

Bassøe Friday Report

Week 9 – 03.03.2006

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Nr 9. Vol 29

Tanker chartering – Crude

Market comments

It's been "Singles Night" all week in the VLCC market. Activity has improved considerably, but virtually all of the action has been on the single hulls. With plenty of candidates available, charterers have had an easy time and rates have continued lower from last week in the MEG. The overhang of tonnage has begun to gradually thin out, however, and there is a somewhat firmer tone to the market at the end of the week. With March cargoes now entering the last "inning", owners need some April stems to step forward, and that may be a touch early as the winter is now over from a chartering perspective. Suezmaxes have experienced a considerably more volatile week, opening at the lowest levels seen this year but turning around on a flurry of cargoes to finish considerably higher. However, it is doubtful whether the pace of activity can be sustained. Aframaxes have been inactive with lower rates all around.

VLCC (DH)		Current trend: Firmer		
Route	WS today	Last week	USD/day	
270' MEG – Korea	100.0	105.0	58,020	
275' MEG – UKC	82.5	95.0	56,450	
260' Bonny – LOOP	115.0	110.0	74,234	

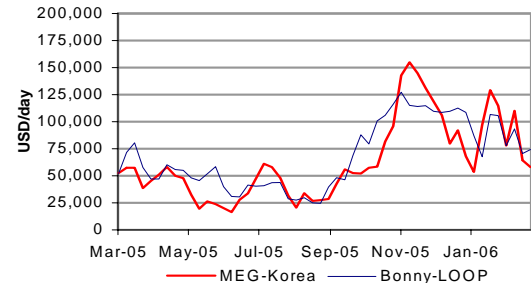
Suezmax (DH)		Current trend: Firm		
Route	WS today	Last week	USD/day	
130' Bonny – Phila.	167.5	125.0	55,369	
130' MAF – Ningpo	150.0	140.0	44,408	
135' Novo – Augusta	145.0	135.0	60,637	

Aframax (DH)		Current trend: Weak		
Route	WS today	Last week	USD/day	
80' TEES – R.dam	120.0	125.0	30,241	
70' PLC – Texas	137.5	162.5	17,881	
80' MEG – Singapore	160.0	160.0	28,080	

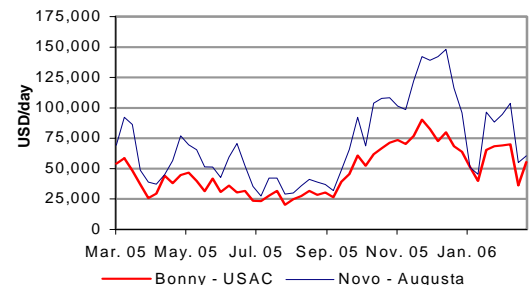
VLCC availability in MEG (# vessels)		
	Single hull	Double hull
Spot	2	0
Next 30 days	22	22

Bunkers (USD/mt)			
Fujairah	340	Rotterdam	300

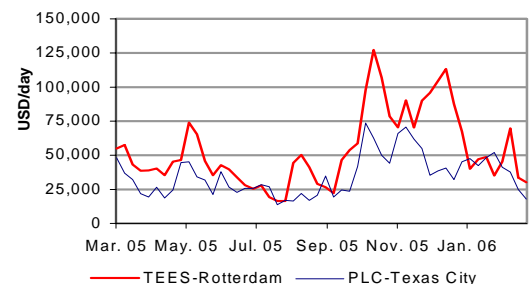
VLCC earnings



Suezmax earnings

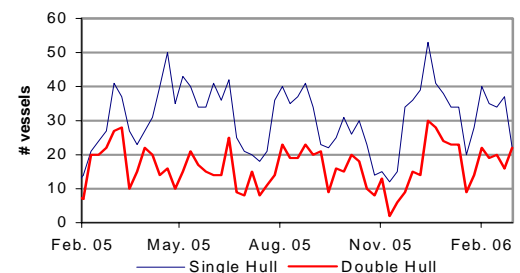


Aframax earnings



VLCC availability in MEG

vessels next 30 days ex. FRO and TI



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Tanker chartering – Clean

Market Comment

Both the MR and LR market east of Suez went down this week, and are not showing any sign of resistance. The main product routes in the western hemisphere have turned around and are showing some more firmness towards the end of the week.

