

Bassøe Friday Report

Week 8 – 24.02.2006

www.pfbassoe.no

Nr 8. Vol 29

Tanker chartering – Crude

Market comments

The Winter Olympics have captured most of the attention in the VLCC market this week. With barely a handful of fixtures completed, tonnage availability is on the rise and the pendulum has swung back in the charterers' favor. US refineries are in maintenance, limiting westbound activity. In West Africa, there has been little effect so far from the threats to Nigerian supplies, which one may have thought would have led to a rush to move cargoes. Owners' best card is that with little more than half of the March program covered, activity should pick up again next week. Until that happens, however, it seems likely that charterers will have their way, keeping in mind that current rate levels certainly remain very healthy. It's been a similar story for Suezmaxes but rate repercussions have been considerably worse. Aframax rates have followed their "big brothers" lower with steep drops in the North Sea as the standout.

VLCC (DH)		Current trend: Softer		
Route	WS today	Last week	USD/day	
270' MEG – Korea	105.0	155.0	64,386	
275' MEG – UKC	95.0	110.0	72,571	
260' Bonny – LOOP	110.0	135.0	70,430	

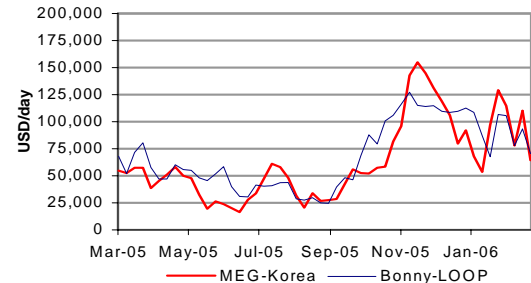
Suezmax (DH)		Current trend: Weak		
Route	WS today	Last week	USD/day	
130' Bonny – Phila.	125.0	200.0	36,310	
130' MAF – Ningpo	140.0	150.0	41,119	
135' Novo – Augusta	135.0	215.0	54,942	

Aframax (DH)		Current trend: Weak		
Route	WS today	Last week	USD/day	
80' TEES – R.dam	125.0	185.0	33,508	
70' PLC – Texas	162.5	210.0	24,994	
80' MEG – Singapore	160.0	187.5	28,739	

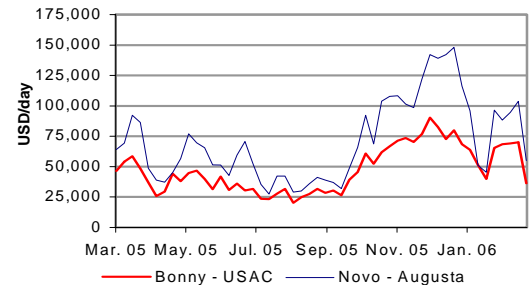
VLCC availability in MEG (# vessels)		
	Single hull	Double hull
Spot	1	0
Next 30 days	37	16

Bunkers (USD/mt)			
Fujairah	320	Rotterdam	292

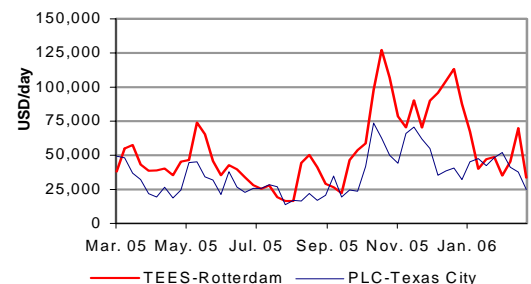
VLCC earnings



Suezmax earnings

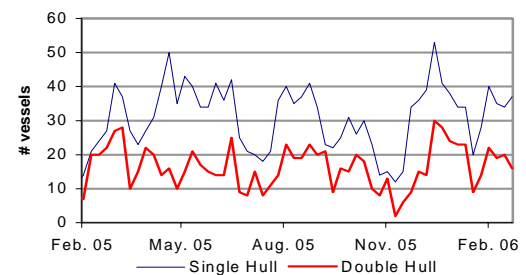


Aframax earnings



VLCC availability in MEG

vessels next 30 days ex. FRO and TI



P.F. Bassøe AS P O Box 1723 Vika Phone +47 22 01 08 00
Enterprise Number: N-0121 Oslo, Norway Fax +47 22 01 08 10
NO-927161052 Dronning Mauds gt. 3 Telex +56 76766 basso n

E-mail Internet bassoe@pfbassoe.no
E-mail Comtext A43NN076
www.pfbassoe.no



Tanker chartering – Clean

Market Comment

Rates heading south due to lack of activity and surplus of tonnage in all areas. A significant downshift in US import flows is expected, together with seasonal lack of trading activity in the East (end of fiscal year). We do expect this negative trend to continue the next 2 to 3 weeks.

