

Oil Market Review in Japan No. 02/2020

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https://eneken.iej.or.jp/en/weekly_oil/index.php

Overview

The key WTI (West Texas Intermediate) crude oil futures contract on NYMEX (New York Mercantile Exchange) in the June 18-24 week moved within a range between \$38.01 per barrel and \$40.46/bbl.

On June 25, the August contract rebounded in response to sharp drop in the previous trading day and the US stock market upsurge after the selling phase due to concern on the second wave of the new coronavirus pandemic. The August contract closed at \$38.72/bbl, up \$0.71/bbl from the previous day.

On June 26, the key contract turned down with a heavy loss caused by the increasing number of new coronavirus infected patients again and interruption of restart of economic activities in California, Florida, Texas and Arizona States. Baker Hughes reported that the number of operating U.S. oil-drilling rigs sharply decreased by one from a week earlier to 188, the lowest level for the first time since June 2009. The number decreased for the 15th straight week. The total number decreased by 495 for the same period. The August contract finished \$0.23/bbl lower at \$38.49/bbl.

On June 29, the key contract soared sharply caused by remarkable improvement of economic indicators in European countries and China. We saw increase in Eurozone business confidence index and China's manufacturing industries' profit in May for the first time in six months. The August contract gained \$1.21bbl to \$39.70/bbl.

On June 30, the key contract turned down due to concern on re-expansion of the new coronavirus pandemic in the US. The report that Libya would restart crude oil export after disruption of export due to the civil war since January 2020 caused increased concern on oversupply in the oil market. The August contract lost \$0.43/bbl to \$39.27bbl.

On July 1, the key contract soared caused by the expectation for improvement of supply and demand situation in the international oil market. Vigilance against the second wave of the new coronavirus pandemic, downward revision of the world economic growth rate in 2020 to minus 4.9% by IMF (International Monetary Fund), unexpected decrease in the US crude oil inventory level reported by EIA (the US Energy Information Administration) and improvement of economic indicators in the US manufacturing industries supported the increase in oil price. The August contract gained \$0.55bbl to \$39.82/bbl.

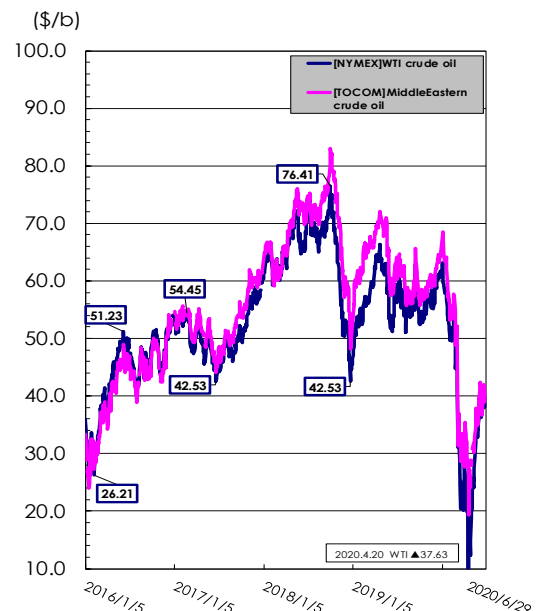
The Asian benchmark crude oil of Dubai for August delivery on the Tokyo market ranged between \$39.90/bbl and \$42.90/bbl in the June 18-24 week. It closed at \$40.30/bbl on June 25, at \$41.70/bbl on June 26, at \$40.50/bbl on June 29, at \$41.90/bbl on June 30 and at \$41.30/bbl on July 1.

On the foreign exchange market in the June 18-24 week, the dollar moved within a range between 106.52 and 106.96 yen. It changed hands at 107.06 yen in late trading on June 25, at 107.12 yen on June 26, at 107.24 yen on June 29, at 107.74 yen on June 30, and at 108.12 yen on July 1.

According to preliminary 10-day trade statistics released by the Ministry of finance on June 26, the average crude oil import CIF price for Japan in the June 1-10 period stood at 15,891 yen/kl (kiloliter), up 217 yen/kl from the previous 10-day period. In dollars, the price was \$23.49/bbl, up \$0.20/bbl. The average exchange rate was 107.59 yen to the dollar. According to preliminary 10-day trade statistics released by the Ministry of finance on June 17, the average crude oil import CIF price for Japan in May stood at 16,844 yen/kl (kiloliter), down 12,067 yen/kl from the previous month. In dollars, the price was \$25.01/bbl, down \$17.32/bbl. The average exchange rate was 107.07 yen to the dollar.

