

Oil Market Review in Japan No. 03/2020

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Overview

The key WTI (West Texas Intermediate) crude oil futures contract on NYMEX (New York Mercantile Exchange) in the June 25-July 1 week moved within a range between \$38.49 per barrel and \$39.82/bbl.

On July 2, the August contract reached \$40/bbl in response to robust results of the number of employees in non-agricultural sectors and the rate of unemployment according to the U.S. Employment Statistics on June 2020. However, the rise was restricted by re-expansion of the new coronavirus pandemic in the south-west States in the U.S. The August contract closed at \$40.65/bbl, up \$0.83/bbl from the previous day

On July 3, the market was closed due to compensatory holiday of the U.S. Independence Day.

On July 6, the key contract turned down slightly for the first time in three trading days caused by rebound from the previous trading day and concern on re-expansion of the new coronavirus pandemic. However, we have some supporting factors on the price in the background of worldwide stock price rise and improvement of the U.S. business condition index. The August contract lost \$0.02bbl to \$40.63bbl.

On July 7, the key contract turned down further very slightly due to concern on re-expansion of the new coronavirus pandemic in the U.S. Depreciation of the U.S. dollar to Euro caused sense of expensiveness in the crude oil futures market. The market expected to see the report on the U.S. crude oil inventory on the following day. The August contract lost \$0.01/bbl to \$40.62bbl.

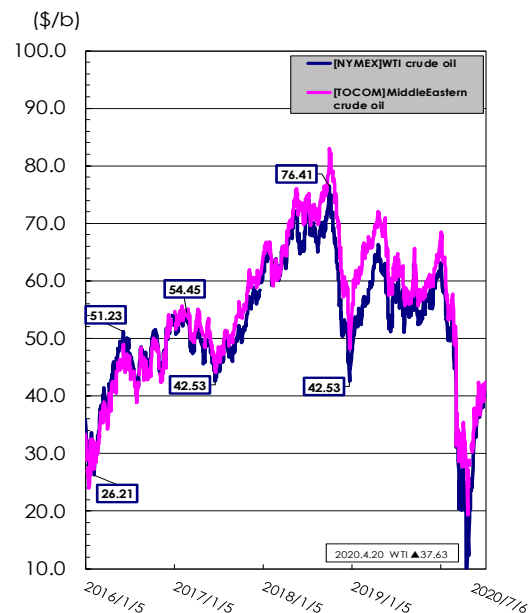
On July 8, the key contract soared for the first time in three trading days. The U.S. Energy Information Administration (IEA) announced that the U.S. crude oil inventory increased and that the gasoline inventory decreased by 4,800,000 bbl from the previous weekend in its weekly report on that day. The Shanghai Stock Exchange hit the record high for the first time in two year and five months. These events supported the market price. The August contract gained \$0.28bbl to \$40.90/bbl.

The Asian benchmark crude oil of Dubai for August delivery on the Tokyo market ranged between \$40.30/bbl and \$41.90/bbl in the June 25-July 1 week. It closed at \$42.20/bbl on July 2, at \$42.80/bbl on July 3, at \$43.10/bbl on July 6, at \$42.60/bbl on July 7 and at \$42.80/bbl on July 8.

On the foreign exchange market in the June 25-July 1 week, the dollar moved within a range between 107.06 and 108.12 yen. It changed hands at 107.49 yen in late trading on July 2, at 107.54 yen on July 3, at 107.65 yen on July 6, at 107.30 yen on July 7, and at 107.69 yen on July 8.

According to preliminary 10-day trade statistics released by the Ministry of Finance on July 7, the average crude oil import CIF price for Japan in the June 11-20 period stood at 16,168 yen/kl (kiloliter), up 277 yen/kl from the previous 10-day period. In dollars, the price was \$23.77/bbl, up \$0.28/bbl. The average exchange rate was 108.17 yen to the dollar Japan's average retail price on July 6 gained by 0.2 yen/l from a week earlier for gasoline and diesel oil, and by 3 yen for kerosene on an 18-liter tank basis. The gasoline price and the diesel oil price gained for the eighth straight week. The kerosene price gained for the seventh straight week. As crude oil cost increased in the first week of July, Motouri companies increased their wholesale prices by 1.0 yen/l for gasoline, diesel oil and kerosene for the next week.

