

Bassøe Friday Report

Week 7 – 17.02.2006

www.pfbassoe.no

Nr 7. Vol 29

Tanker chartering – Crude

Market comments

A new version of “The Comeback Kid“ has been playing in the VLCC market this week. After a brief downturn post-Chinese New Year celebrations, the market is on the run again. Optimistic owners have resisted temptations to cave in during times of slow activity and with rates not going any lower, charterers have rushed in to cover early March cargoes, resulting in substantial rate increases across-the-board. With tonnage availability tight in the near term, but looser beyond that, the battle is set to continue next week, depending on cargo volumes and dates. Suezmax rates have also rebounded, but on low volumes as VLCCs have been in high demand in West Africa. Unless activity improves current levels may not be sustainable. Aframax activity has been healthy in the North Sea, despite London’s IP week, and rates have jumped in the process. There have been only minor changes elsewhere.

VLCC (DH)		Current trend: Firm		
Route	WS today	Last week	USD/day	
270' MEG – Korea	155.0	120.0	110,261	
275' MEG – UKC	110.0	85.0	90,125	
260' Bonny – LOOP	135.0	120.0	93,252	

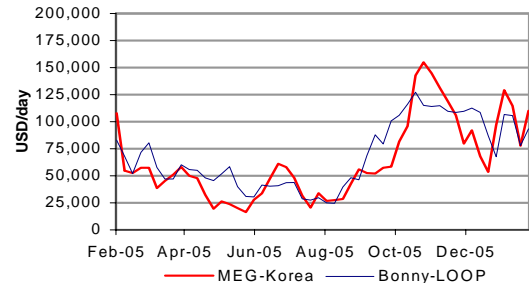
Suezmax (DH)		Current trend: Stable		
Route	WS today	Last week	USD/day	
130' Bonny – Phila.	200.0	200.0	70,075	
130' MAF – Ningpo	150.0	150.0	45,676	
135' Novo – Augusta	215.0	200.0	103,772	

Aframax (DH)		Current trend: Mixed		
Route	WS today	Last week	USD/day	
80' TEES – R.dam	185.0	145.0	69,662	
70' PLC – Texas	210.0	225.0	37,717	
80' MEG – Singapore	187.5	185.0	35,885	

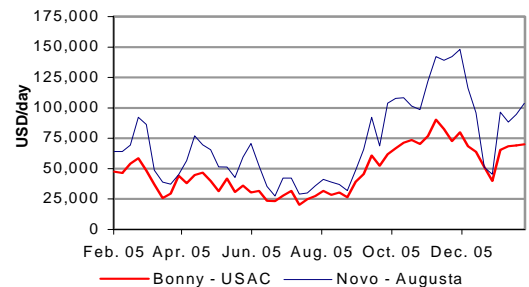
VLCC availability in MEG (# vessels)		
	Single hull	Double hull
Spot	1	0
Next 30 days	34	20

Bunkers (USD/mt)			
Fujairah	316	Rotterdam	295

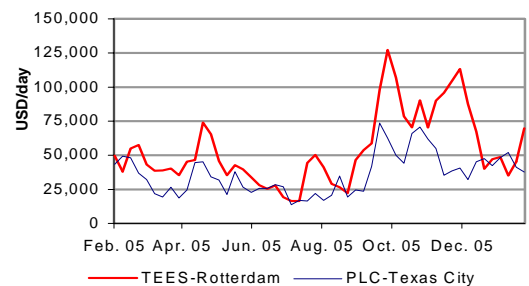
VLCC earnings



Suezmax earnings

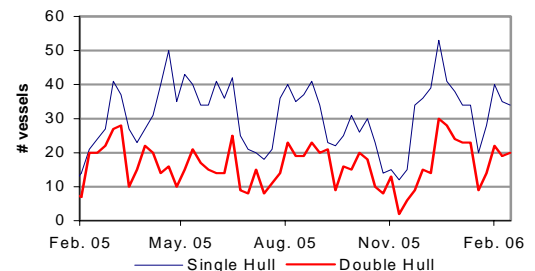


Aframax earnings



VLCC availability in MEG

vessels next 30 days ex. FRO and TI



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Tanker chartering – Clean

Market Comment

Another week has gone by watching the rates drop in all product routes. BTR overall is down 120, mainly caused by Cross Med rates falling 90 points. LR1+2 continue softening together with the MR-markets east. MR-trades to the US keeps up relatively well, despite high inventories and halted driving conditions on the East coast this week.