Japan's average retail price on June 29 gained by 0.2 yen/l from a week earlier for gasoline and diesel oil, and by 0.2 yen for kerosene on an 18-liter tank basis. The gasoline price and the diesel oil price gained for the seventh straight week. The kerosene price gained for the sixth straight week. As crude oil cost increased in the fifth week of June, Motouri companies increased their wholesale prices by 1.0 yen/l for gasoline, diesel oil and kerosene for the next week.

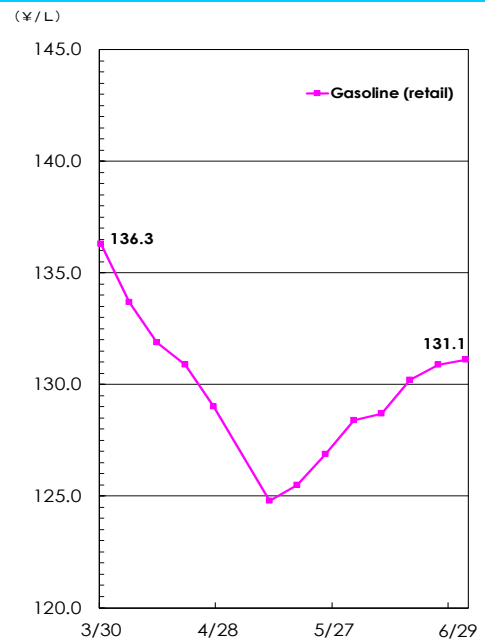
Crude oil			This week	From a week earlier	From a year earlier
Supply/ Demand	Crude oil runs (1,000 kl)	6/21 ~ 6/27	2,472	▲ 57	▼ —
	Topper capacity utilization rate (%)	"	63.1	▲ 1.4	▼ —
	Crude oil inventories (1,000 kl)	6/27	13,779	▼ -173	▲ —
Prices	Middle Eastern crude oil (TOCOM) (\$/bbl)	6/29	39.10	▼ -2.23	▼ -25.0
	WTI crude oil (NYMEX) (\$/bbl)	6/29	39.70	▼ -0.76	▼ -19.4
	Crude oil import CIF price (\$/bbl)	Early Jun	23.49	▲ 0.20	▼ -49.59
	① Crude oil import CIF price (yen/kl)	"	15,891	▲ 217	▼ -34,248
	② Yen-dollar exchange rate (yen/dollar)	"	107.59	▼ -0.60	▲ 1.48
	TTS exchange rate (yen/dollar)	6/29	108.24	▼ -0.47	▲ 1.01



(Unit: 1,000 kl, yen/l)

Gasoline		This week		From a week earlier	From a year earlier	
Supply/ Demand	Production	6/21 ~ 6/27	832	▲ 74	▼ -	
	Imports	"	n.d.	n.d.	n.d.	
	Shipments	"	826	▲ 114	▼ -	
	Exports	"	0	▼ -18	▼ -	
	Inventories	6/27	1,685	▲ 6	▲ -	
Prices	Gyoten (spot) [4-district average lorry rack price] (RIM)	6/23 ~ 6/29	39.0	▲ 1.4	▼ -19.5	
	Futures [front-month contract/closing price]	(TOCOM/ Tokyo Bay)	6/23 ~ 6/29	38.9	▼ -0.1	▼ -17.0
		(TOCOM/ Chubu)	6/29	38.5	▼ -1.2	▼ -20.1
	Retail prices [weekly trend] (published by ANRE)	6/29	131.1	▲ 0.2	▼ -14.5	

