

Oil Market Review in Japan No. 06/2020

August 7, 2020, Friday Released at 14:00 every Friday

Publisher: Oil Information Center, Institute of Energy Economics, Japan

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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 16-July 22 week moved within a range between \$40.59 per barrel and \$41.96/bbl.

On July 23, the September contract turned down by the announcement of increase in the U.S. crude oil inventory on the previous day, diplomatic tension between U.S. and China, new outbreaks of the coronavirus in the U.S. southern and eastern States, and so forth. The September contract closed at \$41.07/bbl down \$0.83/bbl from the previous day.

On July 24, the key contract rebounded for the first time in three days. Selling preceded in the market due to concerns on further deterioration of the U.S.-China relations, because the Chinese Government ordered the closure of Consulate-General of the United States in Chengdu on that day as the countermeasure against the closing of the Consulate-General of China in Houston. However, buying expanded due to sense of undervalued caused by depreciation of the U.S. dollar. Baker Hughes reported that the number of operating U.S. oil-drilling rigs was 181 units increased by one unit from a week earlier for the first time in 19 weeks. The September contract finished \$0.22/bbl higher at \$41.29/bbl.

On July 27, the key contract expanded further by depreciation of the U.S. dollar. However, price rise was restricted by deterioration of the U.S.-China diplomatic relations and concerns on new outbreaks of the coronavirus. The September contract gained \$0.31/bbl to \$41.60/bbl from the previous week.

On July 28, the key contract turned down for the first time in three trading days. The US Consumer Economy Index released on that day was under the market expectation. There are concerns on oil demand decline due to new outbreaks of the coronavirus. However, the price was supported by sense of undervalued oil futures prices with depreciation of the U.S. dollar. The September contract lost \$0.56/bbl to \$41.04/bbl.

On July 29 the key contract rebounded by significant crude oil drawdown of 10.60 million bbl from the previous week, according to the U.S. Energy Information Administration (EIA) Weekly Report, which was against the market expectation. Oil products inventory slightly increased for gasoline and middle distillates. The September contract gained \$0.23/bbl to \$41.27/bbl from the previous day.

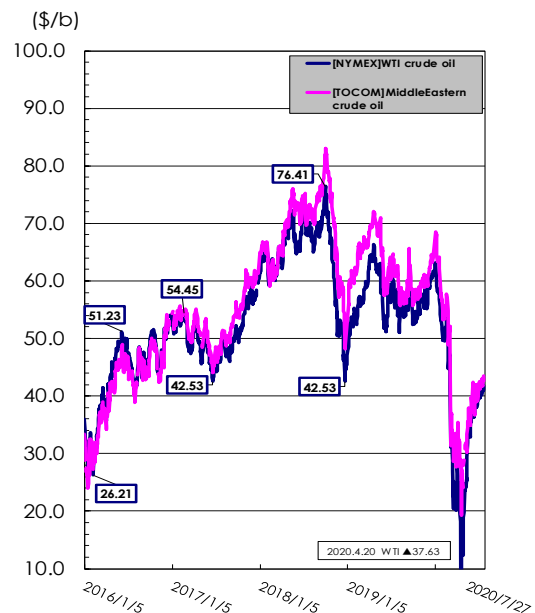
The Asian benchmark crude oil of Dubai for September delivery on the Tokyo market ranged between \$42.50/bbl and \$44.30/bbl in the July 16-July 22 week. It closed at \$43.20/bbl on July 27, at \$43.60/bbl on July 28, at \$43.00/bbl on July 29.

On the foreign exchange market in the July 16-July 22 week, the dollar moved within a range between 106.89 and 107.52 yen. It changed hands at 105.82 yen in late trading on July 27, at 105.34 yen on July 28, at 105.14 yen on July 29.

According to preliminary 10-day trade statistics released by the Ministry of Finance on July 20, the average crude oil import CIF price for Japan in the June 21-30 period stood at 17,386 yen/kl (kiloliter), up 1,218 yen/kl from the previous 10-day period. In dollars, the price was \$25.70/bbl, up \$1.93/bbl. The average exchange rate was 107.57 yen to the dollar. According to preliminary 10-day trade statistics released by the Ministry of Finance on July 20, the average crude oil import CIF price for Japan in June stood at 16,538 yen/kl (kiloliter), down 306 yen/kl from the previous month. In dollars, the price was \$24.40/bbl, down \$0.61/bbl. The average exchange rate was 107.76 yen to the dollar.

