

Oil Market Review in Japan No. 14/2020

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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 September 17-September 30 week moved within a range between \$39.29 per barrel and \$41.11/bbl.

On October 1, the November contract turned down significantly due to concerns over widening supply-demand gap and concerns over new outbreaks of the coronavirus worldwide. It was reported that Organization of the Petroleum Exporting Countries (OPEC) had produced more crude oil by 160,000 bbl/d in September 2020 than in the previous month. The November contract closed at \$38.72/bbl down \$1.50/bbl from the previous day.

On October 2 the key contract turned down further by the announcement that the U.S. President Donald Trump had got infected with the coronavirus. In addition, recovery of indicators in the U.S. Employee Situation Statistics was less than expected. Baker Hughes reported that the number of operating U.S. oil-drilling rigs increased by six units from a week earlier to 189 units, increasing for the second straight week. The November contract finished \$1.67/bbl lower at \$37.05/bbl.

On October 5, the key contract rebounded significantly. The market welcomed recovery of medical condition of the coronavirus-infected U.S. President Donald Trump. The November contract finished \$2.17/bbl higher at \$39.22/bbl.

On October 6, the key contract expanded further due to concerns over shortage of crude oil supply, reaching \$/40bbl level at the turning point. Operation of some of the oil and gas fields in Norway was temporary suspended because of a strike by oil workers. In addition, large-scale Hurricane "Delta" was approaching the U.S. Gulf of Mexico areas. The November contract gained \$1.45bbl to \$40.67/bbl.

On October 7, the key contract turned down due to the announcement of the increase in the U.S. domestic crude oil inventory by 500,000 bbl/d compared to the previous week and abandonment of talks on the additional economic measures by the U.S. President Donald Trump.

The November contract lost \$0.72bbl to \$39.95/bbl.

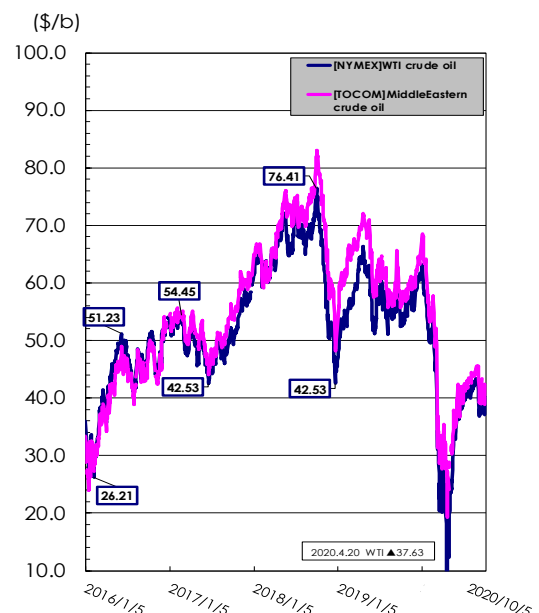
The Asian benchmark crude oil of Dubai for November delivery on the Tokyo market ranged between \$40.20/bbl and \$43.20/bbl in the September 17-September 30 week. It closed at \$42.50/bbl on October 1, at \$38.70/bbl on October 2, at \$39.10/bbl on October 5, at \$40.80/bbl on October 6, at \$41.40/bbl on October 7.

On the foreign exchange market in the September 17-September 30 week, the dollar moved within a range between 104.84 and 105.80 yen. It changed hands at 105.55 yen in late trading on October 1, at 105.56 yen on October 2, at 105.59 yen on October 5, at 105.66 yen on October 6, at 105.68 yen on October 7.

According to preliminary 10-day trade statistics released by the Ministry of Finance on October 7, the average crude oil import CIF price for Japan in the mid-September period stood at 31,006 yen/kl (kiloliter), up 507 yen/kl from the previous 10-day period. In dollars, the price was \$46.51/bbl, up \$0.77/bbl. The average exchange rate was 106.00yen to the dollar.

