

Oil Market Review in Japan No. 07/2020

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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 23-July 29 week moved within a range between \$41.04 per barrel and \$41.60/bbl.

On July 30, the September contract turned down heavily by the announcement of the preliminary U.S. Gross Domestic Product (GDP) in the second quarter in 2020 of 32.9% decrease compared to the same period of the previous year, the biggest turn down on record, and President Trump's intention to postpone the U.S. Presidential Election due to concerns on fraudulent postal voting. However, sense of undervalued oil futures prices due to depreciation of the U.S. dollar supported the price level. The September contract closed at \$39.92/bbl down \$1.35/bbl from the previous day.

On July 31, the key contract rebounded by a positive response to decrease in crude oil production and decrease in the number of operating rigs in the U.S. The U.S. Energy Information Administration (EIA) Weekly Report released that the U.S. crude oil production decreased by 2 million bbl/d from the previous month to 10 million bbl/d in May 2020. Baker Hughes reported that the number of operating U.S. oil-drilling rigs decreased by one unit from a week earlier to 180 units. However, the price rise was restricted by reducing the volume of the OPEC (Organization of Oil Exporting Countries) Plus coordinated crude oil production cut and concerns on new outbreaks of the coronavirus. The September contract finished \$0.35/bbl higher at \$40.27/bbl.

On August 3, the key contract expanded further by a positive response to improvement of Manufacturing Business Conditions Index both in the U.S. and China released on that day. However, the price rise was still restricted by reducing the volume of the OPEC Plus coordinated crude oil production cut and concerns on new outbreaks of the coronavirus. The September contract-gained \$0.74/bbl to \$41.01/bbl.

On August 4, the key contract rose for the third straight trading day by expectations for decrease in crude oil and oil products inventory in the U.S. to be released by the U.S. EIA on the following day, and the start of talks on additional economic measures by the U.S. Government. The market was also conscious about geopolitical risks in the Middle East, following the massive explosion in Beirut. The September contract gained \$0.69/bbl to \$41.70/bbl.

On August 5 the key contract rose for the fourth straight trading day by the larger-than-expected drawdown of crude oil inventory of 7.4 million bbl from the previous weekend, released by the U.S. EIA Weekly Report. The price was also supported by improvement of the U.S. Non-Manufacturing Business Conditions Index and sense of undervalued oil futures prices due to depreciation of the U.S. dollar. The September contract gained \$0.49/bbl to \$42.19/bbl.

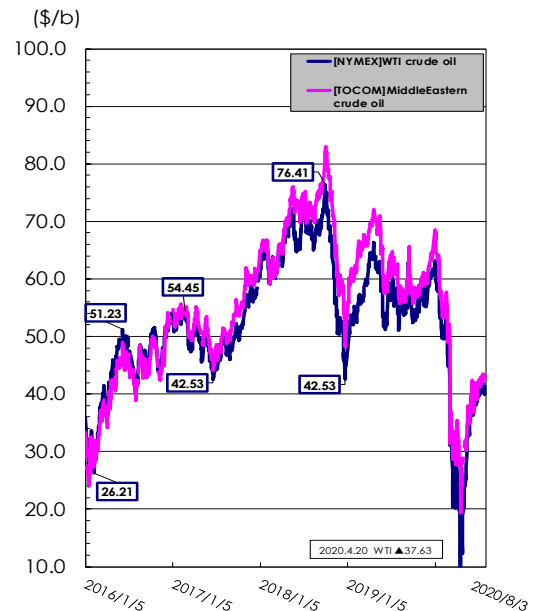
The Asian benchmark crude oil of Dubai for September delivery on the Tokyo market ranged between \$43.00/bbl and \$43.60/bbl in the July 23-July 29 week. It closed at \$43.40/bbl on July 30, at \$43.20/bbl on July 31, at \$42.50/bbl on August 3, at \$43.10/bbl on August 4 and at \$43.60/bbl on August 5.

On the foreign exchange market in the July 23-July 29 week, the dollar moved within a range between 105.14 and 105.82 yen. It changed hands at 105.09 yen on July 30, at 104.60 yen on July 31, at 106.13 yen on August 3, at 106.13 yen on August 4, and at 105.61 yen on August 5.