Market assessment – MR

Route	WS today	Last week	USD/day
30' Spore - Japan	235.0	315.0	11,118
37' Cont. - US	260.0	275.0	23,104
38' Car. - USAC	240.0	235.0	20,216

Market assessment – LR

Route	WS today	Last week	USD/day
55' MEG – Japan	172.5	195.0	19,054
75' MEG – Japan	150.0	155.0	20,838

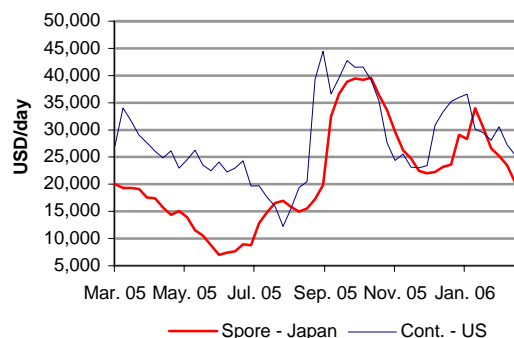
Freight derivatives

All crude routes rebounded from last week's drop. Most significantly, both TD3 and TD5 gained some ground further along the curve. An active fixing week on VLCCs as well as Suezmaxes took care of the upturn, but also implies potential for a more quiet next week – which is putting a lid on the shopping frenzy. TC2 proved very volatile with spot month swinging 25 pts intra day – closing the week at par with last weeks level. All eastern trades are falling, albeit TC5 looking a touch stronger on Friday.

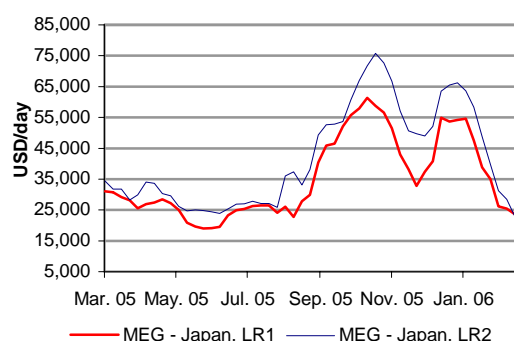
Weekly change in key FFA contracts

Mar	Apr	Q2'06	Q3'06	Q4'06	CAL07
TD3 MEG-Japan, 250' dwt					
99.0	85.0	82.0	80.0	109.0	82.0
11.0	5.0	6.0	8.0	4.0	2.0
TD 5 West Africa – USAC, 130'dwt					
150.0	141.5	126.0	114.0	152.0	125.0
18.0	11.5	3.5	2.0	2.0	2.5
TD 7, North Sea, UKC, 80'dwt					
140.0	135.0	127.0	112.0	160.0	135.0
6.0	5.0	3.0	-0.5	0.0	0.0
TC 2 Cont-USAC, 37' dwt					
270.0	270.0	262.5	245.0	286.0	239.0
-2.0	0.0	2.5	1.0	1.0	0.0
TC 5, MEG-Japan, 55' dwt					
182.5	212.0	217.5	215.0	267.5	218.0
-15.5	-3.0	7.5	-2.5	-5.0	0.0