Japan's average retail price on October 5 lost by 0.1 yen/l from a week earlier for gasoline and diesel oil and leveled off for kerosene on an 18-liter tank basis. The gasoline and diesel oil prices decreased for the third straight week. Kerosene price stopped decreasing for the first time in three weeks. As crude oil cost decreased for the first week of October, Motouri companies decreased their wholesale prices by 0.5 yen/l for gasoline, diesel oil and kerosene for the next week.

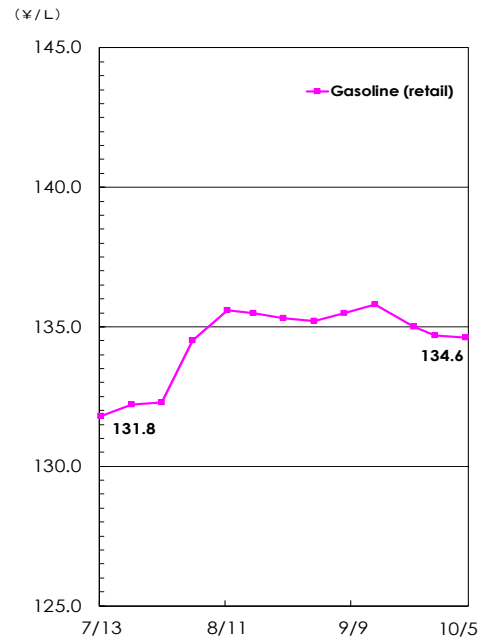
Crude oil			This week	From a week earlier	From a year earlier
Supply/ Demand	Crude oil runs (1,000 kl)	9/27 ~ 10/3	2,582	▼ -168	▼ -
	Topper capacity utilization rate (%)	"	65.9	▼ -4.3	▼ -
	Crude oil inventories (1,000 kl)	10/3	13,377	▲ 905	▲ -
Prices	Middle Eastern crude oil (TOCOM) (\$/bbl)	10/5	39.89	▼ -1.79	▼ -16.7
	WTI crude oil (NYMEX) (\$/bbl)	10/5	39.22	▼ -1.38	▼ -13.5
	Crude oil import CIF price (\$/bbl)	Mid Sep	46.51	▲ 0.77	▼ -17.79
	① Crude oil import CIF price (yen/kl)	"	31,006	▲ 507	▼ -12,124
	② Yen-dollar exchange rate (yen/dollar)	"	106.00	▲ 0.01	▲ 0.64
	TTS exchange rate (yen/dollar)	10/5	106.59	▼ -0.22	▲ 1.15



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

Gasoline			This week	From a week earlier	From a year earlier	
Supply/ Demand	Production	9/27 ~ 10/3	842	▼ -51	▼ -	
	Imports	"	n.d.	n.d.	n.d.	
	Shipments	"	800	▼ -114	▲ -	
	Exports	"	0	▼ -16	▼ -	
	Inventories	10/3	1,834	▲ 42	▲ -	
Prices	Gyoten (spot) [4-district average lorry rack price] (RIM)	9/29 ~ 10/5	43.0	▼ -0.2	▼ -14.8	
	Futures [front-month contract/closing price]	(TOCOM/ Tokyo Bay)	9/29 ~ 10/5	38.9	➡ 0.0	▼ -14.3
		(TOCOM/ Chubu)	10/5	40.0	▼ -1.4	▼ -14.3
	Retail prices [weekly trend] (published by ANRE)	10/5	134.6	▼ -0.1	▼ -13.5	

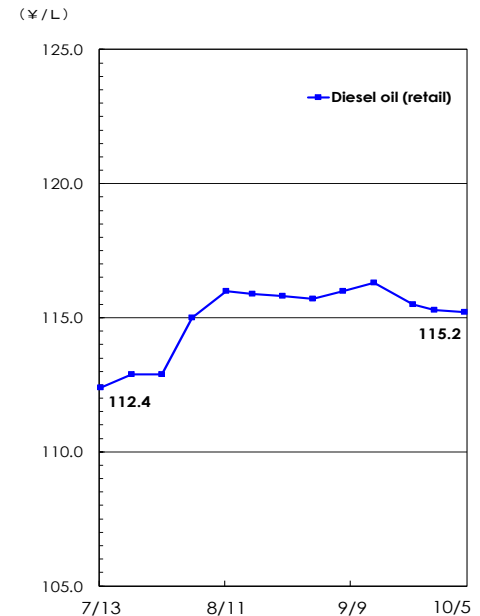
*Gyoten and futures prices are before tax