According to preliminary 10-day trade statistics released by the Ministry of finance on July 30, the average crude oil import CIF price for Japan in the July 1-10 period stood at 20,236 yen/kl (kiloliter), up 2,850 yen/kl from the previous 10-day period. In dollars, the price was \$30.06/bbl, up \$4.36/bbl. The average exchange rate was 107.02 yen to the dollar.

Japan's average retail price on August 3 gained by 2.2 yen/l from a week earlier for gasoline, gained by 2.1 yen/l for diesel oil, and gained by 2.1 yen for kerosene on an 18-liter tank basis. The gasoline price increased for the 12th straight week. The diesel oil and kerosene prices increased for the first time in two weeks. As crude oil cost decreased in the first week of August, Motouri companies decreased their wholesale prices by 1.0 yen/l for gasoline, diesel oil and kerosene for the next week.

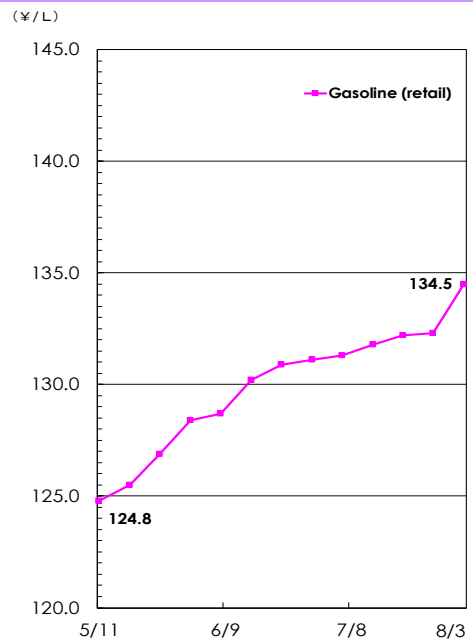
Crude oil			This week	From a week earlier	From a year earlier
Supply/ Demand	Crude oil runs (1,000 kl)	7/26 ~ 8/1	2,260	▼ -97	▼ -
	Topper capacity utilization rate (%)	"	57.7	▼ -2.5	▼ -
	Crude oil inventories (1,000 kl)	8/1	13,466	▲ 371	▲ -
Prices	Middle Eastern crude oil (TOCOM) (\$/bbl)	8/3	42.56	▼ -0.17	▼ -16.0
	WTI crude oil (NYMEX) (\$/bbl)	8/3	41.01	▼ -0.59	▼ -13.7
	Crude oil import CIF price (\$/bbl)	Early Jul	30.06	▲ 4.36	▼ -37.26
	① Crude oil import CIF price (yen/kl)	"	20,236	▲ 2,850	▼ -25,495
	② Yen-dollar exchange rate (yen/dollar)	"	107.02	▲ 0.55	▲ 0.97
	TTS exchange rate (yen/dollar)	8/3	107.13	▼ -0.31	▲ 0.22



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

Gasoline		This week		From a week earlier	From a year earlier	
Supply/ Demand	Production	7/26 ~ 8/1	779	▼ -80	▼ -	
	Imports	"	n.d.	n.d.	n.d.	
	Shipments	"	773	▼ -110	▼ -	
	Exports	"	15	▼ -37	▼ -	
	Inventories	8/1	1,661	▼ -8	▲ -	
Prices	Gyoten (spot) [4-district average lorry rack price] (RIM)	7/28 ~ 8/3	42.9	▲ 1.5	▼ -15.9	
	Futures [front-month contract/closing price]	(TOCOM/ Tokyo Bay)	7/28 ~ 8/3	41.0	▲ 0.2	▼ -14.4
		(TOCOM/ Chubu)	8/3	42.0	▲ 0.3	▼ -12.5
	Retail prices [weekly trend] (published by ANRE)	8/3	134.5	▲ 2.2	▼ -11.0	

