

Oil Market Review in Japan No. 04/2020

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https://eneken.ieej.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 July 2-July 8 week moved within a range between \$40.62 per barrel and \$40.90/bbl.

On July 9, the August contract turned down to less than \$40/bbl in response to concerns on the new coronavirus pandemic and stock price decline in the U.S. market. The August contract closed at \$39.62/bbl, down \$1.28/bbl from the previous day.

On July 10, the key contract rebounded to \$40/bbl range in response to upward revision of worldwide oil demand for 2020 by the IEA (International Energy Agency) Monthly Report, released on that day, expectation for oil demand recovery for the latter half of 2020 and improving investor sentiment caused by rebound in the U.S. stock price. The August contract finished \$0.93/bbl higher at \$40.55/bbl.

On July 13, the key contract turned down. On weekend, just before the opening of the OPEC (Organization of the Petroleum Exporting Countries) plus Joint Monitoring Committee, there was an observation report that the Committee would reduce the volume of cooperative production cut from 9,700,000 bbl/day to 7,700,000 bbl/day. However, the market considered it premature. The August contract lost \$0.45/bbl to \$40.10/bbl.

On July 14, the key contract soared in response to expectation for improvement of demand and supply situation. The OPEC announced its member countries' total crude oil production of 22,270,000 bbl/day in June 2020, down 7.8% from the previous month due to production cut by Saudi Arabia, Iraq and so forth. In addition, another foreign media reported that compliance rate of production cut by OPEC plus members in June 2020 reached 107%. However, the price rise was restricted by concerns on re-expansion of the new coronavirus pandemic in the U.S. and profit taking sale. The August contract gained \$0.19/bbl to \$40.29/bbl.

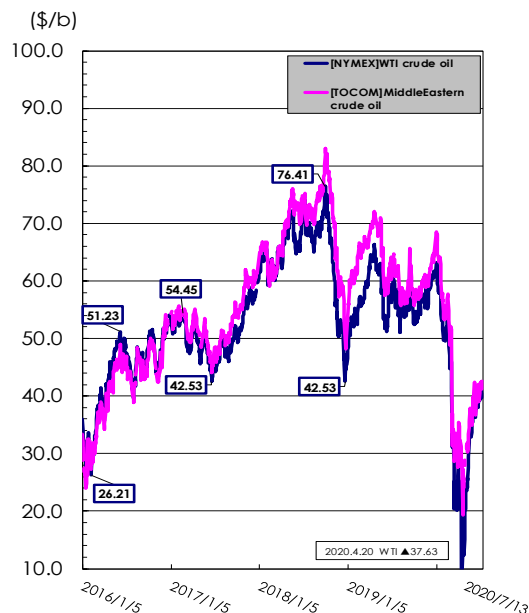
On July 15, the key contract rose further by the large volume of drawdown of the U.S. crude oil inventory released by the EIA (The U.S. Energy Information Administration) Weekly Report. However, the price rise was restricted by the OPEC plus Joint Ministerial Monitoring Committee's (JMMC) agreement on reducing the volume of cooperative production cut from 9,700,000 bbl/day to 7,700,000 bbl/day effective from August 2020. The August contract gained \$0.91/bbl to \$41.20/bbl.

The Asian benchmark crude oil of Dubai for September delivery on the Tokyo market ranged between \$42.20/bbl and \$43.10/bbl in the July 2-July 8 week. It closed at \$43.40/bbl on July 9, at \$42.10/bbl on July 10, at \$43.30/bbl on July 13, at \$42.60/bbl on July 14 and at \$43.60/bbl on July 15.

On the foreign exchange market in the July 2-July 8 week, the dollar moved within a range between 107.30 and 107.69 yen. It changed hands at 107.31 yen in late trading on July 9, at 107.13 yen on July 10, at 106.84 yen on July 13, at 107.27 yen on July 14, and at 107.30 yen on July 15.