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

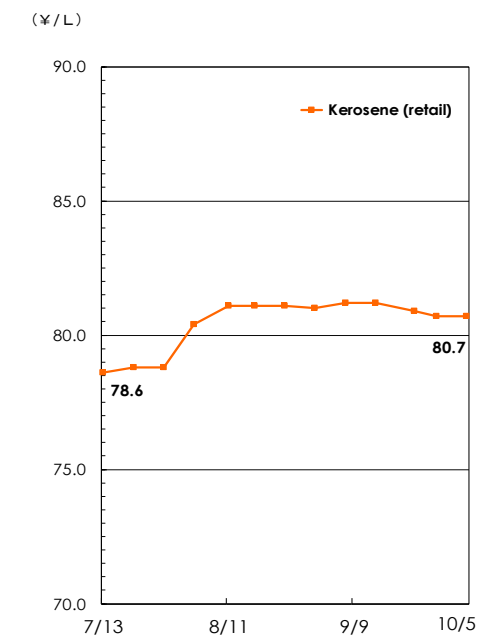
Diesel oil			This week	From a week earlier	From a year earlier	
Supply/ Demand	Production	9/27 ~ 10/3	701	▲ 51	▼ -	
	Imports	"	n.d.	n.d.	n.d.	
	Shipments	"	637	▲ 33	▲ -	
	Exports	"	48	▼ -79	▼ -	
	Inventories	10/3	1,501	▲ 16	▲ -	
Prices	Gyoten (spot) [4-district average lorry rack price] (RIM)	9/29 ~ 10/5	45.7	▲ 0.4	▼ -15.4	
	Futures [front-month contract/closing price]	(TOCOM/ Tokyo Bay)	9/29 ~ 10/5	46.9	➡ 0.0	▼ -15.5
		(TOCOM/ Chubu)	10/5	-	-	-
	Retail prices [weekly trend] (published by ANRE)	10/5	115.2	▼ -0.1	▼ -13.3	

*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	9/27 ~ 10/3	231	▼ -21	▲ -	
	Imports	"	n.d.	n.d.	n.d.	
	Shipments	"	82	▼ -99	▼ -	
	Exports	"	26	▲ 26	▼ -	
	Inventories	10/3	2,971	▲ 123	▲ -	
Prices	Gyoten (spot) [4-district average lorry rack price] (RIM)	9/29 ~ 10/5	45.5	➡ 0.0	▼ -15.0	
	Futures [front-month contract/closing price]	(TOCOM/ Tokyo Bay)	9/29 ~ 10/5	42.0	▼ -0.3	▼ -14.8
		(TOCOM/ Chubu)	10/5	42.0	▼ -1.5	▼ -16.5
	Retail prices [weekly trend] (published by ANRE)	10/5	80.7	➡ 0.0	▼ -11.8	



Relevant Information

1 Overseas crude oil prices

On October 7, WTI crude oil futures price on NYMEX turned down. According to the U.S. Energy Information Administration (EIA) Weekly Report announced on that day, the U.S. domestic crude oil inventory (as of October 2) increased by 500,000 bbl compared to the previous week, which was slightly more than the market's expectation of the increase in domestic crude oil inventory by 300,000 bbl. The U.S. President Donald Trump abandoned talks with the Democratic Party on the additional economic measures. However, the price did not go down further due to approach of Hurricane "Delta" to the Gulf of Mexico and concerns over crude oil supply caused by Norway's oil workers' strike. The November contract lost \$0.72/bbl to \$39.95/bbl from the previous day. The December contract lost \$0.70/bbl to \$40.23/bbl from the previous day.

According to the EIA, the average U.S. retail price of gasoline as of October 5 increased by 0.3 cents per gallon from a week earlier to \$2.172/gal (61.1yen/l). The average diesel oil price decreased by 0.7 cents/gal to \$2.387/gal (67.0yen/l). The gasoline increased for the second straight week. Diesel oil price decreased 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 September 27 - October 3 week in 2020 stood at 678,000 barrels per day, up 152,000 bpd from the previous week (total capacity remained at 3,519,000 bpd).