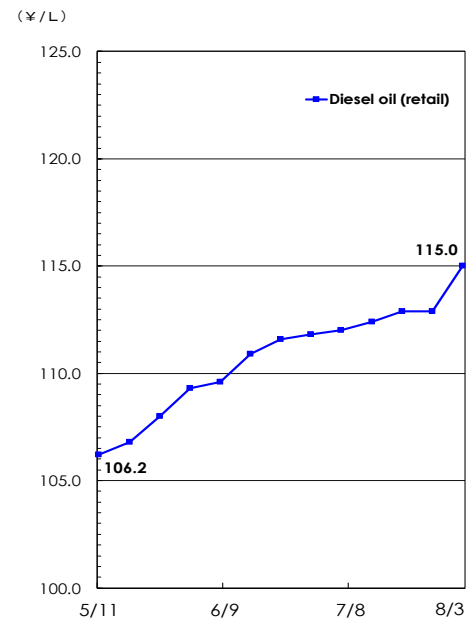
*Gyoten and futures prices are before tax



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

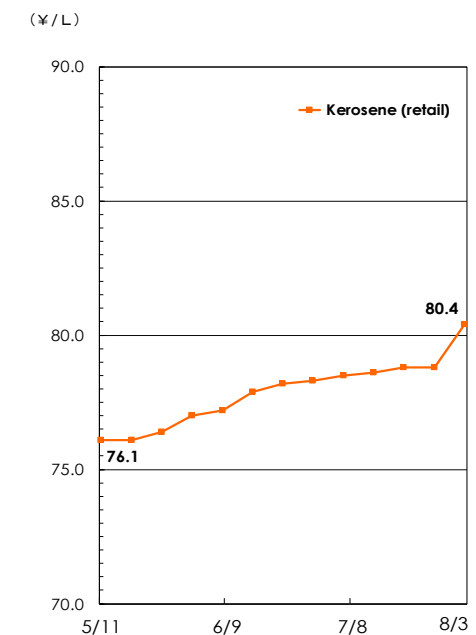
Diesel oil		This week		From a week earlier	From a year earlier	
Supply/ Demand	Production	7/26 ~ 8/1	534	▼ -82	▼ -	
	Imports	"	n.d.	n.d.	n.d.	
	Shipments	"	553	▲ 69	▼ -	
	Exports	"	6	▼ -113	▼ -	
	Inventories	8/1	1,621	▼ -25	▲ -	
Prices	Gyoten (spot) [4-district average lorry rack price] (RIM)	7/28 ~ 8/3	45.6	▲ 2.4	▼ -16.0	
	Futures [front-month contract/closing price]	(TOCOM/ Tokyo Bay)	7/28 ~ 8/3	47.2	▼ -0.1	▼ -15.7
		(TOCOM/ Chubu)	8/3	-	-	-
	Retail prices [weekly trend] (published by ANRE)	8/3	115.0	▲ 2.1	▼ -11.6	

*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	7/26 ~ 8/1	168	➡ 0	▼ -	
	Imports	"	n.d.	n.d.	n.d.	
	Shipments	"	165	▲ 64	▲ -	
	Exports	"	50	▲ 50	▲ -	
	Inventories	8/1	1,877	▼ -47	▲ -	
Prices	Gyoten (spot) [4-district average lorry rack price] (RIM)	7/28 ~ 8/3	46.0	▲ 2.9	▼ -14.3	
	Futures [front-month contract/closing price]	(TOCOM/ Tokyo Bay)	7/28 ~ 8/3	42.9	▲ 0.3	▼ -15.3
		(TOCOM/ Chubu)	8/3	45.0	▲ 1.0	▼ -13.0
	Retail prices [weekly trend] (published by ANRE)	8/3	80.4	▲ 1.6	▼ -10.7	



Relevant Information

1 Overseas crude oil prices

On August 5, the most frequently traded oil futures contract on NYMEX rose for the fourth straight trading day by strong oil demand. The U.S. EIA Weekly Report released the larger-than-expected drawdown of 7.4 million bbl of crude oil inventory from the previous weekend, compared to the market expectation of drawdown of 3 million bbl. The price rise was also supported by improvement of the U.S. Non-Manufacturing Business Conditions Index, sense of undervalued oil futures prices due to depreciation of the U.S. dollar, and rise in the U.S. stock prices, the risk-involving commodities like crude oil futures. However, the price was capped by concerns on new outbreaks of the coronavirus. The September contract gained \$0.49/bbl to \$42.19/bbl from the previous day. The October contract gained \$0.52/bbl to \$42.43/bbl from the previous day.