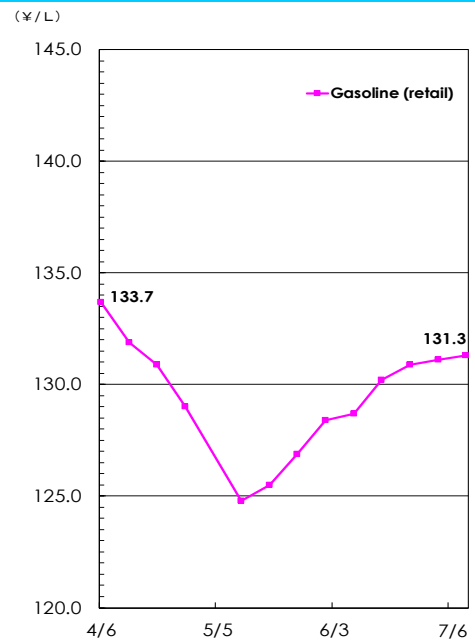
Crude oil			This week		From a week earlier		From a year earlier
Supply/ Demand	Crude oil runs (1,000 kl)	6/28 ~ 7/4	2,400	▼ -72	▼	—	—
	Topper capacity utilization rate (%)	"	61.3	▼ -1.8	▼	—	—
	Crude oil inventories (1,000 kl)	7/4	13,516	▼ -263	▲	—	—
Prices	Middle Eastern crude oil (TOCOM) (\$/bbl)	7/6	42.35	▲ 3.25	▼ -19.4		
	WTI crude oil (NYMEX) (\$/bbl)	7/6	40.63	▲ 0.93	▼ -17.0		
	Crude oil import CIF price (\$/bbl)	Mid Jun	23.77	▲ 0.28	▼ -49.31		
	① Crude oil import CIF price (yen/kl)	"	16,168	▲ 277	▼ -33,971		
	② Yen-dollar exchange rate (yen/dollar)	"	108.17	▼ -0.58	▲ 0.90		
	TTS exchange rate (yen/dollar)	7/6	108.65	▼ -0.41	▲ 0.89		



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

Gasoline		This week		From a week earlier	From a year earlier	
Supply/ Demand	Production	6/28 ~ 7/4	778	▼ -54	▼ -	
	Imports	"	n.d.	n.d.	n.d.	
	Shipments	"	850	▲ 24	▼ -	
	Exports	"	0	→ 0	▼ -	
	Inventories	7/4	1,613	▼ -72	▲ -	
Prices	Gyoten (spot) [4-district average lorry rack price] (RIM)	6/30 ~ 7/6	40.8	▲ 1.8	▼ -18.6	
	Futures [front-month contract/closing price]	(TOCOM/ Tokyo Bay)	6/30 ~ 7/6	39.5	▲ 0.6	▼ -16.9
		(TOCOM/ Chubu)	7/6	40.0	▲ 1.5	▼ -18.0
	Retail prices [weekly trend] (published by ANRE)	7/6	131.3	▲ 0.2	▼ -14.5	

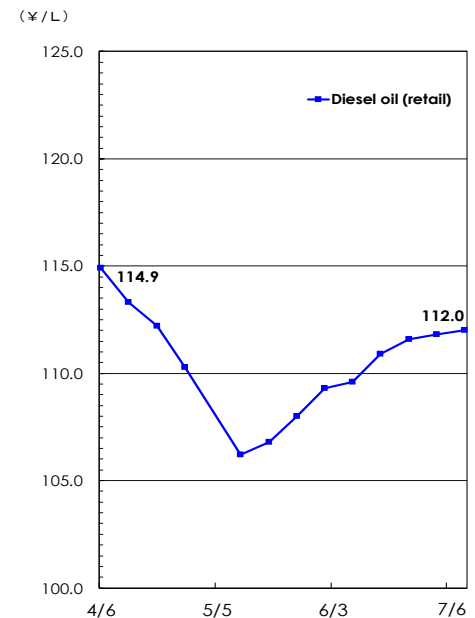
*Gyoten and futures prices are before tax