Japan's average retail price on July 13 gained by 0.5 yen/l from a week earlier for gasoline, by 0.4 yen/l for diesel oil, and by 2 yen for kerosene on an 18-liter tank basis. The gasoline price and the diesel oil price gained for the ninth straight week. The kerosene price gained for the eighth straight week. As crude oil cost increased very slightly in the second week of July, Motouri companies maintained their wholesale prices 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)	7/5 ~ 7/11	2,304	▼	-96	▼	—
	Topper capacity utilization rate (%)	"	58.8	▼	-2.5	▼	—
	Crude oil inventories (1,000 kl)	7/11	13,112	▼	-404	▼	—
Prices	Middle Eastern crude oil (TOCOM) (\$/bbl)	7/13	42.56	▲	0.21	▼	-21.3
	WTI crude oil (NYMEX) (\$/bbl)	7/13	40.10	▼	-0.53	▼	-19.5
	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)	7/13	107.84	▲	0.81	▲	1.13

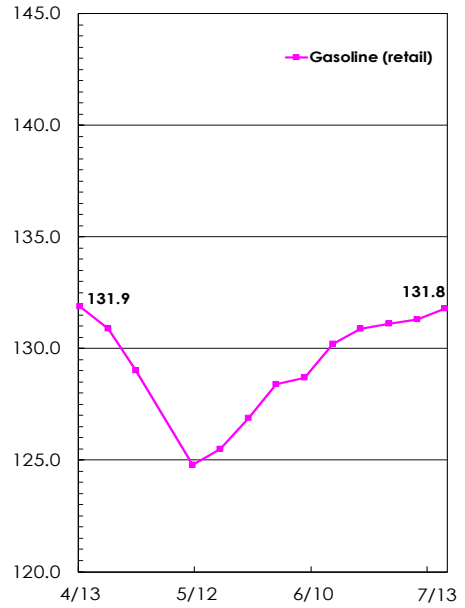


(Unit: 1,000 kl, yen/l)

Gasoline		This week		From a week earlier	From a year earlier	
Supply/ Demand	Production	7/5 ~ 7/11	832	▲ 54	▼ -	
	Imports	"	n.d.	n.d.	n.d.	
	Shipments	"	783	▼ -67	▼ -	
	Exports	"	0	→ 0	▼ -	
	Inventories	7/11	1,662	▲ 49	▲ -	
Prices	Gyoten (spot) [4-district average lorry rack price] (RIM)	7/7 ~ 7/13	41.8	▲ 1.0	▼ -17.2	
	Futures [front-month contract/closing price]	(TOCOM/ Tokyo Bay)	7/7 ~ 7/13	40.2	▲ 0.7	▼ -17.7
		(TOCOM/ Chubu)	7/13	40.5	▲ 0.5	▼ -18.5
	Retail prices [weekly trend] (published by ANRE)	7/13	131.8	▲ 0.5	▼ -13.8	

*Gyoten and futures prices are before tax

(¥/L)

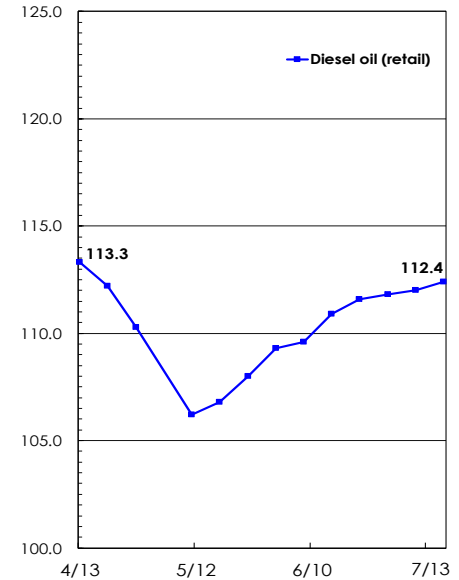


(Unit: 1,000 kl, yen/l)