According to the EIA, the average U.S. retail price of gasoline as of August 3 increased by 0.1 cents per gallon from a week earlier to \$2.176/gal (61.5yen/l). The average diesel oil price decreased by 0.3 cents/gal to \$2.424/gal (68.5yen/l). The gasoline price increased for the first time in three weeks. The diesel price decreased for the third 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 26-August 1 week in 2020 stood at 844,000 barrels per day, up 165,000 bpd from the previous week (total capacity remained at 3,519,000 bpd).

Crude oil throughput in the week decreased by 97,000 kl from the previous week to 2,260,000 kl. From a year earlier, it decreased by 1,169,000 kl. The topper capacity utilization rate stood at 57.7%, down 2.5 points from the previous week and down 29.9 points from a year earlier.

Production increased from the previous week for jet fuel and Fuel Oil A and decreased for other petroleum products. Output was down 9.3% for gasoline, up 45.6% for jet fuel, down 0.1 % for kerosene, down 13.4% for diesel oil, up 33.4 % for Fuel Oil A and down 14.3% for Fuel Oil C. Fuel Oil C imports in the week totaled 38,000 kl, up 18,000 kl from the previous week. Diesel oil exports aggregated 6,000kl, down 113,000 kl from the previous week.

Shipments (excluding imports) in the week decreased from the previous week for gasoline and jet fuel and increased 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 12.5% from the previous week to 773,000 kl for the first time in two weeks, remaining below 1 million kl for 50 weeks on end. Shipments totaled 96,000 kl for jet fuel (down 7.5% from the previous week),

165,000 kl for kerosene (up 63.7%), 553,000 kl for diesel oil (up 14.2%), 222,000 kl for Fuel Oil A (up 48.7%) and 152,000 kl for Fuel Oil C (up 16.4%).

(Unit: 1,000 kl)

	This week (7/26 ~ 8/1)	Previous week (7/19 ~ 7/25)	From a week earlier
Gasoline	773	883	▼ -110 (-12%)
Jet fuel	96	103	▼ -7 (-7%)
Kerosene (heating Oil)	165	101	▲ 64 (63%)
Diesel oil	553	484	▲ 69 (14%)
Fuel oil A	222	150	▲ 72 (48%)
Fuel Oil C	152	130	▲ 22 (17%)
Total	1,961	1,851	▲ 110 (6%)

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 August 1 increased from a week earlier for jet fuel and decreased for other petroleum products. From a year earlier, inventories expanded for gasoline, kerosene and diesel oil and shrank for other petroleum products.

Gasoline inventories totaled 1,661,000 kl, down 8,000 kl from a week earlier and up 93,000 kl from a year earlier.

Kerosene inventories totaled 1,877,000 kl, down 47,000 kl from a week earlier and up 1,000 kl from a year earlier.

Diesel oil inventories totaled 1,621,000 kl, down 25,000 kl from a week earlier and up 152,000 kl from a year earlier.

Fuel Oil A inventories totaled 694,000 kl, down 48,000 kl from a week earlier and down 6,000 kl from a year earlier.

Fuel Oil C inventories totaled 1,837,000 kl, down 109,000 kl from a week earlier and down 64,000 kl from a year earlier.

(Unit: 1,000 kl)

	This week (8/1)	Previous week (7/25)	From a week earlier
Gasoline	1,661	1,669	▼ -8 (-0%)
Jet fuel	704	703	▲ 1 (0%)
Kerosene (heating Oil)	1,877	1,924	▼ -47 (-2%)
Diesel oil	1,621	1,646	▼ -25 (-2%)
Fuel oil A	694	742	▼ -48 (-6%)
Fuel Oil C	1,837	1,946	▼ -109 (-6%)
Total	8,394	8,630	▼ -236 (-2.7%)

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

During the July 28-August 3 week, crude oil cost in yen decreased as crude oil price decreased very slightly from the previous week, with appreciation of the yen to the US dollar.

