

Oil Market Review in Japan No. 17/2020

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Overview

The key WTI (West Texas Intermediate) crude oil futures contract on NYMEX (New York Mercantile Exchange) in the October 15-October 21 week moved within a range between \$40.03 per barrel and \$41.46/bbl.

On October 22, the November contract rebounded due to expectations for economic recovery. The number of new unemployment insurance applications in the U.S. decreased by more than the market expectations. The market was also supported the Russian President Putin's hint that easing of cooperative crude oil production cut by OPEC (Organization of the Petroleum Exporting Countries) plus Countries from the beginning of 2021 would be postponed. The December contract closed at \$40.64/bbl up \$0.61/bbl from the previous day.

On October 23 the key contract turned down, falling below the \$40/bbl mark for the first time in two weeks due to a sense of caution for new outbreaks of the coronavirus in Europe and the United States. The December contract finished \$0.79/bbl lower at \$39.85/bbl.

On October 26, the key contract turned down further significantly due to concerns over new outbreaks of the coronavirus. On October 23, the number of new corona infections hit a record high of over 80,000 in the U.S and reached over 50,000 for the first time in France. New restrictions on people's movement were introduced in Italy and Spain. On the other hand, a sense of oversupply of crude oil prevailed by the announcement of Libya's National Oil Company to proceed with crude oil export at 1 million bbl/d within four weeks, after Libya, which had been exempted from OPEC plus Countries cooperative crude oil production cut so far, reached ceasefire agreement between government side and anti-government side. The December contract finished \$1.29/bbl lower at \$38.56/bbl.

On October 27, the key contract rebounded for the first time in three trading days due to concerns over supply disruptions. Hurricane "Zeta" was approaching oil facilities in the Gulf of Mexico, after it was downgraded to a tropical storm. The December contract gained \$1.01bbl to \$39.57/bbl.

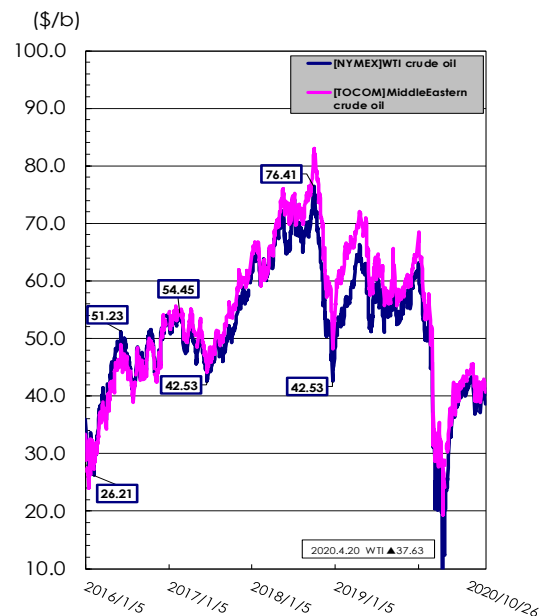
On October 28, the key contract turned down significantly due to deepened sense of oversupply by the U.S. EIA (Energy Information Administration) Weekly Report's announcement that the U.S. domestic crude oil inventory up to October 23 increased by 4.3 million bbl from the previous week, more than the market expectations and new outbreaks of the coronavirus in Europe and the United States. The December contract lost \$2.18bbl to \$37.39/bbl.

The Asian benchmark crude oil of Dubai for December delivery on the Tokyo market ranged between \$41.90/bbl and \$42.30/bbl in the October 15- October 21 week. It closed at \$40.90/bbl on October 22, at \$41.40/bbl on October 23, at \$39.80/bbl on October 26, at \$40.10/bbl on October 27, at \$39.80/bbl on October 28.

On the foreign exchange market in the October 15- October 21 week, the dollar moved within a range between 105.26 and 105.59 yen. It changed hands at 104.64 yen in late trading on October 22, at 104.70 yen on October 23, at 104.70 yen on October 26 at 104.81 yen on October 27, at 104.45 yen on October 28.