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

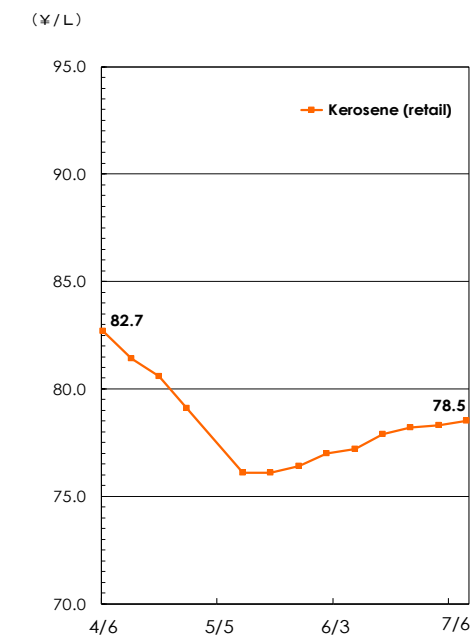
Diesel oil		This week		From a week earlier	From a year earlier	
Supply/ Demand	Production	6/28 ~ 7/4	651	▲ 9	▼ -	
	Imports	"	n.d.	n.d.	n.d.	
	Shipments	"	533	▼ -73	▼ -	
	Exports	"	34	▲ 34	▼ -	
	Inventories	7/4	1,556	▲ 84	▲ -	
Prices	Gyoten (spot) [4-district average lorry rack price] (RIM)	6/30 ~ 7/6	43.0	▲ 2.1	▼ -19.2	
	Futures [front-month contract/closing price]	(TOCOM/ Tokyo Bay)	6/30 ~ 7/6	46.2	▲ 0.7	▼ -16.3
		(TOCOM/ Chubu)	7/6	-	-	-
	Retail prices [weekly trend] (published by ANRE)	7/6	112.0	▲ 0.2	▼ -14.8	

*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	6/28 ~ 7/4	72	▼ -91	▼ -	
	Imports	"	n.d.	n.d.	n.d.	
	Shipments	"	58	▼ -63	▼ -	
	Exports	"	70	▲ 70	▲ -	
	Inventories	7/4	1,741	▼ -56	▲ -	
Prices	Gyoten (spot) [4-district average lorry rack price] (RIM)	6/30 ~ 7/6	42.3	▲ 2.8	▼ -19.2	
	Futures [front-month contract/closing price]	(TOCOM/ Tokyo Bay)	6/30 ~ 7/6	40.3	▲ 0.3	▼ -17.0
		(TOCOM/ Chubu)	7/6	41.5	▲ 2.2	▼ -17.5
	Retail prices [weekly trend] (published by ANRE)	7/6	78.5	▲ 0.2	▼ -12.7	



Relevant Information

1 Overseas crude oil prices

On July 8, the most frequently traded oil futures contract on NYMEX soared for the first time in three trading days. The U.S. Energy Information Administration (IEA) announced that the U.S. crude oil inventory increased by 6,700,000 bbl (against the market expectation of decrease of crude oil inventory by 3,400,000 bbl) and that the gasoline inventory decreased by 4,800,000 bbl (against the market expectation of almost unchanged level of the gasoline inventory) from the previous weekend in its weekly report on that day. The Shanghai Stock Exchange hit the record high for the first time in two year and five months. These events caused expectation of improvement for supply and demand condition in the market. Furthermore, sense of undervaluation of crude oil futures due to depreciation of the U.S. dollar to Euro also supported the price rebound. The August contract gained \$0.28/bbl to \$40.90/bbl from the previous day. The September contract gained \$0.34/bbl to \$41.04/bbl from the previous day.