For the next week, Motouri companies decreased 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 the July 28-August 3 week increased from their respective averages, except for slightly decreased diesel oil futures price, compared to the previous week

The latest onshore cargo spot price (the average onshore rack price for four districts -- Chiba, Kawasaki, Chukyo and Hanshin - for the July 28-August 3 week) increased by 1.5 yen/l from the previous week for gasoline, increased by 2.9 yen/l for kerosene and increased by 2.4 yen/l for diesel oil. For the latest July 28-August 3 week, price slightly decreased after the significant increase in a 95-98 yen/l range for gasoline; and significantly increased in a 43-47 yen/l range for kerosene; and slightly decreased after the significant increase in a 43-47 yen/l range for diesel oil.

The average offshore barge spot price in Tokyo Bay increased by 2.8 yen/l for gasoline, increased by 1.9 yen/l for kerosene and increased by 3.2 yen/l for diesel oil for the same period.

Offshore cargo spot prices during the week almost levelled off after the significant increase in a 97-100 yen/l range for gasoline and slightly increased after fluctuation in a 42 yen/l range for kerosene and slightly decreased in a 49-50 yen/l range for diesel oil.

The key average futures price increased by 0.2 yen/l for gasoline, increased by 0.3 yen/l for kerosene and decreased by 0.1 yen/l for diesel oil.

The key futures price during the week slightly decreased after fluctuation in a 94-95 yen/l range for gasoline, decreased in a 42-43 yen/l for kerosene and decreased after fluctuation in a 46-47 yen/l range for diesel oil.

(RIM) [4-district average lorry rack price]		(Unit: yen/l)	
	This week (7/28 ~ 8/3)	Previous week (7/21 ~ 7/27)	From a week earlier
Regular	42.9	41.4	▲ 1.5
Kerosene	46.0	43.1	▲ 2.9
Diesel oil	45.6	43.2	▲ 2.4

(TOCOM) [Front-month contract/closing price] [Average]		(Unit: yen/l)	
	This week (7/28 ~ 8/3)	Previous week (7/21 ~ 7/27)	From a week earlier
Regular	41.0	40.8	▲ 0.2
Kerosene	42.9	42.6	▲ 0.3
Diesel oil	47.2	47.3	▼ -0.1

Above prices are before tax.

Reference (July 28 -August 3 actual data)

(Unit: yen/l)			
Products	Spot	Futures	Average
Gasoline	▲ 1.5	▲ 0.2	▲ 0.9
Kerosene	▲ 2.9	▲ 0.3	▲ 1.6
Diesel oil	▲ 2.4	▼ -0.1	▲ 1.1
Fuel Oil A	▲ 2.2		

(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 August 3 increased by 2.2 yen/l from a week earlier to 134.5 yen/l for gasoline, increased by 2.1 yen/l to 115.0 yen/l for diesel oil and increased by 28 yen to 1,447 yen for kerosene on an 18-liter tank basis (or increased by 1.6 yen/l to 80.4 yen/l). The gasoline price gained for the 12th straight week. Kerosene and diesel oil prices increased for the first time in two weeks.

Gasoline prices increased in 43 prefectures, leveled off in two prefectures and decreased in two prefectures. The lowest gasoline price among the prefectures was 126.5 yen/l in Tokushima (up 1.7 yen/l from a week earlier). The second lowest was 128.2 yen/l in Kagawa (up 0.6 yen/l). The highest price was 144.0 yen/l in Nagano (up 2.6 yen/l). Toyama logged the largest price gain of 4.8 yen/l to 138.4 yen/l. The price leveled off in Okinawa and Shiga. Nagasaki and Hyougo logged the largest price fall of 0.2 yen/l to 142.9 yen/l and 129.9 yen/l, respectively.