Diesel oil		This week		From a week earlier	From a year earlier	
Supply/ Demand	Production	7/5 ~ 7/11	596	▼ -55	▼ -	
	Imports	"	n.d.	n.d.	n.d.	
	Shipments	"	559	▲ 26	▼ -	
	Exports	"	6	▼ -29	▼ -	
	Inventories	7/11	1,587	▲ 31	▲ -	
Prices	Gyoten (spot) [4-district average lorry rack price] (RIM)	7/7 ~ 7/13	43.6	▲ 0.6	▼ -18.0	
	Futures [front-month contract/closing price]	(TOCOM/ Tokyo Bay)	7/7 ~ 7/13	46.9	▲ 0.7	▼ -15.5
		(TOCOM/ Chubu)	7/13	-	-	-
	Retail prices [weekly trend] (published by ANRE)	7/13	112.4	▲ 0.4	▼ -14.2	

*Gyoten and futures prices are before tax

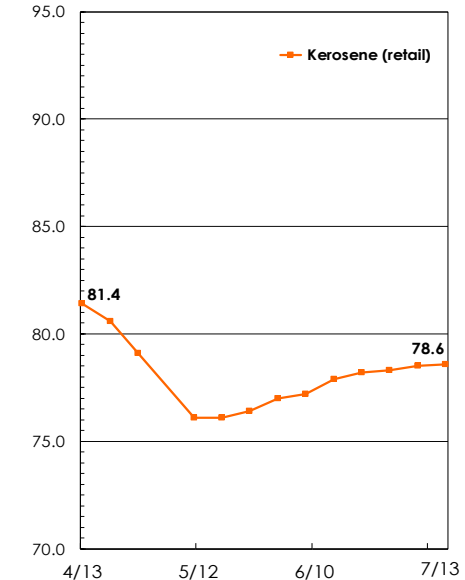
(¥/L)



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

Kerosene		This week		From a week earlier	From a year earlier	
Supply/ Demand	Production	7/5 ~ 7/11	162	▲ 90	▲ -	
	Imports	"	n.d.	n.d.	n.d.	
	Shipments	"	98	▲ 40	▲ -	
	Exports	"	18	▼ -52	▼ -	
	Inventories	7/11	1,787	▲ 46	▲ -	
Prices	Gyoten (spot) [4-district average lorry rack price] (RIM)	7/7 ~ 7/13	43.3	▲ 1.0	▼ -17.7	
	Futures [front-month contract/closing price]	(TOCOM/ Tokyo Bay)	7/7 ~ 7/13	40.8	▲ 0.5	▼ -18.0
		(TOCOM/ Chubu)	7/13	43.0	▲ 1.5	▼ -17.5
	Retail prices [weekly trend] (published by ANRE)	7/13	78.6	▲ 0.1	▼ -12.5	

(¥/L)



Relevant Information

1 Overseas crude oil prices

On July 15, the most frequently traded oil futures contract on NYMEX rose further in response to expectation for improvement of demand and supply situation. The EIA Weekly Report announced the drawdown of the U.S. crude oil inventory of 7,500,000 bbl from the previous week (against the market expectation of the drawdown of 2,100,000 bbl). In addition, another media reported some progress of the development of vaccine against the new coronavirus in the U.S. However, the price rise was restricted by the OPEC plus Joint Ministerial Monitoring Committee's (JMMC) agreement on reducing the volume of cooperative production cut from 9,700,000 bbl/day to 7,700,000 bbl/day effective from August 2020. The August contract gained \$0.91/bbl to \$41.20/bbl from the previous day. The September contract gained \$0.85/bbl to \$41.40/bbl from the previous day.

According to the EIA, the average U.S. retail price of gasoline as of July 13 increased by 1.8 cents per gallon from a week earlier to \$2.195/gal (62.5yen/l). The average diesel oil price increased by 0.1 cents/gal to \$2.438/gal (69.4 yen/l). The gasoline price increased for the 11th straight week. The diesel price increased for the sixth 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 July 5-July 11 week in 2020 stood at 701,000 barrels per day, down 55,000 bpd from the previous week (total capacity remained at 3,519,000 bpd).