According to the EIA, the average U.S. retail price of gasoline as of July 6 increased by 0.3cents per gallon from a week earlier to \$2.177/gal (62.4 yen/l). The average diesel oil price increased by 0.7 cents/gal to \$2.437/gal (69.9 yen/l). The gasoline price increased for the 10th straight week. The diesel price increased for the fifth 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 28-July 4 week in 2020 stood at 756,000 barrels per day, down 73,000 bpd from the previous week (total capacity remained at 3,519,000 bpd).

Crude oil throughput in the week decreased by 72,000 kl from the previous week to 2,400,000 kl. From a year earlier, it decreased by 861,000 kl. The topper capacity utilization rate stood at 61.3%, down 1.8 points from the previous week and down 22.0 points from a year earlier.

Production decreased from the previous week for gasoline and kerosene and increased for other petroleum products. Output was down 6.5% for gasoline, up 192.4% for jet fuel, down 55.9% for kerosene, up 1.3% for diesel oil, up 30.9% for Fuel Oil A and up 47.5% for Fuel Oil C. Fuel Oil C imports in the week totaled 0 kl, down 5,000 kl from the previous week. Diesel oil exports aggregated 34,000kl, up 34,000 kl from the previous week.

Shipments (excluding imports) in the week decreased from the previous week for kerosene and diesel oil and increased for other petroleum products. From a year earlier, shipments expanded for Fuel Oil A and Fuel Oil C declined for other petroleum products. Gasoline shipments increased by 2.9% from the previous week to 850,000 kl for the second straight week, remaining below 1 million kl for 46 weeks on end. Shipments totaled 100,000 kl for jet fuel (up 86.9% from the previous week),

58,000 kl for kerosene (down 51.6%), 533,000 kl for diesel oil (down 12.0%), 152,000 kl for Fuel Oil A (up 5.3%) and 159,000 kl for Fuel Oil C (up 28.2%).

(Unit: 1,000 kl)

	This week (6/28 ~ 7/4)	Previous week (6/21 ~ 6/27)	From a week earlier
Gasoline	850	826	▲ 24 (3%)
Jet fuel	100	54	▲ 46 (85%)
Kerosene (heating Oil)	58	121	▼ -63 (-52%)
Diesel oil	533	606	▼ -73 (-12%)
Fuel oil A	152	145	▲ 7 (5%)
Fuel Oil C	159	124	▲ 35 (28%)
Total	1,852	1,876	▼ -24 (-1%)

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 July 4 decreased from a week earlier for gasoline and kerosene and increased for other petroleum products.

Gasoline inventories totaled 1,613,000 kl, down 72,000 kl from a week earlier and up 124,000 kl from a year earlier.

Kerosene inventories totaled 1,741,000 kl, down 56,000 kl from a week earlier and up 214,000 kl from a year earlier.

Diesel oil inventories totaled 1,556,000 kl, up 84,000 kl from a week earlier and up 296,000 kl from a year earlier.

Fuel Oil A inventories totaled 795,000 kl, up 24,000 kl from a week earlier and up 100,000 kl from a year earlier.

Fuel Oil C inventories totaled 1,858,000 kl, up 25,000 kl from a week earlier and down 116,000 kl from a year earlier.

(Unit: 1,000 kl)

	This week (7/4)	Previous week (6/27)	From a week earlier
Gasoline	1,613	1,685	▼ -72 (-4%)
Jet fuel	723	662	▲ 61 (9%)
Kerosene (heating Oil)	1,741	1,797	▼ -56 (-3%)
Diesel oil	1,556	1,472	▲ 84 (6%)
Fuel oil A	795	771	▲ 24 (3%)
Fuel Oil C	1,858	1,833	▲ 25 (1%)
Total	8,286	8,220	▲ 66 (0.8%)

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

During the June30-July 6 week, crude oil cost increased as crude oil price gained from the previous week with depreciation 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 in the June 30-July 6 week increased from their respective averages in the June 23-29 week.

The latest onshore cargo spot price (the average onshore rack price for four districts -- Chiba, Kawasaki, Chukyo and Hanshin - for the June 30-July 6 week) increased by 1.8 yen/l from the previous week for gasoline, by 2.8 yen/l for kerosene and by 2.1 yen/l for diesel oil.