Market assessment – MR

Route	WS today	Last week	USD/day
30' Spore - Japan	345.0	365.0	23,521
37' Cont. - US	290.0	315.0	27,288
38' Car. - USAC	260.0	260.0	22,912

Market assessment – LR

Route	WS today	Last week	USD/day
55' MEG – Japan	205.0	210.0	25,440
75' MEG – Japan	177.5	190.0	28,436

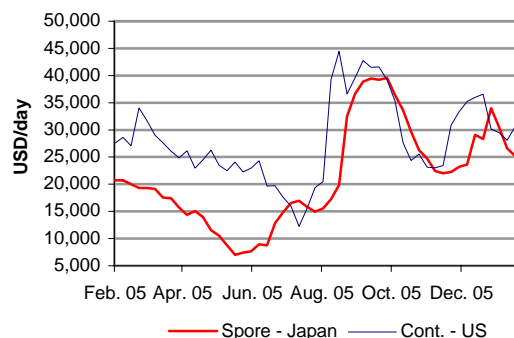
Freight derivatives

The FFA market took IP week as an excuse to slow down activity. Over the week, all crude trades have strengthened while clean routes lost terrain. TD3 in particular moved up on the prompt side, with the deferred contracts remaining flat. Same pattern applies for TD5 and TD7, albeit with less of an impact on the close contracts. Clean trades in general are in a softening trend, TC2 and the western trades taking the hardest hit.

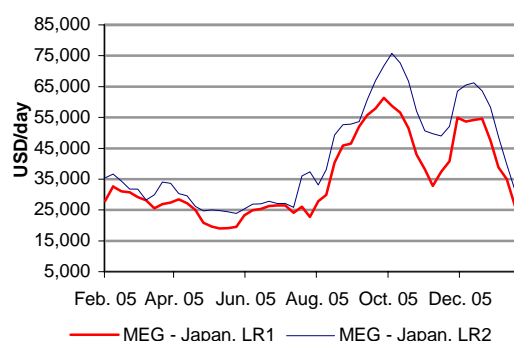
Weekly change in key FFA contracts

Mar	Apr	Q2'06	Q3'06	Q4'06	CAL07
TD3 MEG-Japan, 250' dwt					
111.0	87.0	78.0	72.0	105.0	79.0
14.0	1.0	3.0	0.0	0.0	1.0
TD 5 West Africa – USAC, 130' dwt					
155.0	135.0	123.0	112.0	152.0	122.0
7.0	-	1.0	1.0	-1.0	-1.5
TD 7, North Sea, UKC, 80' dwt					
152.0	130.0	125.0	113.0	161.0	135.0
2.0	-	-1.0	-1.0	-1.5	5.0
TC 2 Cont-USAC, 37' dwt					
275.0	270.0	265.0	245.0	287.0	239.0
-25.0	-	-3.0	3.0	-2.0	-1.0
TC 5, MEG-Japan, 55' dwt					
235.0	230.0	220.0	220.0	270.0	208.0
0.0	-	0.0	-4.0	5.0	0.0