Japan's average retail price on July 27 gained by 0.1 yen/l from a week earlier for gasoline, leveled off for diesel oil, and kerosene on an 18-liter tank basis. The gasoline price for the 11th straight week. The diesel oil price stopped rising for the first time in 11 weeks. The kerosene price stopped rising for the first time in 10 weeks. As crude oil cost almost leveled off in the fourth week of July, Motouri companies increased their wholesale prices by 4.0 yen/l for gasoline, diesel oil and kerosene for the next week with raising adjustment for production cut by major oil-producing countries.

Crude oil			This week	From a week earlier	From a year earlier
Supply/ Demand	Crude oil runs (1,000 kl)	7/19 ~ 7/25	2,357	▲ 13	▼ —
	Topper capacity utilization rate (%)	"	60.2	▲ 0.3	▼ —
	Crude oil inventories (1,000 kl)	7/25	13,095	▼ -254	▼ —
Prices	Middle Eastern crude oil (TOCOM) (\$/bbl)	7/27	42.73	▲ 1.03	▼ -18.1
	WTI crude oil (NYMEX) (\$/bbl)	7/27	41.60	▲ 0.79	▼ -15.3
	Crude oil import CIF price (\$/bbl)	Late Jun	25.70	▲ 1.93	▼ -47.38
	① Crude oil import CIF price (yen/kl)	"	17,386	▲ 1,218	▼ -32,753
	② Yen-dollar exchange rate (yen/dollar)	"	107.57	▲ 0.60	▲ 1.50
	TTS exchange rate (yen/dollar)	7/27	106.82	▲ 1.70	▲ 2.63

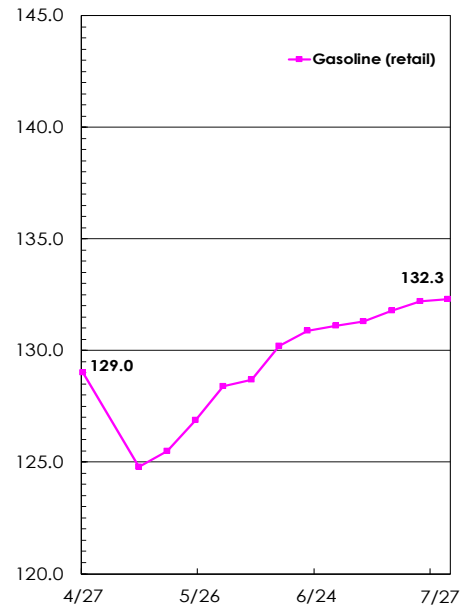


(Unit: 1,000 kl, yen/l)

Gasoline		This week		From a week earlier	From a year earlier	
Supply/ Demand	Production	7/19 ~ 7/25	859	▲ 40	▼ -	
	Imports	"	n.a.	n.a.	n.a.	
	Shipments	"	883	▲ 147	▲ -	
	Exports	"	51	▲ 51	▲ -	
	Inventories	7/25	1,669	▼ -75	▲ -	
Prices	Gyoten (spot) [4-district average lorry rack price] (RIM)	7/21 ~ 7/27	41.4	▼ -0.3	▼ -17.3	
	Futures [front-month contract/closing price]	(TOCOM/ Tokyo Bay)	7/21 ~ 7/27	40.8	▲ 0.8	▼ -14.8
		(TOCOM/ Chubu)	7/27	41.7	▲ 0.5	▼ -14.8
	Retail prices [weekly trend] (published by ANRE)	7/27	132.3	▲ 0.1	▼ -13.4	

*Gyoten and futures prices are before tax

(¥/L)