Japan's average retail price on October 26 lost by 0.1 yen/l from a week earlier for gasoline and lost by 0.2yen/l for diesel oil and lost by 5.0 yen/l for kerosene on an 18-liter tank basis. The gasoline prices decreased for the sixth straight week. Diesel oil decreased for the first time in two weeks. Kerosene price decreased for the third straight week. As crude oil cost decreased for the fourth week of October, Motouri companies decreased their wholesale prices by 1.0 yen/l for gasoline, diesel oil and kerosene for the next week.

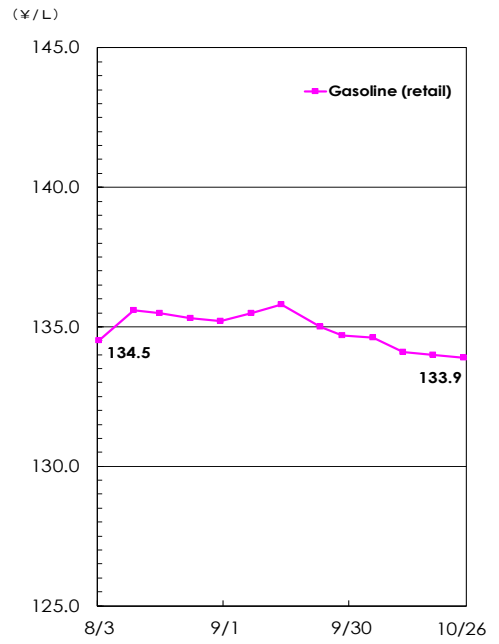
Crude oil			This week	From a week earlier	From a year earlier
Supply/ Demand	Crude oil runs (1,000 kl)	10/18 ~ 10/24	2,537	▲ 75	▼ —
	Topper capacity utilization rate (%)	"	65.9	▲ 1.6	▼ —
	Crude oil inventories (1,000 kl)	10/24	12,791	▼ -368	▲ —
Prices	Middle Eastern crude oil (TOCOM) (\$/bbl)	10/26	40.70	▼ -2.20	▼ -18.3
	WTI crude oil (NYMEX) (\$/bbl)	10/26	38.56	▼ -2.27	▼ -17.3
	Crude oil import CIF price (\$/bbl)	Late Sep	46.28	▼ -0.23	▼ -18.02
	①Crude oil import CIF price (yen/kl)	"	30,810	▼ -196	▼ -12,320
	②Yen-dollar exchange rate (yen/dollar)	"	105.86	▲ 0.14	▲ 0.78
	TTS exchange rate (yen/dollar)	10/26	105.70	▲ 0.70	▲ 4.10



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

Gasoline		This week	From a week earlier	From a year earlier	
Supply/ Demand	Production	10/18 ~ 10/24	772 ▼ -40	▲ -	
	Imports	"	n.d.	n.d.	
	Shipments	"	807 ▲ 27	▼ -	
	Exports	"	0 ▼ -51	▼ -	
	Inventories	10/24	1,832 ▼ -36	▲ -	
Prices	Gyoten (spot) [4-district average lorry rack price] (RIM)	10/20 ~ 10/26	43.1 ▲ 0.1	▼ -14.2	
	Futures [front-month contract/closing price]	(TOCOM/ Tokyo Bay)	10/20 ~ 10/26	39.3 ▲ 0.1	▼ -15.4
		(TOCOM/ Chubu)	10/26	40.8 ▼ -0.5	▼ -15.2
	Retail prices [weekly trend] (published by ANRE)	10/26	133.9 ▼ -0.1	▼ -12.6	

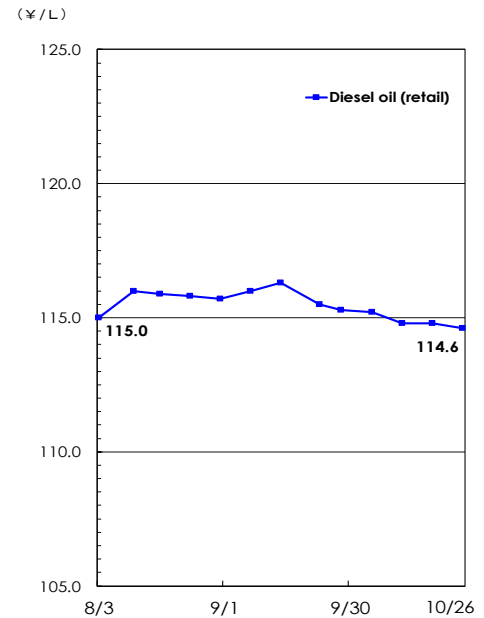
*Gyoten and futures prices are before tax