Crude oil throughput in the week decreased by 168,000 kl from the previous week to 2,582,000 kl. From a year earlier, it decreased by 688,000 kl. The topper capacity utilization rate stood at 65.9%, down 4.3 points from the previous week and down 17.6 points from a year earlier.

Production decreased from the previous week for gasoline, jet fuel and kerosene and increased for other petroleum products. Output was down 5.7% for gasoline, down 25.7% for jet fuel, down 8.5% for kerosene, up 7.8% for diesel oil, up 13.1% for Fuel Oil A and up 3.0% for Fuel Oil C. Fuel Oil C imports in the week totaled 5,000kl, up 5,000kl from the previous week. Diesel oil exports aggregated 48,000kl, down 79,000 kl from the previous week.

Shipments (excluding imports) in the week decreased from the previous week for gasoline, jet fuel, kerosene and Fuel Oil A and increased for other petroleum products. From a year earlier, shipments declined for kerosene and expanded for other petroleum products. Gasoline shipments decreased by 12.5% from the previous week to 800,000 kl, decreasing for the first time in two weeks. Shipments totaled 65,000 kl for jet fuel (down 1.6% from the previous week), 82,000 kl for kerosene (down 54.7%),

637,000 kl for diesel oil (up 5.5%), 179,000 kl for Fuel Oil A (down 4.0%) and 181,000 kl for Fuel Oil C (up 15.9%).

(Unit: 1,000 kl)

	This week (9/27 ~ 10/3)	Previous week (9/20 ~ 9/26)	From a week earlier
Gasoline	800	914	▼ -114 (-12%)
Jet fuel	65	66	▼ -1 (-2%)
Kerosene (heating Oil)	82	181	▼ -99 (-55%)
Diesel oil	637	604	▲ 33 (5%)
Fuel oil A	179	187	▼ -8 (-4%)
Fuel Oil C	181	157	▲ 24 (15%)
Total	1,944	2,109	▼ -165 (-8%)

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 October 3 decreased from a week earlier for jet fuel and Fuel Oil C and increased for other petroleum products.

Gasoline inventories totaled 1,834,000 kl, up 42,000 kl from a week earlier and up 242,000 kl from a year earlier.

Kerosene inventories totaled 2,971,000 kl, up 123,000 kl from a week earlier and up 428,000 kl from a year earlier.

Diesel oil inventories totaled 1,501,000 kl, up 16,000 kl from a week earlier and up 75,000 kl from a year earlier.

Fuel Oil A inventories totaled 727,000 kl, up 18,000 kl from a week earlier and up 40,000 kl from a year earlier.

Fuel Oil C inventories totaled 1,802,000 kl, down 48,000 kl from a week earlier and down 74,000 kl from a year earlier.

(Unit: 1,000 kl)

	This week (10/3)	Previous week (9/26)	From a week earlier
Gasoline	1,834	1,792	▲ 42 (2%)
Jet fuel	824	846	▼ -22 (-3%)
Kerosene (heating Oil)	2,971	2,848	▲ 123 (4%)
Diesel oil	1,501	1,485	▲ 16 (1%)
Fuel oil A	727	709	▲ 18 (3%)
Fuel Oil C	1,802	1,850	▼ -48 (-3%)
Total	9,659	9,530	▲ 129 (1.4%)

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

During the September 29-October 5 week, crude oil cost in yen decreased from the previous week, with the decrease in crude oil price and slight depreciation of exchange rate of the yen to the US dollar.

For the next week, Motouri companies decreased their wholesale prices by 0.5 yen/l for gasoline, kerosene and diesel oil from the previous week.

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

All spot petroleum products prices in the September 29-October 5 week decreased except for increased offshore kerosene and onshore diesel oil prices and leveled off futures gasoline, onshore kerosene and futures diesel oil prices, compared to the period of September 22- September 28.

