

Oil Market Review in Japan No. 05/2020

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Overview

The key WTI (West Texas Intermediate) crude oil futures contract on NYMEX (New York Mercantile Exchange) in the July 9-July 15 week moved within a range between \$39.62 per barrel and \$41.20/bbl.

On July 16, the August contract turned down for the first time in three trading days by profit-taking sales from the previous evening. On the previous day, the OPEC (Organization for Petroleum Exporting Countries) plus Joint Monitoring Committee confirmed planned reduction of the current cooperative production cut from 9,700,000 bbl to 7,700,000 bbl from August 2020. The August contract closed at \$40.75/bbl, down \$0.45/bbl from the previous day.

On July 17, the key contract turned down further by concerns on oversupply in the oil market again, which was caused by the news of reduction of the cooperative production level from August 2020 the day before and the record high of the total number of the new coronavirus infections exceeding 75,000 through re-expansion of the pandemic in U.S. Baker Hughes reported that the number of operating U.S. oil-drilling rigs was 180 units decreased by one unit from a week earlier. The number decreased for the 18th straight week. The total number decreased by 503 for the same period. The August contract finished \$0.16/bbl lower at \$40.59/bbl.

On July 20, the key contract soared in the background of progress in vaccine developments, upsurge of U.S. stock prices, mainly of high-technology companies and sense of undervalued for oil futures prices by strong Euro and weak U.S. dollar. However, the price rise was restricted by concerns on re-expansion of the new coronavirus infections. The August contract gained \$0.22bbl to \$40.81/bbl.

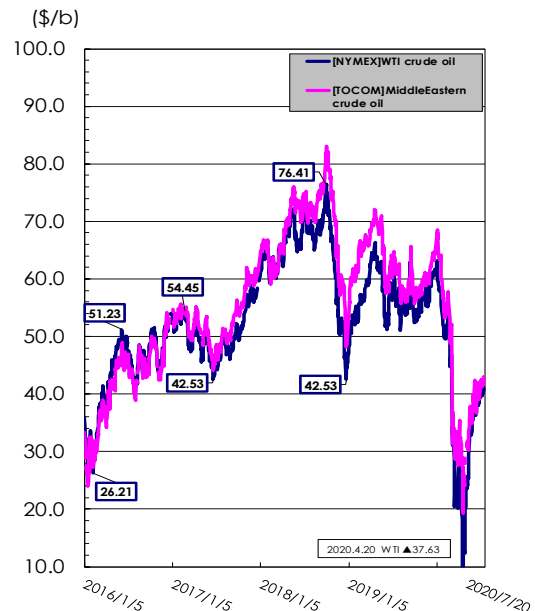
On July 21, the key contract expanded significantly and recorded the highest level after four and half months, supported by the EU (European Union) Summit decision on establishment of Economic Reconstruction Fund (750 billion Euro scale) for the coronavirus crisis, starting talks on additional economic measures in the U.S., and expectation for release of crude oil and oil products drawdown in the U.S. on the following day. The August contract, as the last trading day for the key front-month contract, gained \$1.15/bbl to \$41.96/bbl.

On July 22, the key contract turned down very slightly. The U.S. EIA Weekly Report announced that U.S. crude oil inventory increased by 4,900,000 bbl from the previous week against the market expectation and that middle distillate inventory reached 177,900,000 bbl, the highest level since the year 1982. In addition, the market had concerns on further deterioration of the U.S.-China relations. The September contract, which replaced the August contract as the key front-month contract, lost \$0.02/bbl to \$41.90/bbl.

The Asian benchmark crude oil of Dubai for September delivery on the Tokyo market ranged between \$42.10/bbl and \$43.60/bbl in the July 9-July 15 week. It closed at \$43.90/bbl on July 16, at \$43.60/bbl on July 17, at \$42.50/bbl on July 20, at \$43.30/bbl on July 21 and at \$44.30/bbl on July 22.