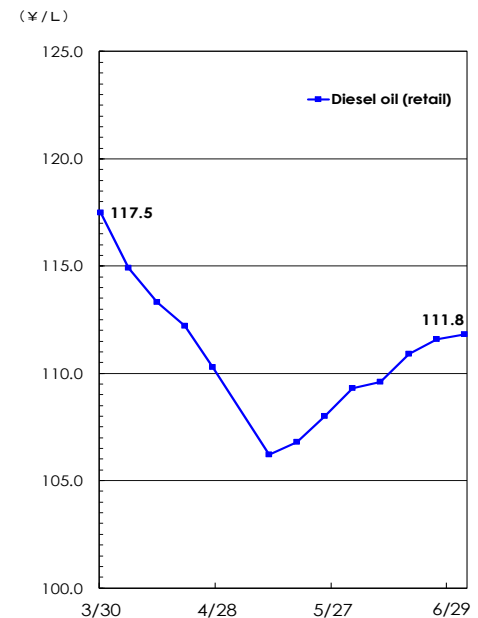
*Gyoten and futures prices are before tax



(Unit: 1,000 kl, yen/l)

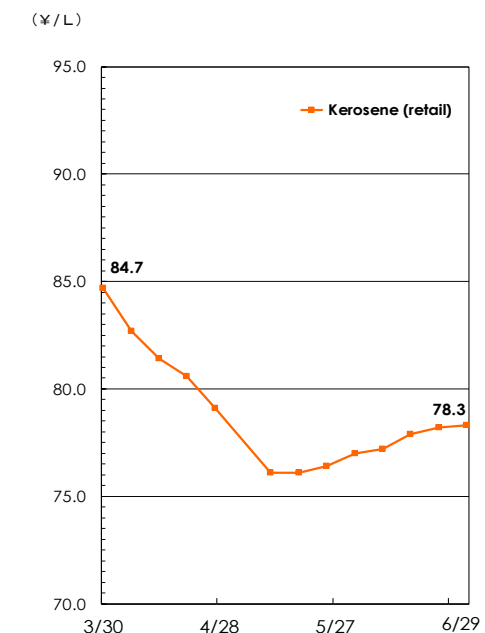
Diesel oil		This week		From a week earlier	From a year earlier	
Supply/ Demand	Production	6/21 ~ 6/27	642	▼ -1	▼ -	
	Imports	"	n.d.	n.d.	n.d.	
	Shipments	"	606	▲ 123	▼ -	
	Exports	"	0	▼ -36	▼ -	
	Inventories	6/27	1,472	▲ 36	▲ -	
Prices	Gyoten (spot) [4-district average lorry rack price] (RIM)	6/23 ~ 6/29	40.9	▲ 0.7	▼ -20.0	
	Futures [front-month contract/closing price]	(TOCOM/ Tokyo Bay)	6/23 ~ 6/29	45.5	▲ 0.1	▼ -16.4
		(TOCOM/ Chubu)	6/29	-	-	-
	Retail prices [weekly trend] (published by ANRE)	6/29	111.8	▲ 0.2	▼ -14.9	

*Gyoten and futures prices are before tax



(Unit: 1,000 kl, yen/l)

Kerosene		This week		From a week earlier	From a year earlier	
Supply/ Demand	Production	6/21 ~ 6/27	163	▲ 21	▲ -	
	Imports	"	n.d.	n.d.	n.d.	
	Shipments	"	121	▲ 63	▲ -	
	Exports	"	0	➡ 0	➡ -	
	Inventories	6/27	1,797	▲ 43	▲ -	
Prices	Gyoten (spot) [4-district average lorry rack price] (RIM)	6/23 ~ 6/29	39.5	▲ 0.4	▼ -21.2	
	Futures [front-month contract/closing price]	(TOCOM/ Tokyo Bay)	6/23 ~ 6/29	40.0	▲ 2.6	▼ -17.7
		(TOCOM/ Chubu)	6/29	39.3	▲ 0.8	▼ -20.2
	Retail prices [weekly trend] (published by ANRE)	6/29	78.3	▲ 0.1	▼ -12.9	



Relevant Information

1 Overseas crude oil prices

On July 1, the most frequently traded oil futures contract on NYMEX soared caused by the increasing expectation for improvement in supply and demand situation in the international crude oil market and robust economic indicators in the US manufacturing industries. In spite of concern on the second wave of the new coronavirus pandemic, the EIA released the Weekly Report, which said that the US crude oil inventory decreased by 7,200,000 million barrels from the previous week against the market's expectation of increase in inventory of 700,000 million barrels. The August contract gained \$0.55/bbl to \$39.82/bbl from the previous day. The September contract gained \$0.58/bbl to \$39.92/bbl from the previous day.