Crude oil throughput in the week decreased by 96,000 kl from the previous week to 2,304,000 kl. From a year earlier, it decreased by 1,006,000 kl. The topper capacity utilization rate stood at 58.8%, down 2.5 points from the previous week and down 25.7 points from a year earlier.

Production increased from the previous week for gasoline, kerosene and Fuel Oil C and decreased for other petroleum products. Output was up 6.9% for gasoline, down 55.0% for jet fuel, up 125.1% for kerosene, down 8.5% for diesel oil, down 16.5% for Fuel Oil A and up 11.6% for Fuel Oil C. Fuel Oil C imports in the week totaled 11,000 kl, up 11,000 kl from the previous week. Diesel oil exports aggregated 6,000kl, down 29,000 kl from the previous week.

Shipments (excluding imports) in the week increased from the previous week for kerosene, diesel oil and Fuel Oil A and decreased for other petroleum products. From a year earlier, shipments expanded for kerosene and Fuel Oil A and declined for other petroleum products. Gasoline shipments decreased by 7.9% from the previous week to 783,000 kl for the first time in three weeks, remaining below 1,000,000 kl for 47 weeks on end. Shipments totaled 24,000 kl for jet fuel (down 75.8% from the

previous week), 98,000 kl for kerosene (up 68.5%), 559,000 kl for diesel oil (up 5.0%), 179,000 kl for Fuel Oil A (up 17.3%) and 134,000 kl for Fuel Oil C (down 15.8%).

(Unit: 1,000 kl)

	This week (7/5 ~ 7/11)	Previous week (6/28 ~ 7/4)	From a week earlier
Gasoline	783	850	▼ -67 (-8%)
Jet fuel	24	100	▼ -76 (-76%)
Kerosene (heating Oil)	98	58	▲ 40 (69%)
Diesel oil	559	533	▲ 26 (5%)
Fuel oil A	179	152	▲ 27 (18%)
Fuel Oil C	134	159	▼ -25 (-16%)
Total	1,777	1,852	▼ -75 (-4%)

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 11 decreased from a week earlier for Fuel Oil A and increased for other petroleum products.

Gasoline inventories totaled 1,662,000 kl, up 49,000 kl from a week earlier and up 133,000 kl from a year earlier.

Kerosene inventories totaled 1,787,000 kl, up 46,000 kl from a week earlier and up 202,000 kl from a year earlier.

Diesel oil inventories totaled 1,587,000 kl, up 31,000 kl from a week earlier and up 243,000 kl from a year earlier.

Fuel Oil A inventories totaled 757,000 kl, down 38,000 kl from a week earlier and up 47,000 kl from a year earlier.

Fuel Oil C inventories totaled 1,923,000 kl, up 65,000 kl from a week earlier and down 63,000 kl from a year earlier.

(Unit: 1,000 kl)

	This week (7/11)	Previous week (7/4)	From a week earlier
Gasoline	1,662	1,613	▲ 49 (3%)
Jet fuel	794	723	▲ 71 (10%)
Kerosene (heating Oil)	1,787	1,741	▲ 46 (3%)
Diesel oil	1,587	1,556	▲ 31 (2%)
Fuel oil A	757	795	▼ -38 (-5%)
Fuel Oil C	1,923	1,858	▲ 65 (3%)
Total	8,510	8,286	▲ 224 (2.7%)

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

During the July 7-13 week, crude oil cost increased very slightly as crude oil price gained from the previous week, slightly offset by appreciation of yen's exchange rate to the US dollar.

For the next week, Motouri companies maintained their wholesale prices 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 July 7-13 week increased from their respective averages in the June 30-July 6 week.

The latest onshore cargo spot price (the average onshore rack price for four districts -- Chiba, Kawasaki, Chukyo and Hanshin - for the July 7-13 week) increased by 1.0 yen/l from the previous week for gasoline, by 1.0 yen/l for kerosene and by 0.6 yen/l for diesel oil.