The latest onshore cargo spot price (the average onshore rack price for four districts -- Chiba, Kawasaki, Chukyo and Hanshin - for the September 29- October 5 week) decreased by 0.2 yen/l from the previous week (September 22- September 28) for gasoline, leveled off for kerosene and increased by 0.4 yen/l for diesel oil. For the latest period of September 29- October 5, price decreased after the slight increase in a 96-97 yen/l range for gasoline; and decreased after the slight increase in a 45 yen/l range for kerosene; and decreased after the slight increase in a 45-46 yen/l range for diesel oil.

The average offshore barge spot price in Tokyo Bay decreased by 0.7 yen/l for gasoline, increased by 0.4 yen/l for kerosene and decreased by 0.1 yen/l for diesel oil for the September 29- October 5 week from the previous week. Offshore cargo spot prices during the week decreased in a 98 yen/l range for gasoline and decreased after the fluctuation in a 42-43 yen/l range for kerosene and decreased slightly after the fluctuation in a 46-47 yen/l range for diesel oil in the period of September 29- October 5 .

The key average futures price leveled off for gasoline, decreased by 0.3 yen/l for kerosene and leveled off for diesel oil from the previous week. The key futures price during the period of September 29- October 5 decreased after the fluctuation in a 92-93 yen/l range for gasoline, decreased after the fluctuation in a 40-43 yen/l range for kerosene and decreased after the fluctuation in a 46-47 yen/l range for diesel oil.

(RIM) [4-district average lorry rack price]		(Unit: yen/l)		
	This week (9/29 ~ 10/5)	Previous week (9/22 ~ 9/28)	From a week earlier	
Regular	43.0	43.2	▼ -0.2	
Kerosene	45.5	45.5	→ 0.0	
Diesel oil	45.7	45.3	▲ 0.4	

Spot
Prices

(TOCOM) [Front-month contract/closing price] [Average]		(Unit: yen/l)		
	This week (9/29 ~ 10/5)	Previous week (9/22 ~ 9/28)	From a week earlier	
Regular	38.9	38.9	→ 0.0	
Kerosene	42.0	42.3	▼ -0.3	
Diesel oil	46.9	46.9	→ 0.0	

Futures
Price

Above prices are before tax.

Reference (September 29 - October 5 actual data)				(Unit: yen/l)
Products	Spot	Futures	Average	
Gasoline	▼ -0.2	→ 0.0	▼ -0.1	
Kerosene	→ 0.0	▼ -0.3	▼ -0.1	
Diesel oil	▲ 0.4	→ 0.0	▲ 0.2	
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 October 5 decreased by 0.1 yen/l from a week earlier to 134.6 yen/l for gasoline, decreased by 0.1 yen/l to 115.2 yen/l for diesel oil and leveled off at 1,453 yen for kerosene on an 18-liter tank basis (leveled off at 80.7 yen/l) from the previous week. The gasoline and diesel oil prices lost for the third straight week. Kerosene price stopped decreasing for the first time in three weeks.

Gasoline prices increased in 11 prefectures, leveled off in 10 prefectures and decreased in 26 prefectures. The lowest gasoline price among the prefectures was 127.0 yen/l in Tokushima (up 0.1 yen/l from a week earlier). The second lowest was 127.6 yen/l in Miyagi (down 0.8 yen/l). The highest price was 144.5 yen/l in Nagasaki (up 0.1 yen/l). Hokkaido logged the largest price gain of 0.9 yen/l to 133.7 yen/l. The price leveled off in Oita and nine other prefectures. Miyagi logged the largest price fall of 0.8 yen/l to 127.6 yen/l.