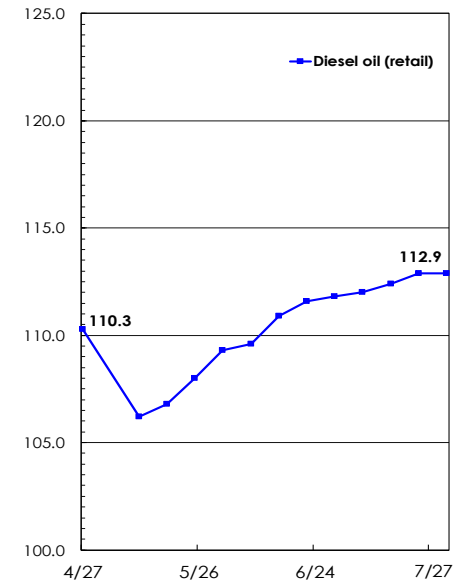


(Unit: 1,000 kl, yen/l)

Diesel oil		This week		From a week earlier	From a year earlier	
Supply/ Demand	Production	7/19 ~ 7/25	617	▼ -38	▼ -	
	Imports	"	n.a.	n.a.	n.a.	
	Shipments	"	484	▼ -73	▼ -	
	Exports	"	119	▲ 67	▼ -	
	Inventories	7/25	1,646	▲ 13	▲ -	
Prices	Gyoten (spot) [4-district average lorry rack price] (RIM)	7/21 ~ 7/27	43.2	▼ -0.3	▼ -18.5	
	Futures [front-month contract/closing price]	(TOCOM/ Tokyo Bay)	7/21 ~ 7/27	47.3	▲ 0.4	▼ -15.2
		(TOCOM/ Chubu)	7/27	-	-	-
	Retail prices [weekly trend] (published by ANRE)	7/27	112.9	➡ 0.0	▼ -13.9	

*Gyoten and futures prices are before tax

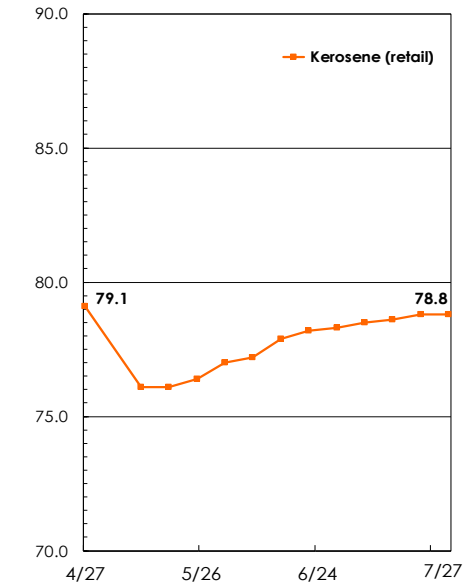
(¥/L)



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

Kerosene		This week		From a week earlier	From a year earlier	
Supply/ Demand	Production	7/19 ~ 7/25	168	▲ 26	▼ -	
	Imports	"	n.a.	n.a.	n.a.	
	Shipments	"	101	▲ 27	▲ -	
	Exports	"	0	➡ 0	➡ -	
	Inventories	7/25	1,924	▲ 68	▲ -	
Prices	Gyoten (spot) [4-district average lorry rack price] (RIM)	7/21 ~ 7/27	43.1	▼ -0.2	▼ -16.9	
	Futures [front-month contract/closing price]	(TOCOM/ Tokyo Bay)	7/21 ~ 7/27	42.6	▲ 1.2	▼ -15.9
		(TOCOM/ Chubu)	7/27	44.0	▲ 1.0	▼ -16.5
	Retail prices [weekly trend] (published by ANRE)	7/27	78.8	➡ 0.0	▼ -12.3	

(¥/L)



Relevant Information

1 Overseas crude oil prices

On July 29, the most frequently traded oil futures contract on NYMEX rebounded by the view of strong oil demand in the new outbreaks of the coronavirus. The EIA Weekly Report announced drawdown of crude oil inventory by 10.60 million bbl from the previous week, which was against the market expectation of increase in crude oil inventory by 400,000 bbl. On the contrary, oil products inventory slightly increased for gasoline and middle distillates, which was against the market expectation of slight decrease. In addition, the United States Federal Reserve Board (FRB) decided the continuation of the current monetary easing policy on that day. However, the market recognized as expected. There was almost no effect on the oil futures market. The September contract gained \$0.23/bbl to \$41.27/bbl from the previous day. The October contract gained \$0.26/bbl to \$41.54/bbl from the previous day.