For the latest July 7-13 week, price leveled off after the increase in a 95 yen/l range for gasoline; in a 42-43 yen/l range for kerosene and in a 43 yen/l range for diesel oil.

The average offshore barge spot price in Tokyo Bay increased by 0.7 yen/l for gasoline, by 0.1 yen/l for kerosene and by 1.1 yen/l for diesel oil for the same period.

Offshore cargo spot prices during the week levelled off after the increase in a 96 yen/l range for gasoline and fluctuated after the increase in a 39 yen/l range for kerosene and levelled off after the significant increase in a 44-45 yen/l range for diesel oil.

The key average futures price increased by 0.7 yen/l for gasoline, by 0.5 yen/l for kerosene and by 0.7 yen/l for diesel oil.

The key futures prices during the week were almost flat after moving in a 93-94 yen/l range for gasoline, up in a 40-41 yen/l range and down for kerosene, up in a 46-47 yen/l range and further up for diesel oil.

(RIM)		(Unit: yen/l)		
[4-district average lorry rack price]		This week	Previous week	From a week earlier
		(7/7 ~ 7/13)	(6/30 ~ 7/6)	
Regular		41.8	40.8	▲ 1.0
Kerosene		43.3	42.3	▲ 1.0
Diesel oil		43.6	43.0	▲ 0.6

Spot Prices

(TOCOM)		(Unit: yen/l)		
[Front-month contract/closing price]		This week	Previous week	From a week earlier
[Average]		(7/7 ~ 7/13)	(6/30 ~ 7/6)	
Regular		40.2	39.5	▲ 0.7
Kerosene		40.8	40.3	▲ 0.5
Diesel oil		46.9	46.2	▲ 0.7

Futures Price

Above prices are before tax.

Reference (July 7 -July 13 actual data)

		(Unit: yen/l)		
Products	Spot	Futures	Average	
Gasoline	▲ 1.0	▲ 0.7	▲ 0.8	
Kerosene	▲ 1.0	▲ 0.5	▲ 0.8	
Diesel oil	▲ 0.6	▲ 0.7	▲ 0.7	
Fuel Oil A	▲ 0.9			

(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 13 increased by 0.5 yen/l from a week earlier to 131.8 yen/l for gasoline, increased by 0.4 yen/l to 112.4 yen/l for diesel oil and increased by 2 yen to 1,415 yen for kerosene on an 18-liter tank basis (or increased by 0.1 yen/l to 78.6 yen/l). The gasoline and diesel prices gained for the ninth straight week. Kerosene price gained for the eighth straight week.

Gasoline prices increased in 34 prefectures, leveled off in two prefectures and decreased in 11 prefectures. The lowest gasoline price among the prefectures was 122.6 yen/l in Tokushima (up 2.1 yen/l from a week earlier). The second lowest was 125.0 yen/l in Okayama (up 0.6 yen/l). The highest price was 141.6 yen/l in Nagano (up 1.2 yen/l). Kagawa logged the largest price gain of 2.5 yen/l to 127.2 yen/l. The price leveled off in Kochi and Tottori. Aichi logged the largest price fall of 0.7 yen/l to 129.1 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 very slightly this week as sharp crude oil price increase, slightly offset by appreciation of yen's exchange rate to the US dollar.