According to the EIA, the average U.S. retail price of gasoline as of June 29 increased by 4.50 cents per gallon from a week earlier to \$2.174/gal (62.1 yen/l). The average diesel oil price fell by 0.05 cents/gal to \$2.430/gal (69.4 yen/l). The gasoline price increased for the ninth straight week. The diesel price increased for the fourth straight week.

2 Petroleum products supply and demand in Japan (1) Shipments

According to a weekly report by the PAJ (Petroleum Association of Japan), inactive topper capacity in the June 21-27 week in 2020 stood at 829,000 barrels per day, up 48,000 bpd from the previous week (total capacity remained at 3,519,000 bpd).

Crude oil throughput in the week increased by 57,000 kl from the previous week to 2,472,000 kl. From a year earlier, it decreased by 844,000 kl. The topper capacity utilization rate stood at 63.1%, up 1.4 points from the previous week and down 21.6 points from a year earlier.

Production decreased from the previous week for diesel oil and Fuel Oil A and increased for other petroleum products. Output was up 9.8% for gasoline, up 28.4% for jet fuel, up 14.7% for kerosene, down 0.1% for diesel oil, down 19.9% for Fuel Oil A and up 42.7% for Fuel Oil C. Fuel Oil C imports in the week totaled 5,000 kl, up 5,000 kl from the previous week. Diesel oil exports aggregated 0 kl, down 36,000 kl from the previous week.

Shipments (excluding imports) in the week decreased from the previous week for jet fuel and Fuel oil A and increased for other petroleum products. From a year earlier, shipments expanded for kerosene and declined for other petroleum products. Gasoline shipments increased by 16.1% from the previous week to 826,000 kl for the first increase in two weeks, remaining below 1 million kl for 45 weeks on end. Shipments totaled 54,000 kl for jet fuel (down 6.1% from the previous week), 121,000 kl for kerosene

(up 107.0%), 606,000 kl for diesel oil (up 25.4%), 145,000 kl for Fuel Oil A (down 6.8%) and 124,000 kl for Fuel Oil C (down 39.0%).

(Unit: 1,000 kl)

	This week (6/21 ~ 6/27)	Previous week (6/14 ~ 6/20)	From a week earlier
Gasoline	826	712	▲ 114 (16%)
Jet fuel	54	57	▼ -3 (-5%)
Kerosene (heating Oil)	121	58	▲ 63 (109%)
Diesel oil	606	483	▲ 123 (25%)
Fuel oil A	145	155	▼ -10 (-6%)
Fuel Oil C	124	90	▲ 34 (38%)
Total	1,876	1,555	▲ 321 (21%)

This week's shipments = (Previous weekend inventories + This week's production + This week's imports) - (This week's exports + This weekend inventories)

2 Petroleum products supply and demand in Japan (2) Inventories

Inventories as of June 27 decreased from a week earlier for Fuel Oil A and Fuel Oil C and increased for other petroleum products. From a year earlier, inventories shrank for jet fuel and Fuel Oil C and expanded for other petroleum products.

Gasoline inventories totaled 1,685,000 kl, up 6,000 kl from a week earlier and up 205,000 kl from a year earlier.

Kerosene inventories totaled 1,797,000 kl, up 43,000 kl from a week earlier and up 302,000 kl from a year earlier.

Diesel oil inventories totaled 1,472,000 kl, up 36,000 kl from a week earlier and up 163,000 kl from a year earlier.

Fuel Oil A inventories totaled 771,000 kl, down 6,000 kl from a week earlier and up 94,000 kl from a year earlier.

Fuel Oil C inventories totaled 1,833,000 kl, down 41,000 kl from a week earlier and down 115,000 kl from a year earlier.

(Unit: 1,000 kl)

	This week (6/27)	Previous week (6/20)	From a week earlier
Gasoline	1,685	1,679	▲ 6 (0%)
Jet fuel	662	640	▲ 22 (3%)
Kerosene (heating Oil)	1,797	1,754	▲ 43 (2%)
Diesel oil	1,472	1,436	▲ 36 (3%)
Fuel oil A	771	777	▼ -6 (-1%)
Fuel Oil C	1,833	1,874	▼ -41 (-2%)
Total	8,220	8,160	▲ 60 (0.7%)

3 Petroleum products wholesale prices in Japan (1) Wholesale price revision trend

During the June 23-29 week, crude oil cost increased as crude oil price gained from the previous week with little fluctuation of yen's exchange rate to the US dollar.