According to the EIA, the average U.S. retail price of gasoline as of July 27 decreased by 1.1 cents per gallon from a week earlier to \$2.175/gal (61.3yen/l). The average diesel oil price decreased by 0.6 cents/gal to \$2.427/gal (69.2yen/l). The gasoline price decreased for the second straight week. The diesel price decreased for the second 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 19-July 25 week in 2020 stood at 679,000 barrels per day, down 22,000 bpd from the previous week (total capacity remained at 3,519,000 bpd).

Crude oil throughput in the week increased by 13,000 kl from the previous week to 2,357,000 kl. From a year earlier, it decreased by 1,062,000 kl. The topper capacity utilization rate stood at 60.2%, up 0.3 points from the previous week and down 27.1 points from a year earlier.

Production increased from the previous week for gasoline and kerosene and decreased for other petroleum products. Output was up 4.9% for gasoline, down 23.4% for jet fuel, up 18.0% for kerosene, down 5.9% for diesel oil, down 4.5% for Fuel Oil A and down 29.1% for Fuel Oil C. Fuel Oil C imports in the week totaled 20,000 kl, up 5,000 kl from the previous week. Diesel oil exports aggregated 119,000kl, up 67,000 kl from the previous week.

Shipments (excluding imports) in the week increased from the previous week for gasoline, kerosene and Fuel Oil A and decreased for other petroleum products. From a year earlier, shipments expanded for gasoline and kerosene and declined for other petroleum products. Gasoline shipments increased by 19.9% from the previous week to 883,000 kl for the first time in three weeks, remaining below 1 million kl for 49 weeks on end. Shipments totaled 103,000 kl for jet fuel (down 28.4% from the

previous week), 101,000 kl for kerosene (up 36.9%), 484,000 kl for diesel oil (down 13.1%), 150,000 kl for Fuel Oil A (up 11.5%) and 130,000 kl for Fuel Oil C (down 11.2%).

(Unit: 1,000 kl)

	This week (7/19 ~ 7/25)	Previous week (7/12 ~ 7/18)	From a week earlier
Gasoline	883	736	▲ 147 (20%)
Jet fuel	103	144	▼ -41 (-28%)
Kerosene (heating Oil)	101	74	▲ 27 (36%)
Diesel oil	484	557	▼ -73 (-13%)
Fuel oil A	150	134	▲ 16 (12%)
Fuel Oil C	130	147	▼ -17 (-12%)
Total	1,851	1,792	▲ 59 (3%)

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 25 increased from a week earlier for kerosene and diesel oil and decreased 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 1,669,000 kl, down 75,000 kl from a week earlier and up 108,000 kl from a year earlier.

Kerosene inventories totaled 1,924,000 kl, up 68,000 kl from a week earlier and up 113,000 kl from a year earlier.

Diesel oil inventories totaled 1,646,000 kl, up 13,000 kl from a week earlier and up 159,000 kl from a year earlier.

Fuel Oil A inventories totaled 742,000 kl, down 22,000 kl from a week earlier and up 38,000 kl from a year earlier.

Fuel Oil C inventories totaled 1,946,000 kl, down 17,000 kl from a week earlier and down 22,000 kl from a year earlier.

(Unit: 1,000 kl)

	This week (7/25)	Previous week (7/18)	From a week earlier
Gasoline	1,669	1,744	▼ -75 (-4%)
Jet fuel	703	713	▼ -10 (-1%)
Kerosene (heating Oil)	1,924	1,856	▲ 68 (4%)
Diesel oil	1,646	1,633	▲ 13 (1%)
Fuel oil A	742	764	▼ -22 (-3%)
Fuel Oil C	1,946	1,963	▼ -17 (-1%)
Total	8,630	8,673	▼ -43 (-0.5%)

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

During the July 21-27 week, crude oil price gained very slightly from the previous week, but almost leveled off in yen with appreciation of the yen to the US dollar.

For the next week, Motouri companies increased their wholesale prices by 4.0 yen/l for gasoline, kerosene and diesel oil by adding large adjustment for coordinated production cut by major oil-producing countries such as Saudi Arabia. This adjustment would be reflected on revision of wholesale oil products prices in the beginning of the following month.

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

Spot petroleum products prices in all onshore market and in offshore gasoline market in the July 21-27 week slightly decreased from their respective averages and increased in the other markets compared to July 14-20 week.