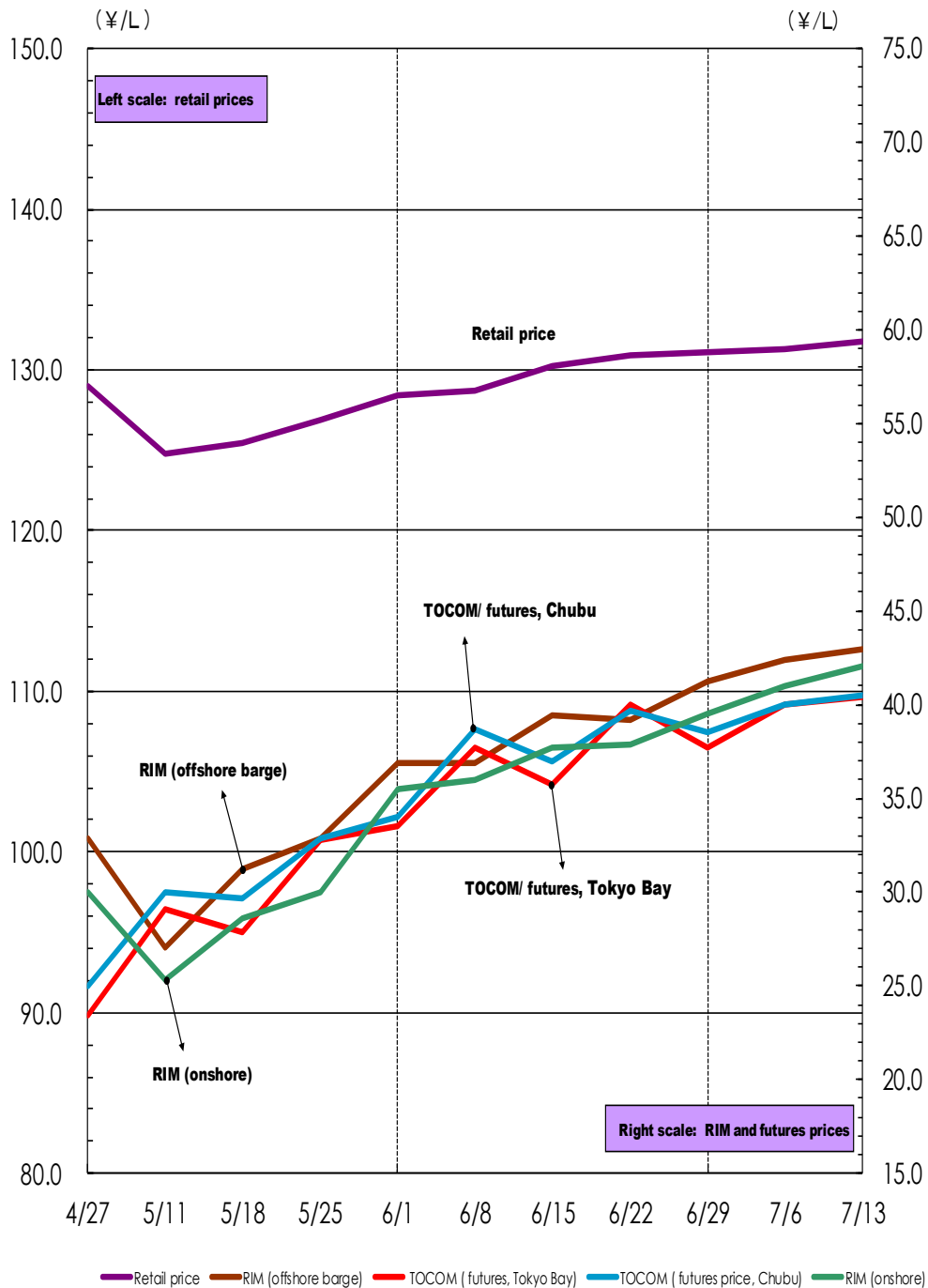
Motouri companies maintained their wholesale prices for next week for gasoline, diesel oil and kerosene. Retail gasoline price on the next price survey day (July 20) are expected to increase slightly from a week earlier due to transfer of increase in wholesale prices so far.

(Published by ANRE)[Weekly trend]		(Unit: yen/l)			
		This week	Previous week	From a week earlier	Latest high
		(7/13)	(7/6)		
Regular		131.8	131.3	▲ 0.5	08/8/4 185.1
Kerosene		78.6	78.5	▲ 0.1	08/8/11 132.1
Diesel oil		112.4	112.0	▲ 0.4	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

(2020/4/27 ~ 2020/7/13)



(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. 5 for 2020) will be announced at 14:00 on July 31.

On use of this report

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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).