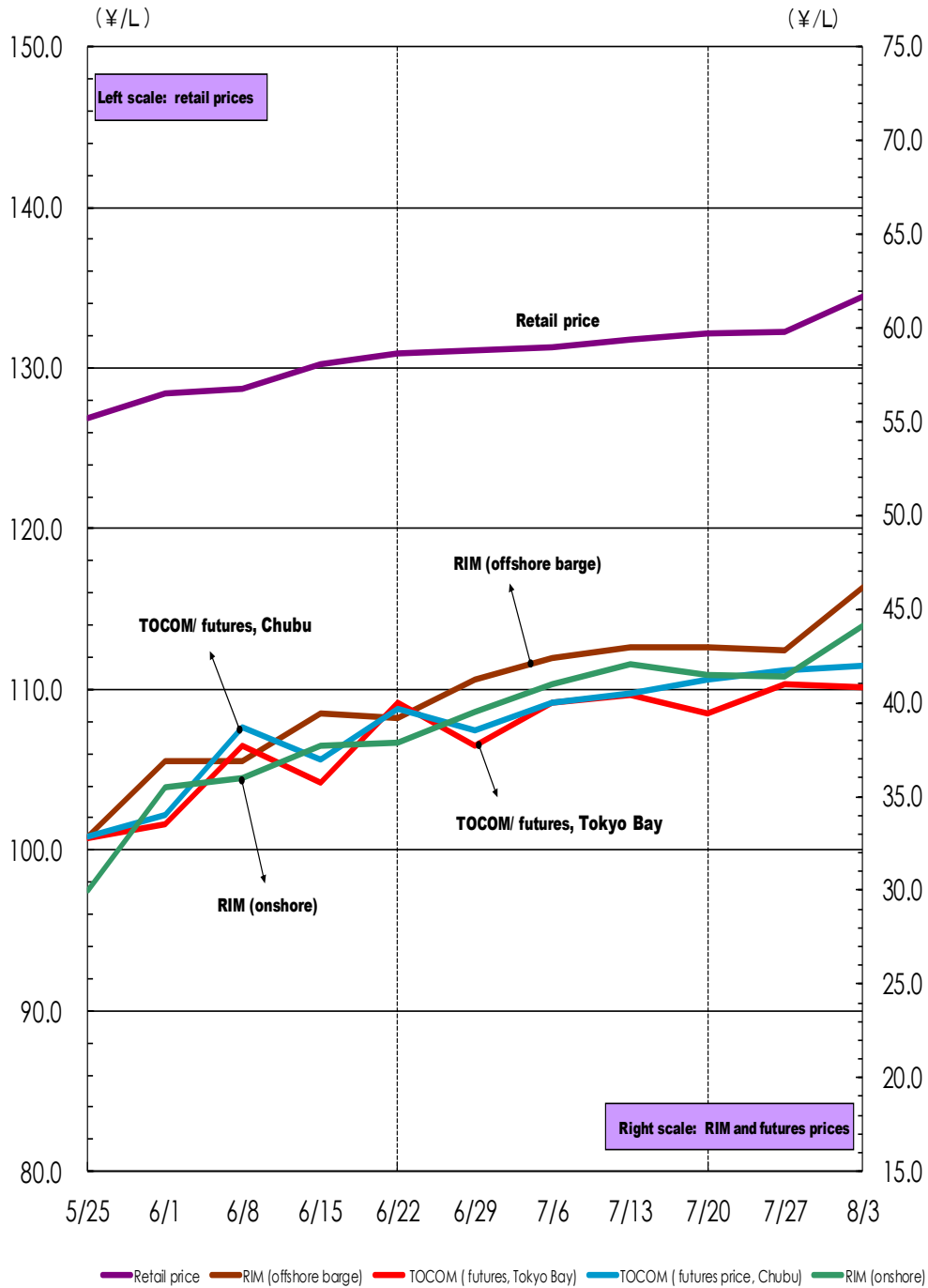
Although crude oil cost in yen almost leveled off last week, Motouri companies increased their wholesale prices by 4.0 yen/l for gasoline, diesel oil and kerosene for this week. Crude oil cost in yen decreased this week as crude oil price slightly decreased with appreciation of yen's exchange rate to the US dollar. Motouri companies decreased 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 (August 11) is expected to increase slightly from a week earlier as it is expected that the wholesale price increase of the previous week will continue to be passed on.

(Published by ANRE)[Weekly trend]		(Unit: yen/l)			
	This week (8/3)	Previous week (7/27)	From a week earlier	Latest high	
Regular	134.5	132.3	▲ 2.2	08/8/4	185.1
Kerosene	80.4	78.8	▲ 1.6	08/8/11	132.1
Diesel oil	115.0	112.9	▲ 2.1	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

(2020/5/25 ~ 2020/8/3)



(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. 8 for 2020) will be announced at 14:00 on August 28.

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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).