The latest onshore cargo spot price (the average onshore rack price for four districts -- Chiba, Kawasaki, Chukyo and Hanshin -- for the July 21-27 week) decreased by 0.3 yen/l from the previous week for gasoline, by 0.2 yen/l for kerosene and decreased by 0.3 yen/l for diesel oil. For the latest July 21-27 week, price slightly decreased in a 95 yen/l range for gasoline; and slightly increased in a 43 yen/l range for kerosene; and decreased in a 43 yen/l range for diesel oil.

The average offshore barge spot price in Tokyo Bay decreased by 0.1 yen/l for gasoline, increased by 1.0 yen/l for kerosene and increased by 1.7 yen/l for diesel oil for the same period.

Offshore cargo spot prices during the week slightly decreased in a 96 yen/l range for gasoline and significantly increased in a 39-42 yen/l range for kerosene and in a 45-50 yen/l range for diesel oil.

The key average futures price increased by 0.8 yen/l for gasoline, by 1.2 yen/l for kerosene by 0.4 yen/l for diesel oil.

The key futures price during the week slightly decreased after the temporary significant increase in a 93-95 yen/l range for gasoline, significantly increased in a 41-43 yen/l for kerosene and decreased slightly after the significant increase in a 46-47 yen/l range for diesel oil.

(RIM) [4-district average lorry rack price]		(Unit: yen/l)		
		This week (7/21 ~ 7/27)	Previous week (7/14 ~ 7/20)	From a week earlier
Spot Prices	Regular	41.4	41.7	▼ -0.3
	Kerosene	43.1	43.3	▼ -0.2
	Diesel oil	43.2	43.5	▼ -0.3

(TOCOM) [Front-month contract/closing price] [Average]		(Unit: yen/l)		
		This week (7/21 ~ 7/27)	Previous week (7/14 ~ 7/20)	From a week earlier
Futures Price	Regular	40.8	40.0	▲ 0.8
	Kerosene	42.6	41.4	▲ 1.2
	Diesel oil	47.3	46.9	▲ 0.4

Above prices are before tax.

Reference (July 21 - July 27 actual data)				(Unit: yen/l)	
Products	Spot	Futures	Average		
Gasoline	▼ -0.3	▲ 0.8	▲ 0.2		
Kerosene	▼ -0.2	▲ 1.2	▲ 0.5		
Diesel oil	▼ -0.3	▲ 0.4	▲ 0.1		
Fuel Oil A	➡ 0.0				

(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 27 increased by 0.1 yen/l from a week earlier to 132.3 yen/l for gasoline, leveled off to 112.9 yen/l for diesel oil and to 1,419 yen for kerosene on an 18-liter tank basis leveled off to 78.8 yen/l). The gasoline gained for the 11th straight week. Diesel price stopped rising for the first time in 11 weeks. Kerosene price stopped rising for the first time in 10 weeks.

Gasoline prices increased in 19 prefectures, leveled off in eight prefectures and decreased in 20 prefectures.-The lowest gasoline price among the prefectures was 124.8 yen/l in Tokushima (up 1.3 yen/l from a week earlier). The second lowest was 124.9 yen/l in Okayama (up 0.5 yen/l). The highest price was 143.1 yen/l in Nagasaki (up 0.9 yen/l). Tokushima logged the largest price gain of 1.3 yen/l to 124.8 yen/l. The price leveled off in Shiga and so forth. Saitama logged the largest price fall of 1.1 yen/l to 127.3 yen/l.