On the foreign exchange market in the July 9-July 15 week, the dollar moved within a range between 106.84 and 107.31 yen. It closed at 106.99 yen on July 16, at 107.28 yen on July 17, at 107.52 yen on July 20, at 107.25 yen on July 21, and at 106.89 yen on July 22. Japan's average retail price on July 20 gained by 0.4 yen/l from a week earlier for gasoline, by 0.5 yen/l for diesel oil, and by 4 yen for kerosene on an 18-liter tank basis. The gasoline price and the diesel oil price gained for the 10th straight week. The kerosene price gained for the ninth straight week. As crude oil cost increased very slightly in the third 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)	7/12 ~ 7/18	2,344	▲ 40	▼ —
	Topper capacity utilization rate (%)	"	59.9	▲ 1.1	▼ —
	Crude oil inventories (1,000 kl)	7/18	13,349	▲ 237	▲ —
Prices	Middle Eastern crude oil (TOCOM) (\$/bbl)	7/20	41.70	▼ -0.86	▼ -19.8
	WTI crude oil (NYMEX) (\$/bbl)	7/20	40.81	▲ 0.71	▼ -15.4
	Crude oil import CIF price (\$/bbl)	Mid Jun	23.77	▲ 0.28	▼ -49.31
	①Crude oil import CIF price (yen/kl)	"	16,168	▲ 277	▼ -33,971
	②Yen-dollar exchange rate (yen/dollar)	"	108.17	▼ -0.58	▲ 0.90
	TTS exchange rate (yen/dollar)	7/20	108.52	▼ -0.68	▲ 0.46

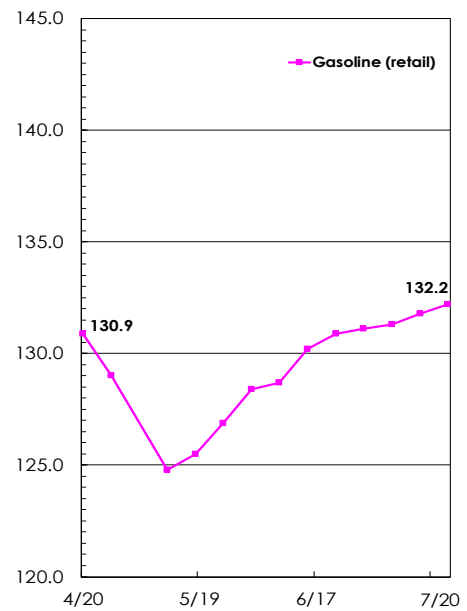


(Unit: 1,000 kl, yen/l)

Gasoline		This week		From a week earlier	From a year earlier	
Supply/ Demand	Production	7/12 ~ 7/18	818	▼ -13	▼ -	
	Imports	"	n.d.	n.d.	n.d.	
	Shipments	"	736	▼ -47	▼ -	
	Exports	"	0	➡ 0	▼ -	
	Inventories	7/18	1,744	▲ 82	▲ -	
Prices	Gyoten (spot) [4-district average lorry rack price] (RIM)	7/14 ~ 7/20	41.7	▼ -0.1	▼ -18.1	
	Futures [front-month contract/closing price]	(TOCOM/ Tokyo Bay)	7/14 ~ 7/20	40.0	▼ -0.2	▼ -15.7
		(TOCOM/ Chubu)	7/20	41.2	▲ 0.7	▼ -15.5
Retail prices [weekly trend] (published by ANRE)	7/20	132.2	▲ 0.4	▼ -13.6		

*Gyoten and futures prices are before tax

(¥/L)

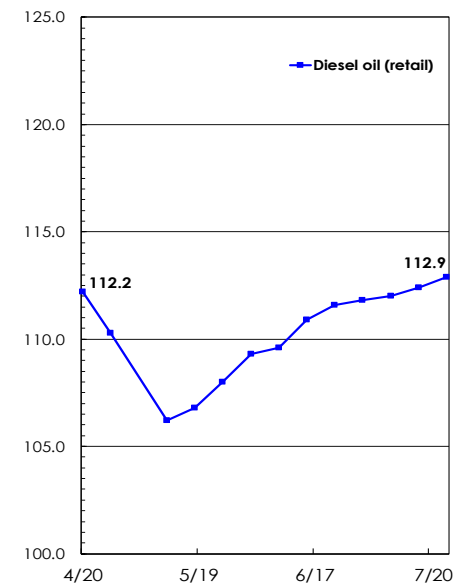


(Unit: 1,000 kl, yen/l)