For the next week, Motouri companies increased their wholesale prices by 1.0 yen/l for gasoline, kerosene and diesel oil.

3 Petroleum products wholesale prices in Japan (2) Spot (Gyoten) and futures price trend

All spot petroleum products prices in all markets except gasoline futures in the June 23-29 week increased from their respective averages in the June 16-22 week.

The latest onshore cargo spot price (the average onshore rack price for four districts -- Chiba, Kawasaki, Chukyo and Hanshin - for the June 23-29 week) increased by 1.4 yen/l from the previous week for gasoline, by 0.4 yen/l for kerosene and by 0.7 yen/l for diesel oil.

For the latest June 23-29 week, price increased within the range between 91-93 yen/l for gasoline; within the range between 38-40 yen/l for kerosene and within the range between 40-41 for diesel oil.

The average offshore barge spot price in Tokyo Bay increased by 1.8 yen/l for gasoline, by 1.1 yen/l for kerosene and by 0.4 yen/l for diesel oil for the same period. Offshore cargo spot prices during the week levelled off after the increase in a 93-95 yen/l range for gasoline, and slightly increase in a 37-38 yen/l range for kerosene and dropped in a 42 yen/l range for diesel oil.

The key average futures price fell by 0.1 yen/l for gasoline, gained 2.6 yen/l for kerosene and fell by 0.1 yen/l for diesel oil. The key futures price during the week fluctuated sharply in a 91-93 yen/l range for gasoline, levelled off in a 40 yen/l for kerosene and dropped sharply in a 46-44 yen/l range for diesel oil.

(RIM) [4-district average lorry rack price]		(Unit: yen/l)	
	This week (6/23 ~ 6/29)	Previous week (6/16 ~ 6/22)	From a week earlier
Regular	39.0	37.6	▲ 1.4
Kerosene	39.5	39.1	▲ 0.4
Diesel oil	40.9	40.2	▲ 0.7

(TOCOM) [Front-month contract/closing price] [Average]		(Unit: yen/l)	
	This week (6/23 ~ 6/29)	Previous week (6/16 ~ 6/22)	From a week earlier
Regular	38.9	39.0	▼ -0.1
Kerosene	40.0	37.4	▲ 2.6
Diesel oil	45.5	45.4	▲ 0.1

Above prices are before tax.

Reference (June 23 - June 29 actual data)

Products	Spot	Futures	Average
Gasoline	▲ 1.4	▼ -0.1	▲ 0.7
Kerosene	▲ 0.4	▲ 2.6	▲ 1.5
Diesel oil	▲ 0.7	▲ 0.1	▲ 0.4
Fuel Oil A	▲ 0.8		

(Source) Spot: RIM 4-district average lorry rack price (Chiba, Kawasaki, Chukyo, Hanshin)
Futures: TOCOM average offshore barge spot price for Keihin District

4 Retail prices of petroleum products in Japan

The average retail service station price as of June 29 increased by 0.2 yen/l from a week earlier to 131.19 yen/l for gasoline, increased by 0.2 yen/l to 111.8 yen/l for diesel oil and increased by 2 yen to 1,410 yen for kerosene on an 18-liter tank basis (or increased by 0.1 yen/l to 78.3 yen/l). The gasoline and diesel prices gained for the seventh straight week. Kerosene price gained for the sixth straight week.

Gasoline prices increased in 27 prefectures, leveled off in four prefectures and decreased in 16 prefectures. The lowest gasoline price among the prefectures was 120.1 yen/l in Tokushima (down 0.3 yen/l from a week earlier). The second lowest was 124.6 yen/l in Okayama (down 0.3 yen/l). The highest price was 141.9 yen/l in Nagasaki (up 1.4 yen/l). Shiga logged the largest price gain of 2.6 yen/l to 133.1 yen/l. The price leveled off in Fukui, Miyazaki, Shimane and Niigata. Yamaguchi logged the largest price fall of 1.8 yen/l to 130.0 yen/l.

As crude oil cost increased last week, Motouri companies increased their wholesale prices by 1.0 yen/l for gasoline, diesel oil and kerosene for this week. Crude oil cost increased this week as sharp crude oil price increase with little fluctuation of yen's exchange rate to the US dollar.