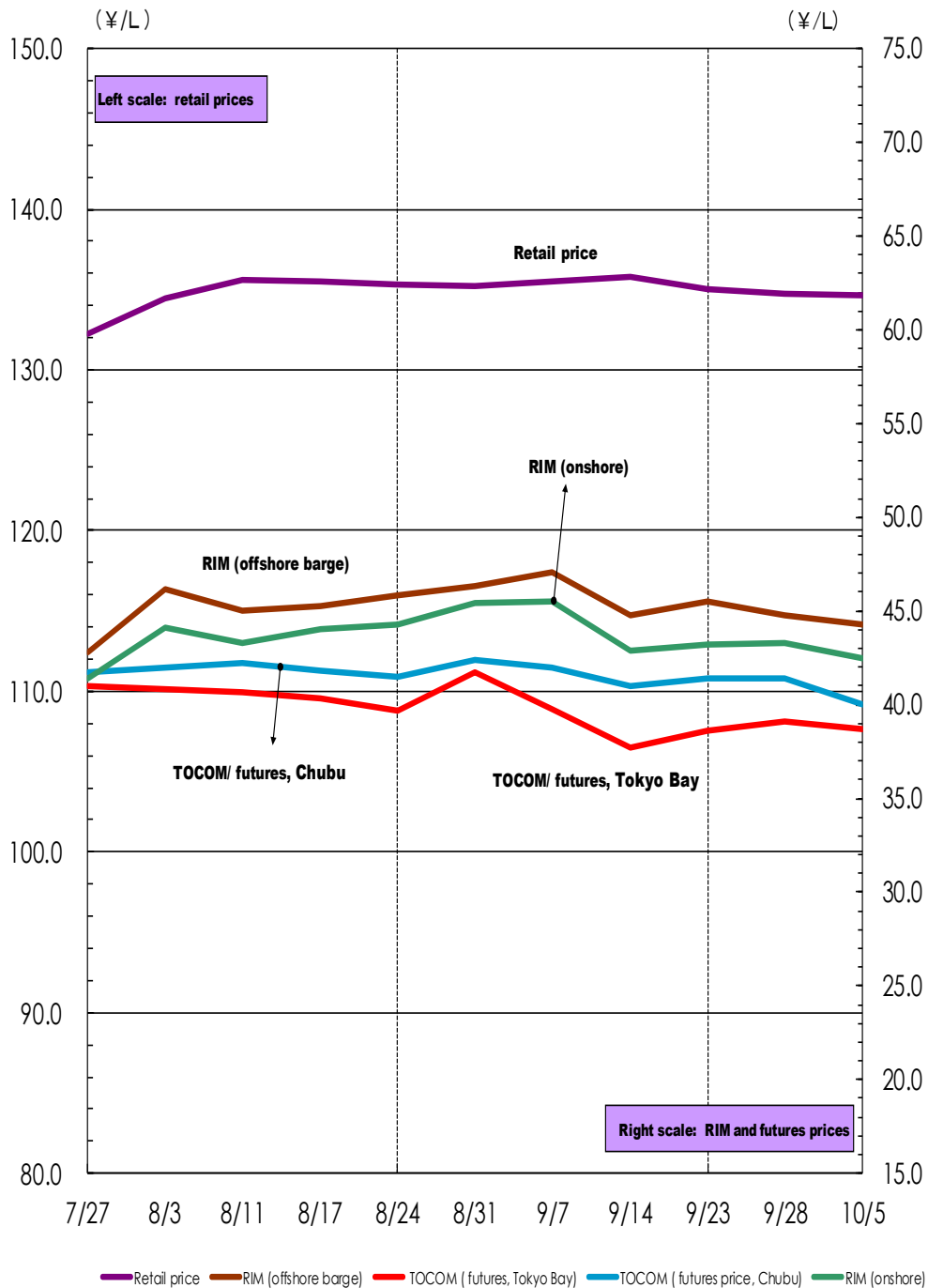
As crude oil cost in yen decreased for the period from September 29 to October 5 with the decrease in crude oil price and slight depreciation of exchange rate of the yen to the U.S. dollar. Motouri companies decreased their wholesale prices by 0.5 yen/l for gasoline, diesel oil and kerosene for the period from October 8 to October 14. Retail gasoline price on the next price survey day (October 12) are expected to decrease slightly from a week earlier.

(Published by ANRE)[Weekly trend]		(Unit: yen/l)			
	This week (10/5)	Previous week (9/28)	From a week earlier	Latest high	
Regular	134.6	134.7	▼ -0.1	08/8/4	185.1
Kerosene	80.7	80.7	→ 0.0	08/8/11	132.1
Diesel oil	115.2	115.3	▼ -0.1	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

(2020/7/27 ~ 2020/10/5)



(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. 15 for 2020) will be announced at 14:00 on October 23.

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).