Market assessment – MR

Route	WS today	Last week	USD/day
30' Spore - Japan	315.0	345.0	20,298
37' Cont. - US	275.0	290.0	25,356
38' Car. - USAC	235.0	260.0	19,843

Market assessment – LR

Route	WS today	Last week	USD/day
55' MEG – Japan	195.0	205.0	23,553
75' MEG – Japan	155.0	177.5	22,777

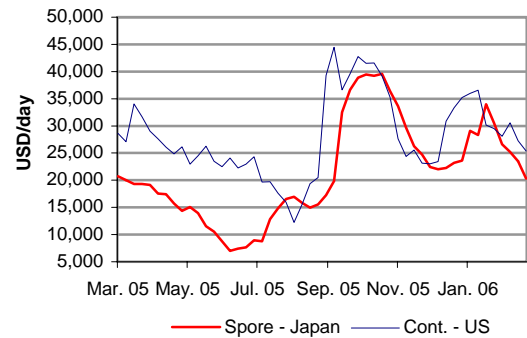
Freight derivatives

All crude routes suffered on the near term contracts. Lack of activity in the North Sea and subsequent falling rates have caused TD7 near term contracts to come off. The prompt TD5 came off hard as a result of more trouble than usual in West Africa. A substantial list of VLCC's competing for MEG cargoes made the short end of TD3 follow suit. The deferred contracts for all crude routes remained largely unchanged. Less dramatic for TC2, which closed just slightly lower than last week. The eastern routes, however, continued to slide and the TC5 prompt came off nearly WS40

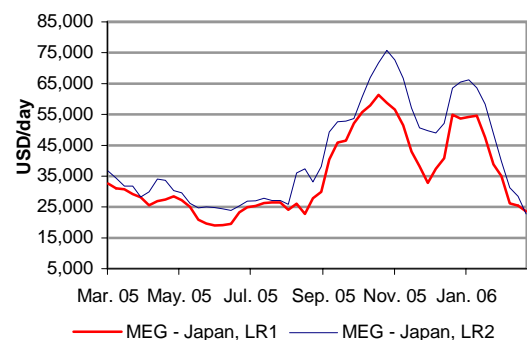
Weekly change in key FFA contracts

Mar	Apr	Q2'06	Q3'06	Q4'06	CAL07
TD3 MEG-Japan, 250' dwt					
88.0	80.0	76.0	72.0	105.0	80.0
-23.0	-7.0	-2.0	0.0	0.0	1.0
TD 5 West Africa – USAC, 130' dwt					
132.0	130.0	122.5	112.0	150.0	122.5
-33.0	-5.0	-0.5	0.0	-2.0	0.5
TD 7, North Sea, UKC, 80' dwt					
134.0	130.0	124.0	112.5	160.0	135.0
-18.0	0.0	-1.0	-0.5	-1.0	0.0
TC 2 Cont-USAC, 37' dwt					
272.0	270.0	260.0	245.0	285.0	239.0
-3.0	0.0	-5.0	0.0	-2.0	0.0
TC 5, MEG-Japan, 55' dwt					
198.0	215.0	210.0	217.5	270.0	218.0
-37.0	-15.0	-10.0	-2.5	0.0	10.0