Diesel oil		This week		From a week earlier	From a year earlier	
Supply/ Demand	Production	7/12 ~ 7/18	655	▲ 59	▼ -	
	Imports	"	n.d.	n.d.	n.d.	
	Shipments	"	557	▼ -2	▼ -	
	Exports	"	52	▲ 47	▼ -	
	Inventories	7/18	1,633	▲ 46	▲ -	
Prices	Gyoten (spot) [4-district average lorry rack price] (RIM)	7/14 ~ 7/20	43.5	▼ -0.1	▼ -19.1	
	Futures [front-month contract/closing price]	(TOCOM/ Tokyo Bay)	7/14 ~ 7/20	46.9	➡ 0.0	▼ -16.3
		(TOCOM/ Chubu)	7/20	-	-	-
Retail prices [weekly trend] (published by ANRE)	7/20	112.9	▲ 0.5	▼ -13.9		

*Gyoten and futures prices are before tax

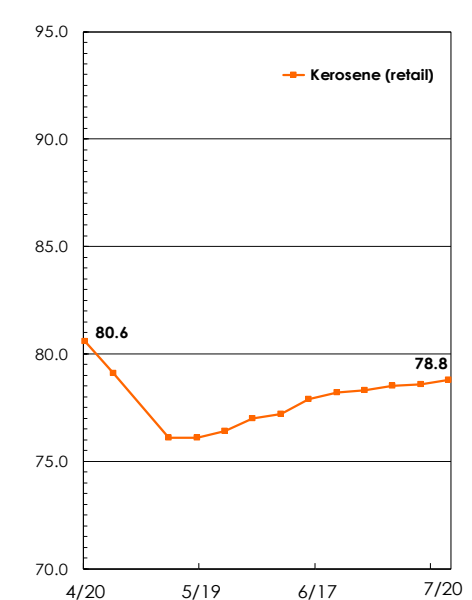
(¥/L)



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

Kerosene		This week		From a week earlier	From a year earlier	
Supply/ Demand	Production	7/12 ~ 7/18	143	▼ -19	▼ -	
	Imports	"	n.d.	n.d.	n.d.	
	Shipments	"	74	▼ -24	▼ -	
	Exports	"	0	▼ -18	➡ -	
	Inventories	7/18	1,856	▲ 69	▲ -	
Prices	Gyoten (spot) [4-district average lorry rack price] (RIM)	7/14 ~ 7/20	43.3	➡ 0.0	▼ -18.2	
	Futures [front-month contract/closing price]	(TOCOM/ Tokyo Bay)	7/14 ~ 7/20	41.4	▲ 0.6	▼ -16.8
		(TOCOM/ Chubu)	7/20	43.0	➡ 0.0	▼ -16.3
Retail prices [weekly trend] (published by ANRE)	7/20	78.8	▲ 0.2	▼ -12.4		

(¥/L)



Relevant Information

1 Overseas crude oil prices

On July 22, the most frequently traded oil futures contract on NYMEX turned down very slightly by the EIA Weekly Report on increasing inventory level of crude oil and oil products in the U.S. and concerns on further deterioration of the U.S.-China relations. Last week, crude oil inventory increased by 4,900,000 bbl from the previous week against the market expectation. Middle distillate inventory increased by 1,100,000 bbl, reaching 177.9 million bbl at the highest level since the year 1982 due to sluggish demand for jet fuel. However, the price fall was restricted by redemption after one round of sale. The September contract, which replaced the August contract as the key front-month contract, lost \$0.02/bbl to \$41.90/bbl from the previous day. The October contract lost \$0.02/bbl to \$42.40/bbl from the previous day.