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

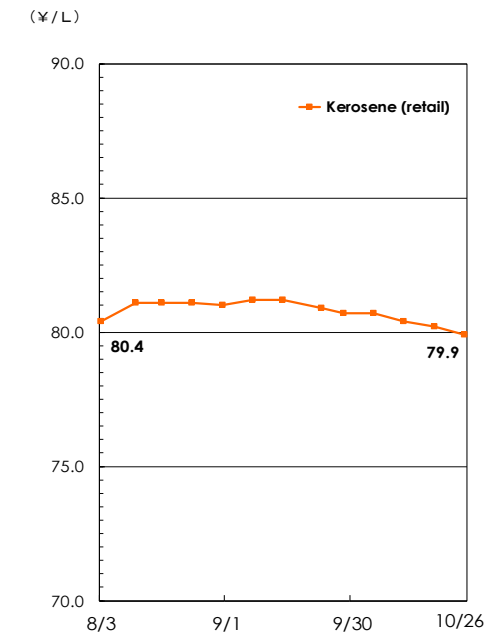
Diesel oil		This week	From a week earlier	From a year earlier	
Supply/ Demand	Production	10/18 ~ 10/24	621 ▲ 37	▼ -	
	Imports	"	n.d.	n.d.	
	Shipments	"	611 ▲ 22	▼ -	
	Exports	"	5 ▲ 5	▼ -	
	Inventories	10/24	1,580 ▲ 5	▲ -	
Prices	Gyoten (spot) [4-district average lorry rack price] (RIM)	10/20 ~ 10/26	45.6 ▲ 0.1	▼ -14.3	
	Futures [front-month contract/closing price]	(TOCOM/ Tokyo Bay)	10/20 ~ 10/26	46.7 ▼ -0.3	▼ -14.2
		(TOCOM/ Chubu)	10/26	-	-
	Retail prices [weekly trend] (published by ANRE)	10/26	114.6 ▼ -0.2	▼ -12.5	

*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	10/18 ~ 10/24	204 ▲ 2	▼ -	
	Imports	"	n.d.	n.d.	
	Shipments	"	224 ▲ 36	▲ -	
	Exports	"	44 ▲ 12	▲ -	
	Inventories	10/24	2,890 ▼ -65	▲ -	
Prices	Gyoten (spot) [4-district average lorry rack price] (RIM)	10/20 ~ 10/26	45.4 ▲ 0.2	▼ -14.2	
	Futures [front-month contract/closing price]	(TOCOM/ Tokyo Bay)	10/20 ~ 10/26	42.3 ▼ -0.1	▼ -16.0
		(TOCOM/ Chubu)	10/26	43.6 ▼ -0.7	▼ -16.4
	Retail prices [weekly trend] (published by ANRE)	10/26	79.9 ▼ -0.3	▼ -11.8	



Relevant Information

1 Overseas crude oil prices

On October 28, WTI crude oil futures price on NYMEX turned down significantly. According to the U.S. EIA Weekly Report, the U.S. domestic crude oil inventory increased by 4.3 million bbl from the previous week, more than the market expectations of the increase by 1.2 million bbl. In addition, new outbreaks of the coronavirus in Europe and the United States and bearish trends in Europe and the U.S. stock markets accelerated sales. The December contract lost \$2.18/bbl to \$37.39/bbl from the previous day, the lowest price for the first time in three weeks since October 2. The January contract lost \$2.15/bbl to \$37.72/bbl from the previous day.