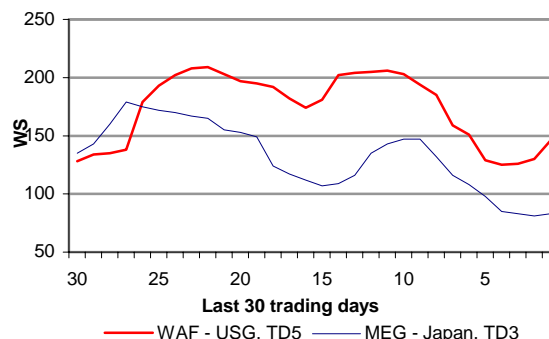
MR earnings



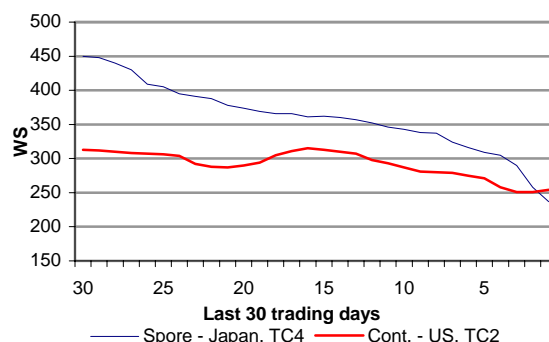
LR earnings



BITR rates, crude



BITR rates, clean



Research

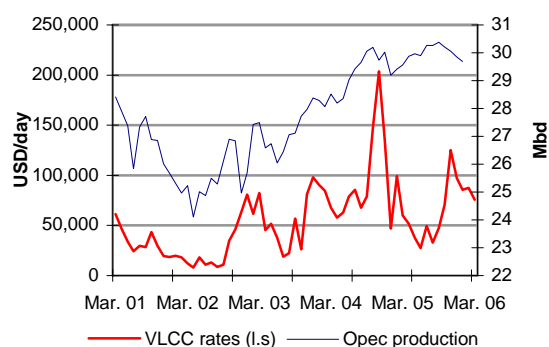
Sssh, don't tell anyone, but the tanker orderbook is falling. In contrast to the very high level of activity in '03 and '04, when nearly a quarter of the fleet was put on the yards' books, '05 witnessed a sharp drop in ordering for all size classes, particularly for suezmaxes, which were down 70%. In total, crude tanker ordering last year was only half the level of the '04 peak, despite a very healthy freight market. What gives? There are several factors at work; Freight rates are high, but are indeed down from the blistering pace in 2004. Newbuilding prices, on the other hand, have risen further, driven by healthy ordering in other segments and rising costs. With delivery times also lengthening, owners have chosen the rational path; doing nothing. A sustained slowdown in ordering now, would paint a very interesting picture heading towards 2010. Alas, however, the secret appears to be out; Ordering activity has picked up sharply this year. So far the increase has been contained to VLs, however, which leads us to suspect that it may have as much to do with positioning ahead of rising steel costs on April 1st as it has to do with the market. If correct, those waiting for owners to chop off their own feet via higher orders are likely to have to keep holding their breath for some time still.

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

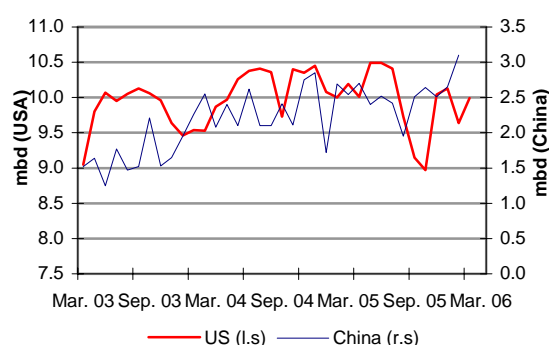
Average earnings	2004	2005	2006 YTD
VLCC, MEG – Korea	97,657	60,232	85,885
Suezmax, Bonny – Phila.	65,965	46,907	57,741
Aframax, TEES – R.dam	56,610	54,304	46,337

Source: IEA, DoE, Bassøe

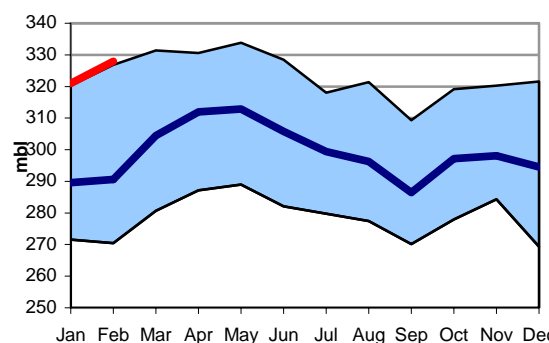
VLCC rates vs. Opec production



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
Roger Hansen	90 93 70 70	90 93 70 70
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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