According to the EIA, the average U.S. retail price of gasoline as of July 20 decreased by 0.9 cents per gallon from a week earlier to \$2.186/gal (62.6yen/l). The average diesel oil price decreased by 0.5 cents/gal to \$2.433/gal (69.7 yen/l). The gasoline price decreased for the first time in 12 weeks. The diesel price decreased for the first time in seven weeks.

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 12-July 18 week in 2020 stood at 701,000 barrels per day, down 0 bpd from the previous week (total capacity remained at 3,519,000 bpd).

Crude oil throughput in the week increased by 40,000 kl from the previous week to 2,344,000 kl. From a year earlier, it decreased by 1,029,000 kl. The topper capacity utilization rate stood at 59.9%, up 1.1 points from the previous week and down 26.2 points from a year earlier.

Production increased from the previous week for gasoline, kerosene and Fuel Oil A and decreased for other petroleum products. Output was down 1.6% for gasoline, up 18.7% for jet fuel, down 11.9% for kerosene, up 9.9% for diesel oil, down 3.4% for Fuel Oil A and up 8.9% for Fuel Oil C. Fuel Oil C imports in the week totaled 15,000 kl, up 5,000 kl from the previous week. Diesel oil exports aggregated 52,000kl, up 47,000 kl from the previous week.

Shipments (excluding imports) in the week increased from the previous week for jet fuel and Fuel Oil C and decreased for other petroleum products. From a year earlier, shipments expanded for jet fuel and declined for other petroleum products. Gasoline shipments decreased by 5.9% from the previous week to 736,000 kl for the second straight week, remaining below 1 million kl for 48 weeks on end. Shipments totaled 144,000 kl for jet fuel (up 495.6% from the previous week), 74,000 kl for

kerosene (down 25.1%), 557,000 kl for diesel oil (down 0.5%), 134,000 kl for Fuel Oil A (down 24.9%) and 147,000 kl for Fuel Oil C (up 9.2%).

(Unit: 1,000 kl)

	This week (7/12 ~ 7/18)	Previous week (7/5 ~ 7/11)	From a week earlier
Gasoline	736	783	▼ -47 (-6%)
Jet fuel	144	24	▲ 120 (500%)
Kerosene (heating Oil)	74	98	▼ -24 (-24%)
Diesel oil	557	559	▼ -2 (-0%)
Fuel oil A	134	179	▼ -45 (-25%)
Fuel Oil C	147	134	▲ 13 (10%)
Total	1,792	1,777	▲ 15 (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 18 decreased from a week earlier for jet fuel and increased for other petroleum products.

Gasoline inventories totaled 1,744,000 kl, up 82,000 kl from a week earlier and up 244,000 kl from a year earlier.

Kerosene inventories totaled 1,856,000 kl, up 69,000 kl from a week earlier and up 221,000 kl from a year earlier.

Diesel oil inventories totaled 1,633,000 kl, up 46,000 kl from a week earlier and up 149,000 kl from a year earlier.

Fuel Oil A inventories totaled 764,000 kl, up 7,000 kl from a week earlier and up 63,000 kl from a year earlier.

Fuel Oil C inventories totaled 1,963,000 kl, up 40,000 kl from a week earlier and up 2,000 kl from a year earlier.

(Unit: 1,000 kl)

	This week (7/18)	Previous week (7/11)	From a week earlier
Gasoline	1,744	1,662	▲ 82 (5%)
Jet fuel	713	794	▼ -81 (-10%)
Kerosene (heating Oil)	1,856	1,787	▲ 69 (4%)
Diesel oil	1,633	1,587	▲ 46 (3%)
Fuel oil A	764	757	▲ 7 (1%)
Fuel Oil C	1,963	1,923	▲ 40 (2%)
Total	8,673	8,510	▲ 163 (1.9%)

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

During the July 14-20 week, crude oil cost increased slightly as crude oil price gained slightly from the previous week, with the yen's exchange rate to the US dollar remaining flat.