According to the EIA, the average U.S. retail price of gasoline as of October 26 decreased by 0.7 cents per gallon from a week earlier to \$2.143/gal (59.8yen/l). The average diesel oil price decreased by 0.3 cents/gal to \$2.385/gal (66.5yen/l). The gasoline decreased for the third straight week. Diesel oil 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 toppler capacity in the October 18 - October 24 week in 2020 stood at 682,000 barrels per day, down 58,000 bpd from the previous week (total capacity remained at 3,458,000 bpd).

Crude oil throughput in the week increased by 75,000 kl from the previous week to 2,537,000 kl. From a year earlier, it decreased by 595,000 kl. The toppler capacity utilization rate stood at 65.9%, up 1.6 points from the previous week and down 14.1 points from a year earlier.

Production decreased from the previous week for gasoline and increased for other petroleum products. Output was down 4.9% for gasoline, up 19.3% for jet fuel, up 0.8% for kerosene, up 6.3% for diesel oil, up 4.4% for Fuel Oil A and up 28.3% for Fuel Oil C. Fuel Oil C imports in the week totaled 0 kl, down 5,000 kl from the previous week. Diesel oil exports aggregated 5,000 kl, up 5,000 kl from the previous week.

Shipments (excluding imports) in the week decreased from the previous week for jet fuel and increased for other petroleum products. From a year earlier, shipments declined for gasoline and diesel oil and expanded for other petroleum products. Gasoline shipments increased by 3.5% from the previous week to 807,000 kl, increasing for the second straight week. Shipments totaled 80,000 kl for jet fuel (down 2.5% from the previous week), 224,000 kl for kerosene (up 19.5%), 611,000 kl for diesel oil (up 3.8%), 196,000 kl for Fuel Oil A (up 34.5%) and 197,000 kl for Fuel Oil C (up 67.0%).

(Unit: 1,000 kl)

	This week (10/18 ~ 10/24)	Previous week (10/11 ~ 10/17)	From a week earlier
Gasoline	807	780	▲ 27 (3%)
Jet fuel	80	82	▼ -2 (-2%)
Kerosene (heating Oil)	224	188	▲ 36 (19%)
Diesel oil	611	589	▲ 22 (4%)
Fuel oil A	196	146	▲ 50 (34%)
Fuel Oil C	197	118	▲ 79 (67%)
Total	2,115	1,903	▲ 212 (11%)

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 24 increased from a week earlier for jet fuel, diesel oil and Fuel Oil A 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 1,832,000 kl, down 36,000 kl from a week earlier and up 326,000 kl from a year earlier.

Kerosene inventories totaled 2,890,000 kl, down 65,000 kl from a week earlier and up 94,000 kl from a year earlier.

Diesel oil inventories totaled 1,580,000 kl, up 5,000 kl from a week earlier and up 238,000 kl from a year earlier.

Fuel Oil A inventories totaled 758,000 kl, up 5,000 kl from a week earlier and up 34,000 kl from a year earlier.

Fuel Oil C inventories totaled 1,774,000 kl, down 21,000 kl from a week earlier and down 186,000 kl from a year earlier.

(Unit: 1,000 kl)

	This week (10/24)	Previous week (10/17)	From a week earlier
Gasoline	1,832	1,868	▼ -36 (-2%)
Jet fuel	835	824	▲ 11 (1%)
Kerosene (heating Oil)	2,890	2,955	▼ -65 (-2%)
Diesel oil	1,580	1,575	▲ 5 (0%)
Fuel oil A	758	753	▲ 5 (1%)
Fuel Oil C	1,774	1,795	▼ -21 (-1%)
Total	9,669	9,770	▼ -101 (-1.0%)

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

During the October 20-October 26 week, crude oil cost in yen decreased from the previous week, with the decrease in crude oil price and slight appreciation of exchange rate 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 from the previous week, with decreasing in the October delivery crude oil adjustment prices by the Middle East national oil companies.

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

All onshore and offshore spot petroleum products prices in the October 20- October 26 week increased slightly from the previous week except for the decreased offshore kerosene and diesel oil, futures kerosene and diesel oil prices.