For the latest June 30-July 6 week, price leveled off after the increase within the range between 93-94 yen/l for gasoline; within the range between 41-42 yen/l for kerosene and within the range between 42-43 for diesel oil.

The average offshore barge spot price in Tokyo Bay increased by 1.2 yen/l for gasoline, by 1.3 yen/l for kerosene and by 0.8 yen/l for diesel oil for the same period.

Offshore cargo spot prices during the week levelled off after the increase in a 95-96 yen/l range for gasoline and fluctuated after the increase in a 38-39 yen/l range for kerosene and levelled off after the increase in a 43-44 yen/l range for diesel oil.

The key average futures price increased by 0.6 yen/l for gasoline, by 0.3 yen/l for kerosene and by 0.7 yen/l for diesel oil.

The key futures price during the week increased in a 92-93 yen/l range for gasoline, in a 40 yen/l for kerosene and in a 45-46 yen/l range for diesel oil.

(RIM)		(Unit: yen/l)		
[4-district average lorry rack price]	This week (6/30 ~ 7/6)	Previous week (6/23 ~ 6/29)	From a week earlier	
Regular	40.8	39.0	▲ 1.8	
Kerosene	42.3	39.5	▲ 2.8	
Diesel oil	43.0	40.9	▲ 2.1	

Spot Prices

(TOCOM)		(Unit: yen/l)		
[Front-month contract/closing price] [Average]	This week (6/30 ~ 7/6)	Previous week (6/23 ~ 6/29)	From a week earlier	
Regular	39.5	38.9	▲ 0.6	
Kerosene	40.3	40.0	▲ 0.3	
Diesel oil	46.2	45.5	▲ 0.7	

Futures Price

Above prices are before tax.

Reference (June 30 - July 6 actual data)

		(Unit: yen/l)		
Products	Spot	Futures	Average	
Gasoline	▲ 1.8	▲ 0.6	▲ 1.2	
Kerosene	▲ 2.8	▲ 0.3	▲ 1.5	
Diesel oil	▲ 2.1	▲ 0.7	▲ 1.4	
Fuel Oil A	▲ 1.3			

(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 July 6 increased by 0.2 yen/l from a week earlier to 131.3 yen/l for gasoline, increased by 0.2 yen/l to 112.0 yen/l for diesel oil and increased by 3 yen to 1,413 yen for kerosene on an 18-liter tank basis (or increased by 0.2 yen/l to 78.5 yen/l). The gasoline and diesel prices gained for the eighth straight week. Kerosene price gained for the seventh straight week.

Gasoline prices increased in 35 prefectures, leveled off in two prefectures and decreased in 10 prefectures. The lowest gasoline price among the prefectures was 120.5yen/l in Tokushima (up 0.4 yen/l from a week earlier). The second lowest was 124.4 yen/l in Okayama (down 0.2 yen/l). The highest price was 141.3 yen/l in Nagasaki (down 0.6 yen/l). Yamanashi logged the largest price gain of 1.8 yen/l to 132.7 yen/l. The price leveled off in Kochi and Miyagi. Yamaguchi logged the largest price fall of 1.2 yen/l to 128.2 yen/l.