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

Each spot petroleum products prices in respective market in the July 14-20 week showed different fluctuation (slight decrease, leveling off and slight increase) within a narrow range compared to July 7-13 week.

The latest onshore cargo spot price (the average onshore rack price for four districts -- Chiba, Kawasaki, Chukyo and Hanshin for the July 14-20 week) decreased by 0.1 yen/l from the previous week for gasoline, levelled off for kerosene and decreased by 0.1 yen/l for diesel oil. For the latest July 14-20 week, price decreased in a 95 yen/l range for gasoline; in a 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 0.2 yen/l for gasoline, by 0.1 yen/l for kerosene and decreased by 0.2 yen/l for diesel oil for the same period.

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

The key average futures price decreased by 0.2 yen/l for gasoline, increased by 0.6 yen/l for kerosene and leveled off for diesel oil.

The key futures price during the week decreased significantly after the temporary increase in a 93-94 yen/l range for gasoline, increased after fluctuation in a 41 yen/l for kerosene and decreased slightly after the increase in a 46-47 yen/l range for diesel oil.

(RIM)		(Unit: yen/l)		
[4-district average lorry rack price]		This week	Previous week	From a week earlier
		(7/14 ~ 7/20)	(7/7 ~ 7/13)	
Spot Prices	Regular	41.7	41.8	▼ -0.1
	Kerosene	43.3	43.3	➡ 0.0
	Diesel oil	43.5	43.6	▼ -0.1

(TOCOM)		(Unit: yen/l)		
[Front-month contract/closing price]		This week	Previous week	From a week earlier
[Average]		(7/14 ~ 7/20)	(7/7 ~ 7/13)	
Futures Price	Regular	40.0	40.2	▼ -0.2
	Kerosene	41.4	40.8	▲ 0.6
	Diesel oil	46.9	46.9	➡ 0.0

Above prices are before tax.

Reference (July 14 - July 20 actual data)

		(Unit: yen/l)		
Products	Spot	Futures	Average	
Gasoline	▼ -0.1	▼ -0.2	▼ -0.1	
Kerosene	➡ 0.0	▲ 0.6	▲ 0.3	
Diesel oil	▼ -0.1	➡ 0.0	▼ -0.1	
Fuel Oil A	▲ 0.1			

(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 20 increased by 0.4 yen/l from a week earlier to 132.2 yen/l for gasoline, increased by 0.5 yen/l to 112.9 yen/l for diesel oil and increased by 4 yen to 1,419 yen for kerosene on an 18-liter tank basis (or increased by 0.2 yen/l to 78.8 yen/l). The gasoline and diesel prices gained for the 10th straight week. Kerosene price gained for the ninth straight week.

Gasoline prices increased in 28 prefectures, leveled off in five prefectures and decreased in 14 prefectures. The lowest gasoline price among the prefectures was 123.5 yen/l in Tokushima (up 0.9 yen/l from a week earlier). The second lowest was 124.4 yen/l in Okayama (down 0.6 yen/l). The highest price was 142.2 yen/l in Nagasaki (up 1.2 yen/l). Kochi logged the largest price gain of 2.9 yen/l to 140.0 yen/l. The price leveled off in Fukui, Toyama, Shimane, Yamaguchi and Miyagi. Gunma logged the largest price fall of 0.9 yen/l to 136.3 yen/l.