The latest onshore cargo spot price (the average onshore rack price for four districts -- Chiba, Kawasaki, Chukyo and Hanshin - for the October 20- October 26 week) increased by 0.1 yen/l from the previous week (October 13- October 19) for gasoline, increased by 0.2 yen/l for kerosene and increased by 0.1 yen/l for diesel oil. For the latest period of October 20- October 26, price almost leveled off in a 96-97 yen/l range for gasoline; and decreased slightly in a 45 yen/l range for kerosene; and leveled off in a 45 yen/l range for diesel oil.

The average offshore barge spot price in Tokyo Bay increased by 0.1 yen/l for gasoline, decreased by 0.8 yen/l for kerosene and decreased by 0.2 yen/l for diesel oil for the October 20-October 26 week from the previous week. Offshore cargo spot prices during the week (October 20- October 26) decreased slightly in a 98 yen/l range for gasoline and increased slightly after the significant decrease in a 42-43 yen/l range for kerosene and decreased slightly in a 47 yen/l range for diesel oil from the previous week.

The key average futures price increased by 0.1 yen/l for gasoline, decreased by 0.1 yen/l for kerosene and decreased by 0.3 yen/l for diesel oil from the previous week. The key futures price during the period of October 20- October 26 decreased after the fluctuation in a 92-93 yen/l range for gasoline, decreased after the fluctuation in a 41-42 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 (10/20 ~ 10/26)	Previous week (10/13 ~ 10/19)	From a week earlier
Spot Prices	Regular	43.1	43.0	▲ 0.1
	Kerosene	45.4	45.2	▲ 0.2
	Diesel oil	45.6	45.5	▲ 0.1

(TOCOM) [Front-month contract/closing price] [Average]		(Unit: yen/l)		
		This week (10/20 ~ 10/26)	Previous week (10/13 ~ 10/19)	From a week earlier
Futures Price	Regular	39.3	39.2	▲ 0.1
	Kerosene	42.3	42.4	▼ -0.1
	Diesel oil	46.7	47.0	▼ -0.3

Above prices are before tax.

Reference (October 20 - October 26 actual data)

		(Unit: yen/l)		
Products	Spot	Futures	Average	
Gasoline	▲ 0.1	▲ 0.1	▲ 0.1	
Kerosene	▲ 0.2	▼ -0.1	▲ 0.1	
Diesel oil	▲ 0.1	▼ -0.3	▼ -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 October 26 decreased by 0.1 yen/l from a week earlier to 133.9 yen/l for gasoline, decreased by 0.2 yen/l to 114.6 yen/l for diesel oil and decreased by 5 yen to 1,438 yen for kerosene on an 18-liter tank basis (decreased by 0.3 yen/l to 79.9 yen/l) from the previous week. The gasoline price lost for the sixth straight week. Diesel oil price decreased for the first time in two weeks. Kerosene price decreased for the third straight week.

Gasoline prices increased in 12 prefectures, leveled off in seven prefectures and decreased in 28 prefectures. The lowest gasoline price among the prefectures was 127.0 yen/l in Tokushima (down 0.5 yen/l from a week earlier). The second lowest was 127.2 yen/l in Shiga (down 0.6 yen/l). The highest price was 143.7 yen/l in Oita (up 0.1 yen/l). Okinawa logged the largest price gain of 1.2 yen/l to 141.8 yen/l. The price leveled off in Nagano and six other prefectures. Miyazaki logged the largest price fall of 1.0 yen/l to 138.1 yen/l.

