural gas prices (down 40% in a month) no longer makes heating oil and fuel oil a bargain. Colder weather in Europe and reduced gas exports from Russia are now partially reversing these flows. While the back-and-forth game is fun for product tanker owners, there can be little doubt that a sustained decline in US imports would remove a major pillar of support for the bull market in recent months.

Key market drivers				
	2004	2005	2006E	2007E
World oil demand (% change)	+3.7 %	+1.3 %	+2.2 %	+2.2 %
USA	+3.5 %	+0.2 %	+1.8 %	+1.9 %
Europe	+1.1 %	-0.1%	0.0%	0.6%
China	+15.4	+2.9%	+5.9%	+6.8%
Japan	-2.7 %	+1.1 %	0.6%	0.0%
Opec production (mbd)	29.1	29.89	30.5	
FSU production (mbd)	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

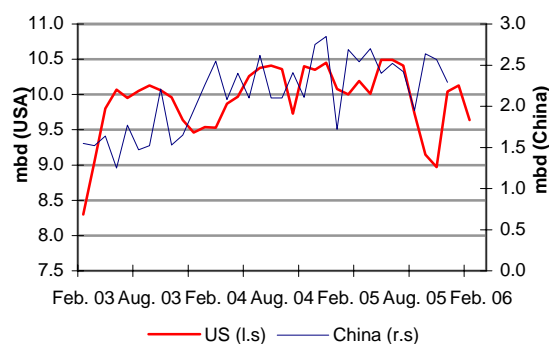
Average earnings	2004	2005	2006 YTD
VLCC, MEG – Korea	97,657	60,232	92,452
Suezmax, Bonny – Phila.	65,965	46,907	57,770
Aframax, TEES – R.dam	56,610	54,304	47,649

Source: IEA, DoE, Bassøe

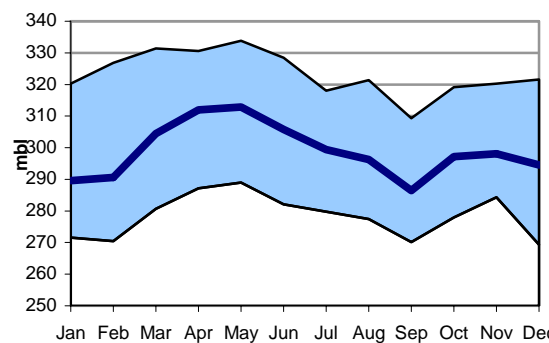
VLCC rates vs. Opec production



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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