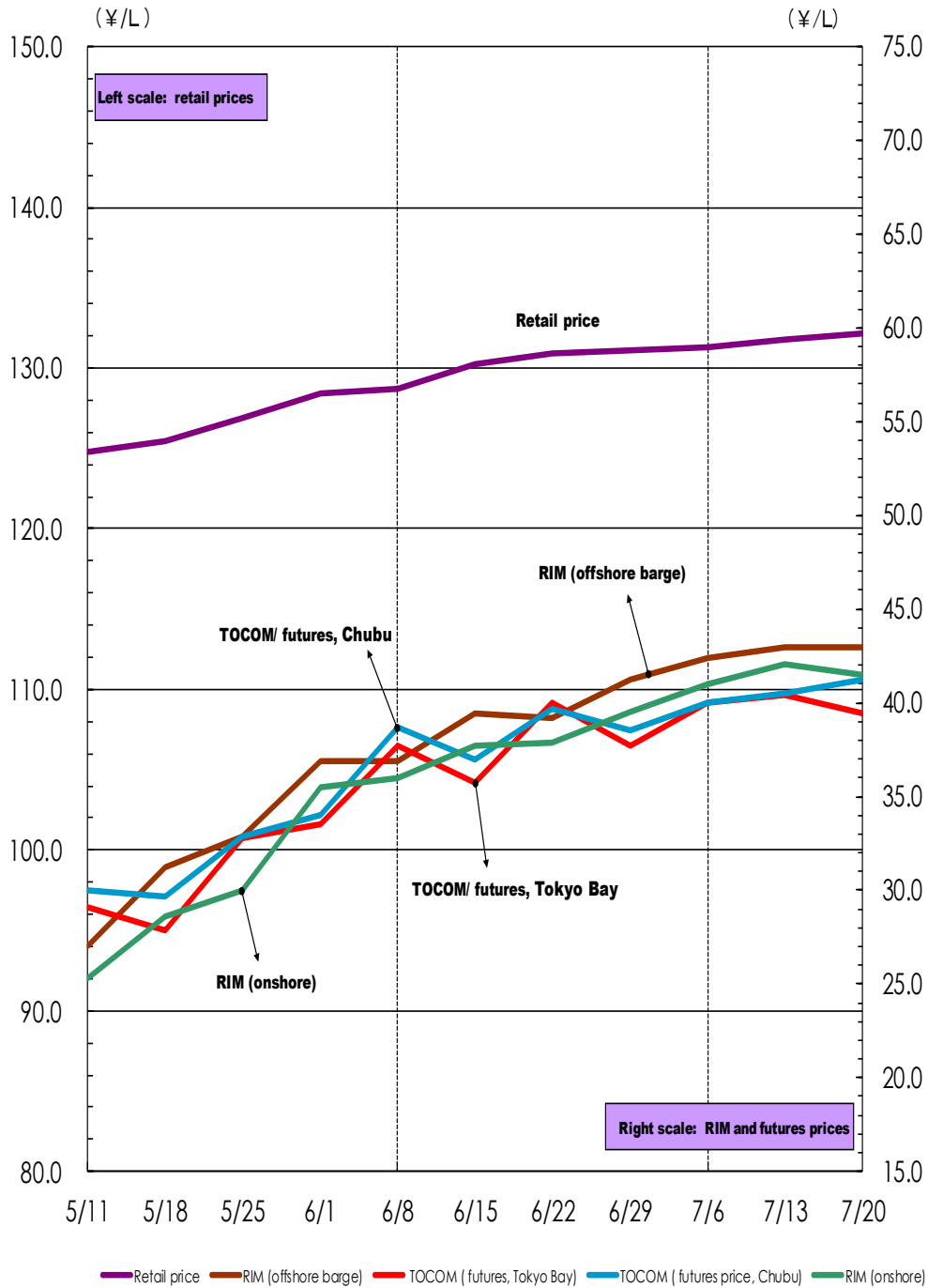
As crude oil cost increased slightly last week, Motouri companies maintained their wholesale prices for gasoline, diesel oil and kerosene for this week. Crude oil cost increased very slightly this week as crude oil price increased slightly, with the yen's exchange rate to the US dollar remaining flat. 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 27) is 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
		(7/20)	(7/13)		
Retail Price	Regular	132.2	131.8	▲ 0.4	08/8/4 185.1
	Kerosene	78.8	78.6	▲ 0.2	08/8/11 132.1
	Diesel oil	112.9	112.4	▲ 0.5	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

(2020/5/11 ~ 2020/7/20)



(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. 6 for 2020) will be announced at 14:00 on August 7.

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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).