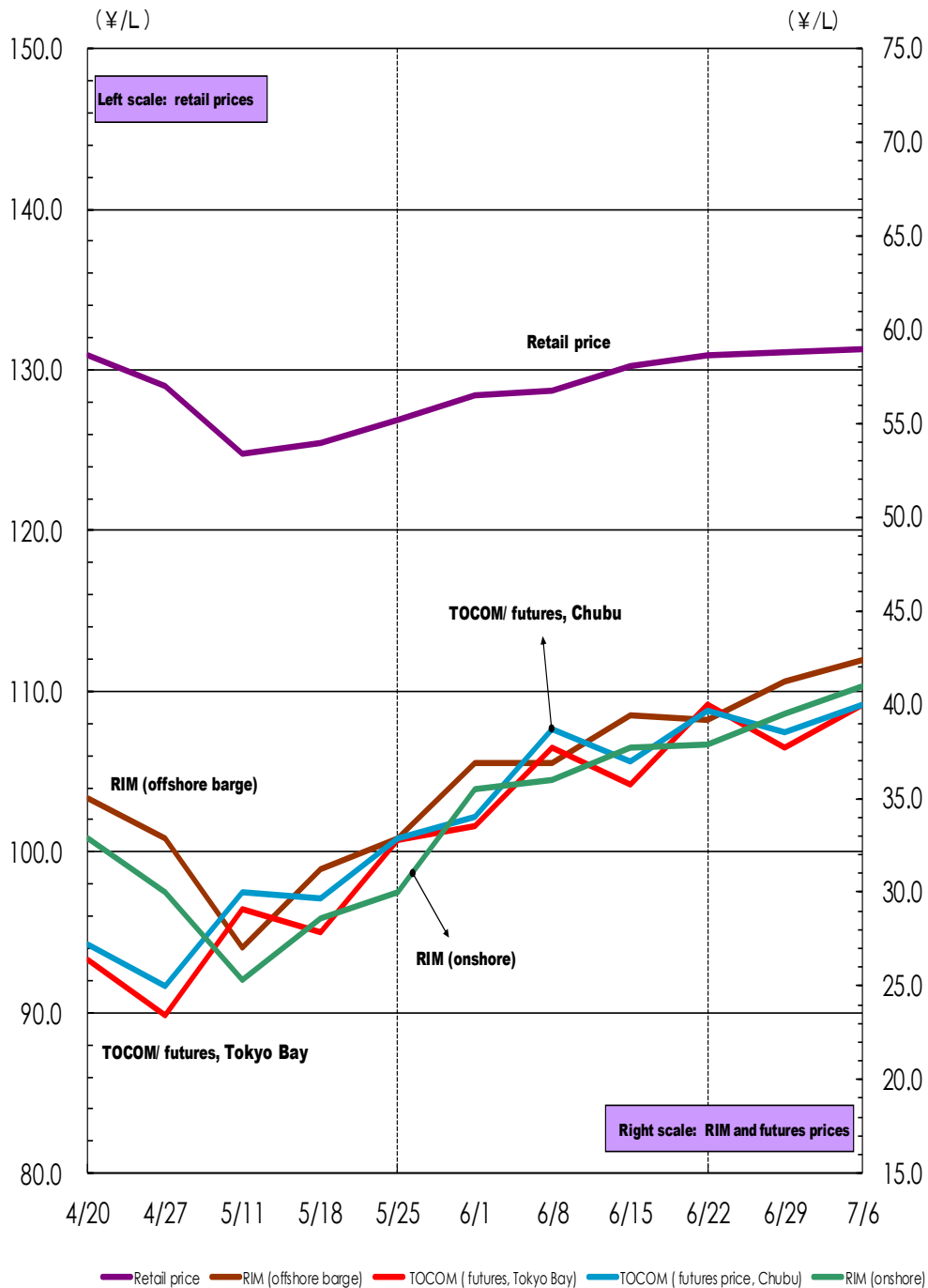
As crude oil cost increased last week, Motouri companies increased their wholesale prices by 1.0 yen/l for gasoline, diesel oil and kerosene for this week. Crude oil cost increased this week as sharp crude oil price increase with depreciation of yen's exchange rate to the US dollar. Motouri companies 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 13) are expected to increase slightly from a week earlier.

(Published by ANRE)[Weekly trend]		(Unit: yen/l)			
		This week (7/6)	Previous week (6/29)	From a week earlier	Latest high
Retail Price	Regular	131.3	131.1	▲ 0.2	08/8/4 185.1
	Kerosene	78.5	78.3	▲ 0.2	08/8/11 132.1
	Diesel oil	112.0	111.8	▲ 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

(2020/4/20 ~ 2020/7/6)



(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. 4 for 2020) will be announced at 14:00 on July 27.

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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).