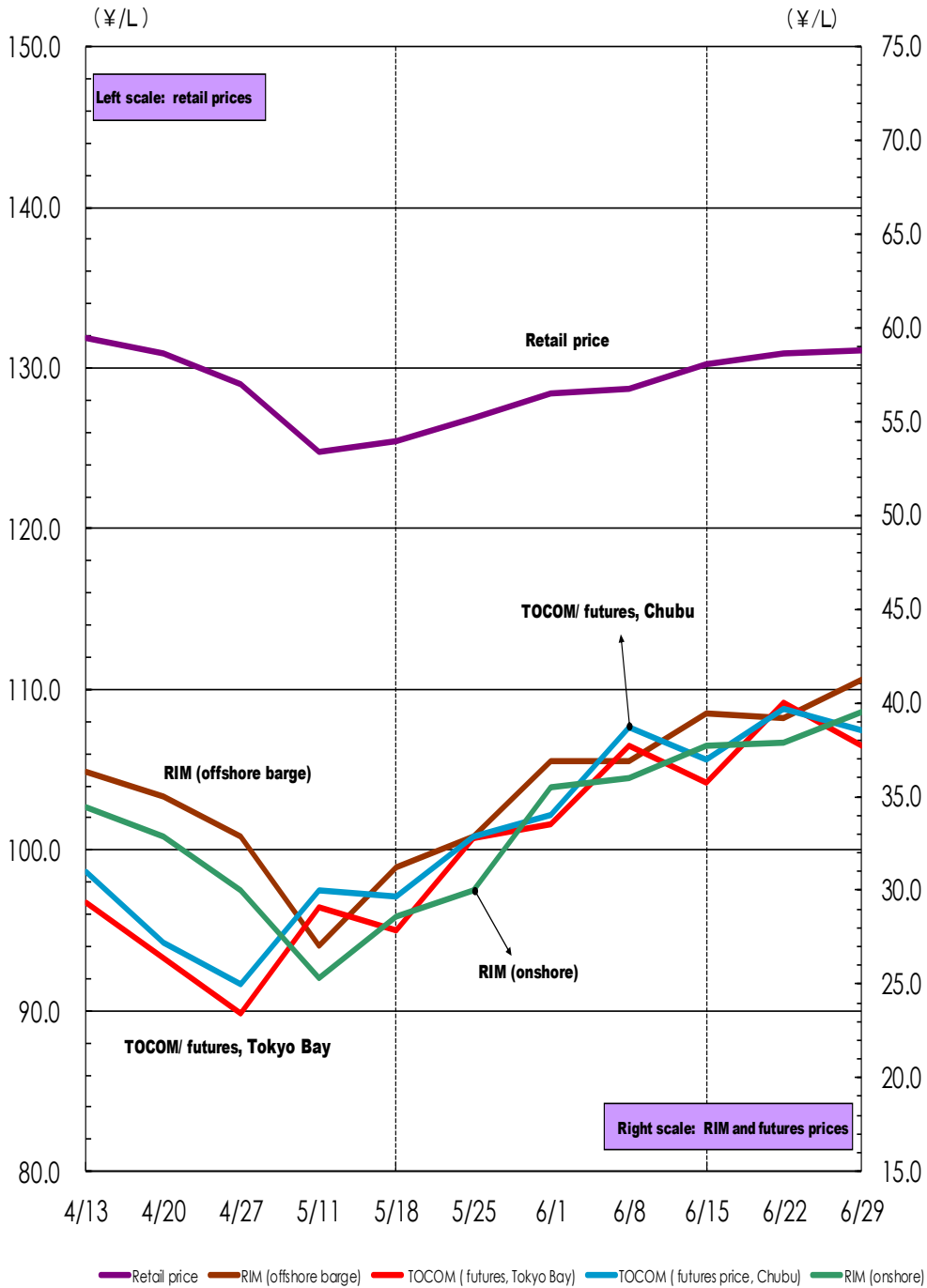
Motouri companies increased their wholesale prices by 1.0 yen/l for next week for gasoline, diesel oil and kerosene. Retail gasoline price on the next price survey day (July 6) are expected to increase slightly from a week earlier.