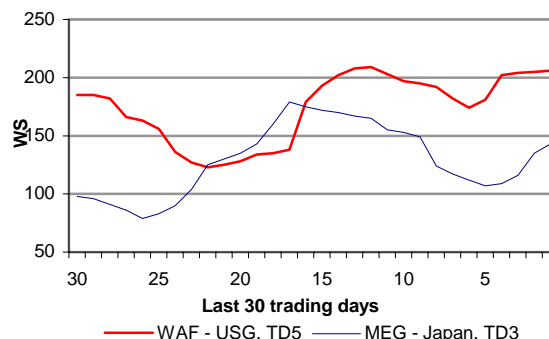
MR earnings



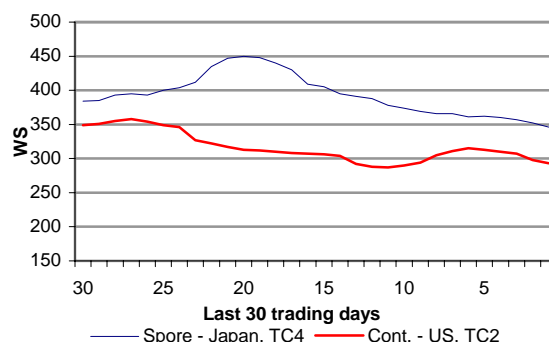
LR earnings



BITR rates, crude



BITR rates, clean



Research

The strength of any market can be measured by how well it performs during bad times. The current VLCC market is a case in point. Despite being hit by a significant drop in February liftings from 145 to 124 (total) rates have not repeated last year's collapse and, as seen this week, are now on the rise again. The most important factor explaining this is the lengthening of trading distances taking place: Reduced oil supply in the Atlantic (US, North Sea production + Russian exports) is pulling in more Middle East crude. In addition, there is also more oil leaving the Atlantic, as Asian buying of West African crude has revived after a slow 1H '06 and look set to hit new highs in Q1. As an indication, long haul spot fixtures are up some 15% y/y so far in 2006. In addition to this, delays in the US Gulf, Middle East Gulf and the Bosphorus have limited tonnage availability and made selections slim for charterers. Certainly some of these issues will wane come spring, but with Asian crude stocks at multi-year lows and US production expected to remain shut through Q2, this year's Spring Break may offer some surprises.

Key market drivers

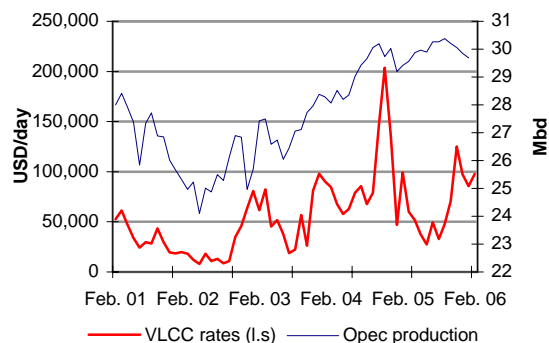
	2004	2005	2006E	2007E
World oil demand (% change)	+3.7 %	+1.3 %	+2.2 %	+2.2 %
USA	+3.5 %	+0.2 %	+1.8%	+1.9%
Europe	+1.1 %	-0.1%	0.0%	0.6%
China	+15.4	+2.9%	+5.9%	+6.8%
Japan	-2.7 %	+1.1 %	0.6%	0.0%
Opec production (mbd)	29.1	29.9	30.5	
FSU production (mbd)	11.2	11.6	12.1	
Fleet statistics	Curre	2006P	2007E	2008E
VLCC fleet (# vessels)	474			
Orderbook	99			
Deliveries		17	33	32
Suezmax fleet (# vessels)	334			
Orderbook	65			
Deliveries		24	28	7

Average earnings

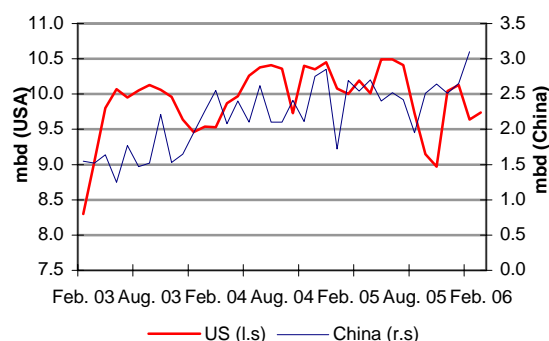
	2004	2005	2006 YTD
VLCC, MEG – Korea	97,657	60,232	92,937
Suezmax, Bonny – Phila.	65,965	46,907	61,142
Aframax, TEES – R.dam	56,610	54,304	50,469

Source: IEA, DoE, Bassøe

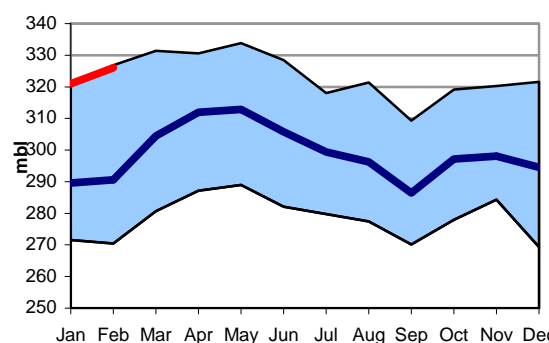
VLCC rates vs. Opec production



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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