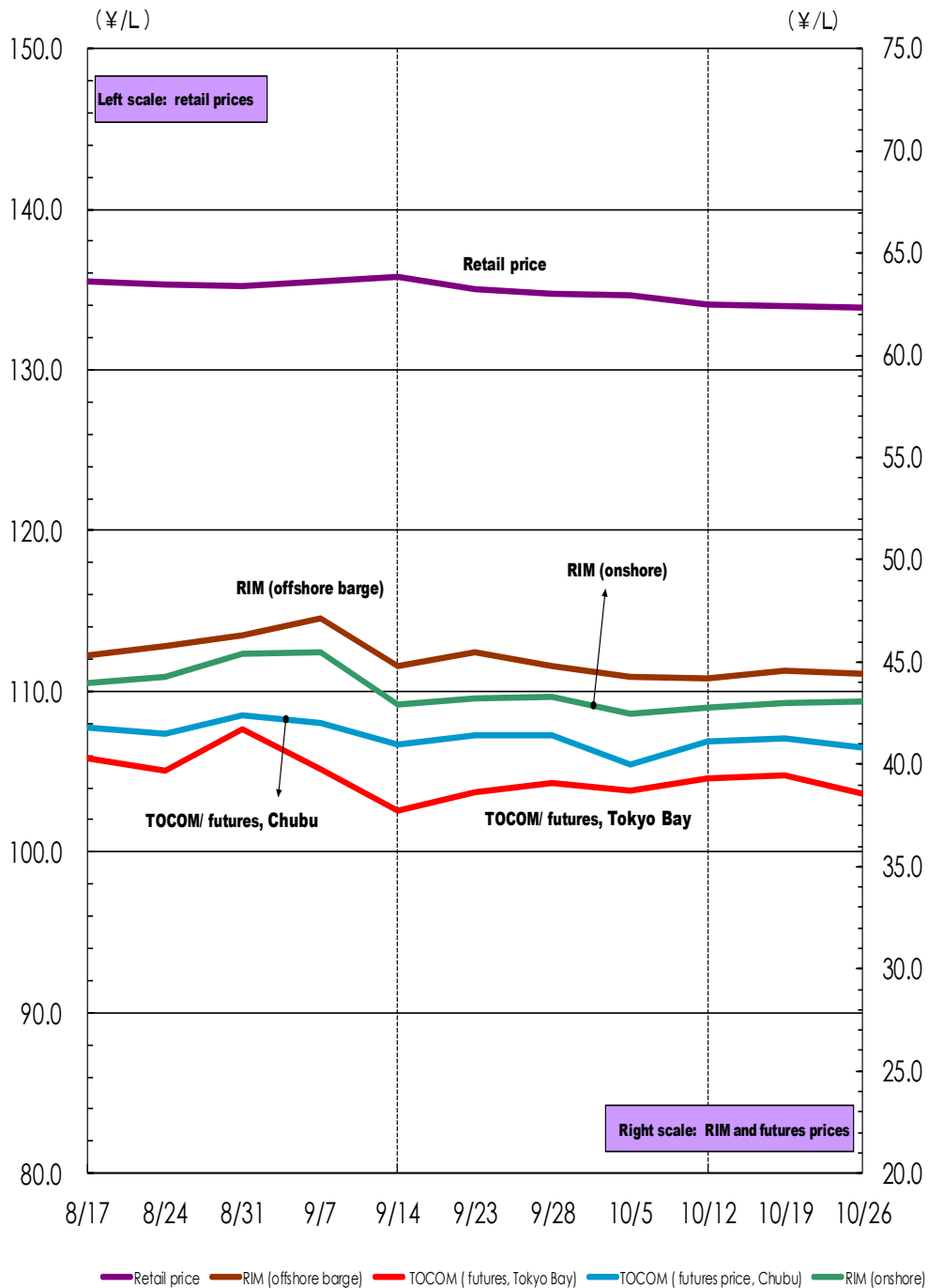
Crude oil cost in yen decreased for the period from October 20 to October 26 with the slight increase in crude oil price and slight appreciation of exchange rate of the yen to the U.S. dollar. Motouri companies decreased their wholesale prices by 1.0 yen/l for gasoline, diesel oil and kerosene for the period from October 29 to November 4 with decreasing in the October delivery crude oil adjustment prices by the Middle East national oil companies. Retail gasoline price on the next price survey day (November 2) are expected to decrease slightly from a week earlier.

(Published by ANRE)[Weekly trend]		(Unit: yen/l)			
		This week (10/26)	Previous week (10/19)	From a week earlier	Latest high
Retail Price	Regular	133.9	134.0	▼ -0.1	08/8/4 185.1
	Kerosene	79.9	80.2	▼ -0.3	08/8/11 132.1
	Diesel oil	114.6	114.8	▼ -0.2	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

(2020/8/17 ~ 2020/10/26)



(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. 18 for 2020) will be announced at 14:00 on November 13.

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).