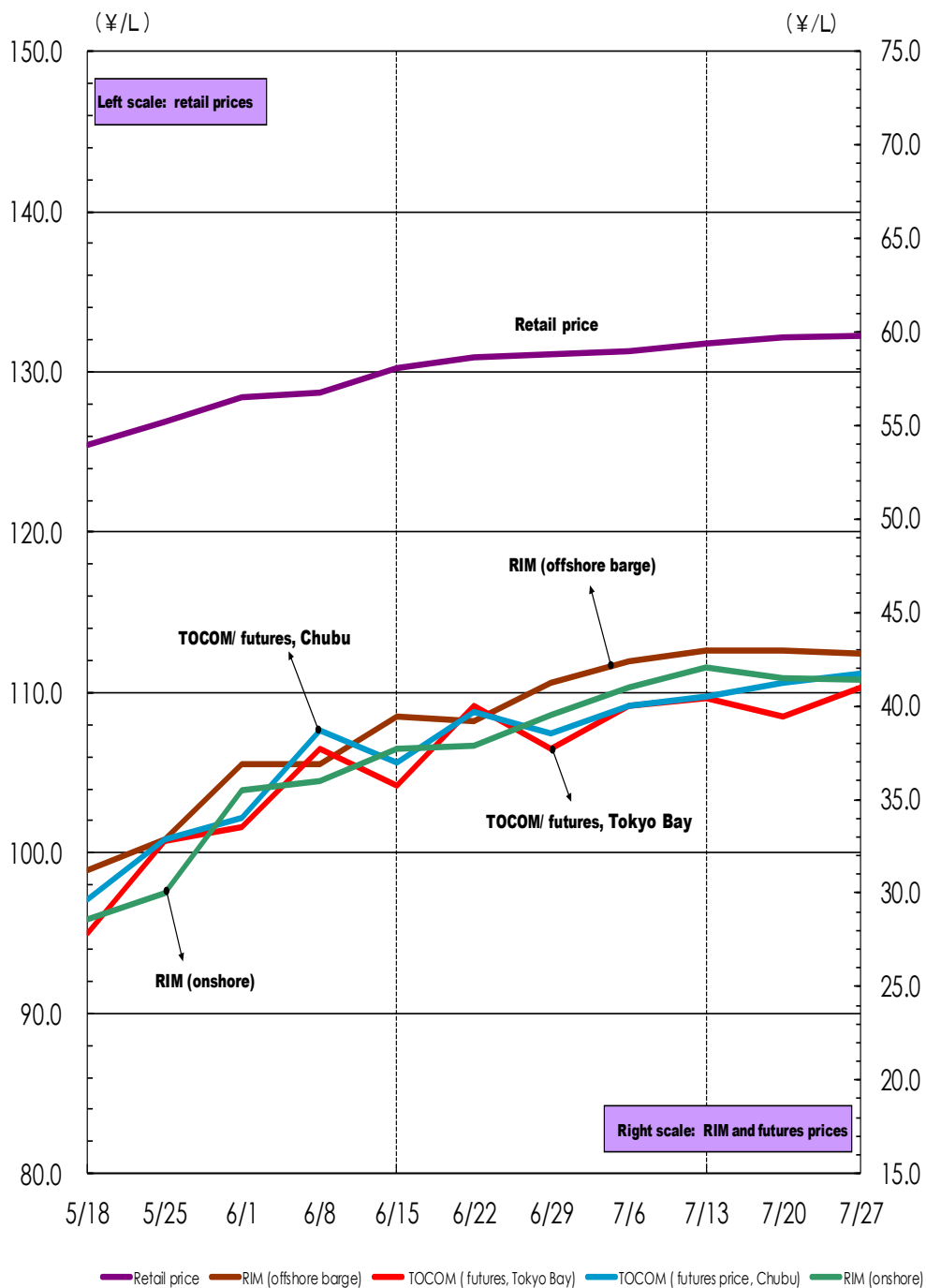
As crude oil cost increased slightly last week, Motouri companies maintained their wholesale prices for gasoline, diesel oil and kerosene for this week. Crude oil cost in yen almost leveled off this week as crude oil price increased slightly with appreciation of yen's exchange rate to the US dollar. Motouri companies increased their wholesale prices by 4.0 yen/l for next week for gasoline, diesel oil and kerosene with significant raising adjustment for production cut by major oil-producing countries. Retail gasoline price on the next price survey day (August 3) are expected to increase slightly from a week earlier.

(Published by ANRE)[Weekly trend]		(Unit: yen/l)			
		This week (7/27)	Previous week (7/20)	From a week earlier	Latest high
Retail Price	Regular	132.3	132.2	▲ 0.1	08/8/4 185.1
	Kerosene	78.8	78.8	➡ 0.0	08/8/11 132.1
	Diesel oil	112.9	112.9	➡ 0.0	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

(2020/5/18 ~ 2020/7/27)



(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. 7 for 2020) will be announced at 14:00 on August 21.

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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).