(Published by ANRE)[Weekly trend]		(Unit: yen/l)			
	This week (6/29)	Previous week (6/22)	From a week earlier	Latest high	
Regular	131.1	130.9	▲ 0.2	08/8/4	185.1
Kerosene	78.3	78.2	▲ 0.1	08/8/11	132.1
Diesel oil	111.8	111.6	▲ 0.2	08/8/4	167.4

Nationwide average cash retail price (including consumption tax)
Since April 2007, 2,000 service stations have been covered.
Latest highs are highest levels since October 2003.

Gasoline price trend

(2020/4/13 ~ 2020/6/29)



(Note) ① Retail price includes consumption Tax, RIM, TOCOM prices are before tax.
 ② RIM (onshore) is the average of four district .

Announcement

This report is available at the center's website (<https://eneken.ieej.or.jp/en/>).
The next issue (No. 3 for 2020) will be announced at 14:00 on July 17.

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Weekly Oil Market Review

In an interim report compiled in May 2004 by a petroleum products market trend study panel sponsored by the Petroleum Distribution and Retail Division of the Natural Resources and Fuel Department at the Agency for Natural Resources and Energy, the panel stated, "We hope that the Japanese oil industry will solidify its market and price-finding functions and that the oil industry as a mainstay industry in Japan will further enhance its rationality and vitality over a medium term as industry people deepen their understanding of the need for rational price recognition based on market and price-finding functions to be established in the oil industry and for business decisions based on recognition under the principle of self-responsibility."

In response to the report, this Center has published the Weekly Oil Market Review as a tool for oil-related people, business administrators (particularly service station managers) and ordinary consumers to accurately understand crude oil and petroleum products supply and demand and price trends, in cooperation with relevant organizations such as the Petroleum Association of Japan and the Zensekiren (Japan's Dealers Association) since May 2005.

Sources of data provided in this report

① [Crude oil and petroleum products supply and demand] (weekly PAJ report)

Data in weekly statistics on crude oil and petroleum product supply by the Petroleum Association of Japan are calculated in terms of 1,000 kiloliters. Shipments are estimated by this Center.

② [Crude oil and futures prices] (WTI crude and Middle Eastern crude)

For the WTI crude, the front-month WTI crude futures contract's daily closing price on the New York Mercantile Exchange (NYMEX) is adopted.

For the Middle Eastern crude, the front-month Middle Eastern crude futures contract's closing price on the Tokyo Commodity Exchange (TOCOM) is adopted. * "Second-month (next-month) contract"

Underlying the Middle Eastern crude price is the average price for the Dubai and Oman crude oil. The telegraphic transfer middle rate (TTM) released by the Bank of Tokyo-Mitsubishi UFJ is adopted as the foreign exchange rate.

The crude oil import CIF price is a dollar-denominated reference price estimated by the PAJ based on the average crude oil price (on a 10-day basis) in the Ministry of Finance trade statistics.

③ [Motouri wholesale prices of petroleum products in Japan]

Motouri wholesale prices are prices for transactions between Motouri petroleum products wholesalers (primary wholesalers) and their affiliates (secondary wholesalers).

Motouri companies modified their new pricing system in April 2010 to decide specific policies in comprehensive consideration of crude oil and petroleum products market prices, each other's prices and other data. In June 2014, they modified the system further to give greater priority to crude oil cost.

④ [Gyoten spot prices of petroleum products in Japan] (RIM gyoten)

Onshore cargo spot prices are the average onshore lorry rack prices for the four districts of Tokyo, Kawasaki, Chukyo and Hanshin in the Lorry Rack Report of RIM Intelligence Co.

⑤ [Futures prices of petroleum products in Japan] (TOCOM)

Front-month petroleum products futures contracts' daily closing prices for TOCOM Tokyo Bay and Chubu are adopted.

TOCOM Tokyo Bay prices are the average offshore barge prices for the Keihin district. TOCOM Chubu prices are the average lorry rack prices in the Chubu district.

⑥ [Retail prices of petroleum products in Japan] (Weekly trend survey)

Average cash retail prices at some 2,000 service stations subject to a weekly nationwide survey are adopted (as released by the Agency for Natural Resources and Energy). The survey covers prices on Monday and is released at 14:00 on Wednesday (available on the website of the Agency for Natural Resources and Energy).