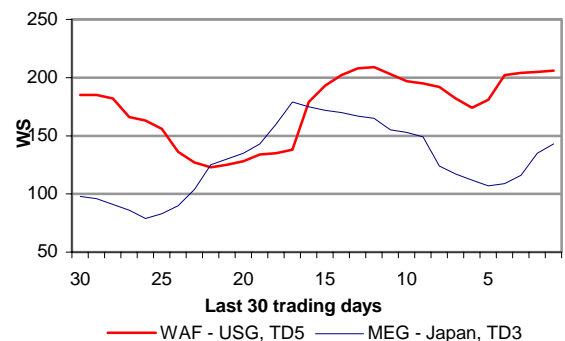
MR earnings



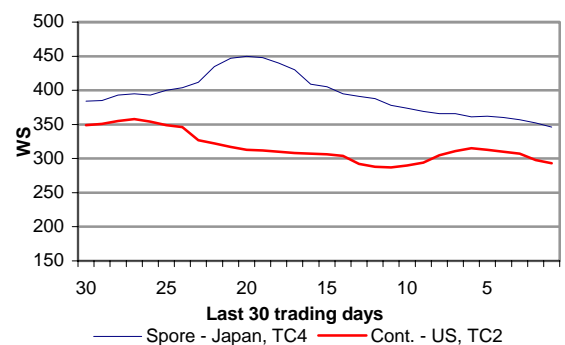
LR earnings



BITR rates, crude



BITR rates, clean



Research

We have been suspecting for some time that a general lengthening of trading distances is a key reason for the strength of the tanker market in recent months. We find some interesting anecdotal support for this view in the recent US oil import statistics which show that crude imports from Venezuela have dropped from a fairly consistent level of 1.3 mbd to 1 mbd. The drop coincides with its announcement that exports to China now are 0.15 mbd, heading for 0.30 mbd by year-end. This represents a great “trade” from a shipping standpoint, substituting a 5 day trip to the US for a 40 day trip to the Far East (although the volumes involved are small so far). On a grander scale, it supports the case that the average barrel is currently spending more time at sea as a result of the considerable supply problems in the Atlantic Basin (US+ North Sea output is down nearly 1 mbd y/y), lower Russian exports and the revival of long-haul West African shipments to Asia. If the shift in Venezuela’s flow is structural, which there is some reason to believe, the ton-mile improvement should be increasingly visible when the US import upswing begins to gather pace over the next couple of months.

Key market drivers

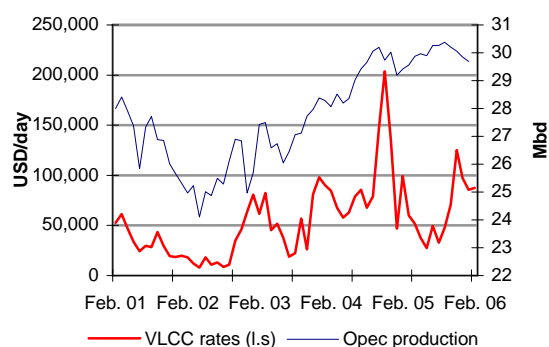
	2004	2005	2006E	2007E
World oil demand (% change)	+3.7 %	+1.3 %	+2.2 %	+2.2 %
USA	+3.5 %	+0.2 %	+1.8 %	+1.9 %
Europe	+1.1 %	-0.1%	0.0%	0.6%
China	+15.4	+2.9%	+5.9%	+6.8%
Japan	-2.7 %	+1.1 %	0.6%	0.0%
Opec production (mbd)	29.1	29.9	30.5	
FSU production (mbd)	11.2	11.6	12.1	
Fleet statistics	Curre	2006P	2007E	2008E
VLCC fleet (# vessels)	464			
Orderbook	99			
Deliveries		17	34	36
Suezmax fleet (# vessels)	334			
Orderbook	65			
Deliveries		24	28	7

Average earnings

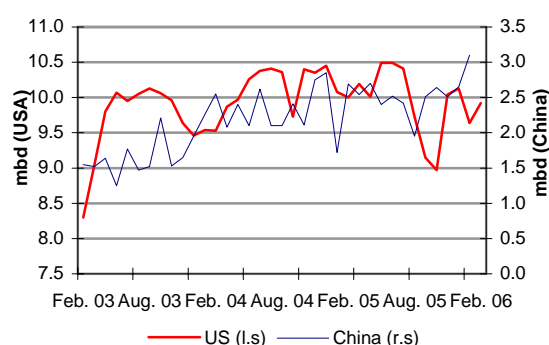
	2004	2005	2006 YTD
VLCC, MEG – Korea	97,657	60,232	89,368
Suezmax, Bonny – Phila.	65,965	46,907	58,038
Aframax, TEES – R.dam	56,610	54,304	48,349

Source: IEA, DoE, Bassøe

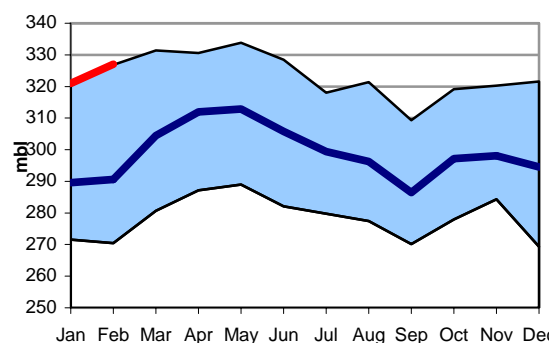
VLCC rates vs. Opec production



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

Disclaimer

This e-mail/fax is based on information obtained from sources which P.F.Bassøe AS believes to be reliable, but P.F.Bassøe AS does not represent or warrant its accuracy. The opinions and estimates contained in this e-mail/fax represent the views of P.F.Bassøe AS of the date of the e-mail/fax, and may be subject to change without prior notice. P.F.Bassøe AS will not be responsible for the consequence of reliance upon any opinion or statement contained in this e-mail/fax. This e-mail/fax is confidential, and may not be reproduced, in whole or in part, without the prior written permission of P.F.Bassøe AS.