

## LATEST NEWS

- Air New Zealand's May passenger numbers fall by 95pc
- South Korea's transport fuel demand rises in May
- Global air freight demand picked up in May: IATA
- High stocks in Germany limit refinery production rises
- US gasoline, jet yields hit record low in April: EIA

## OVERVIEW

- Singapore jet fuel swaps rose by less than Dubai crude values, narrowing refining margins. South Korean refiner GS Caltex sold its second July-loading spot cargo.
- Northwest European jet fuel cargo prices gained on Tuesday as the front-month Ice gasoil futures contract climbed by \$4.25/t, more than offsetting 25¢/t wider discounts to it. Air freight demand together with restricted production and imports could be lending muted support.
- US jet fuel markets were mixed as basis gains were met by mostly lower spot differentials.

## NEWS

### Air New Zealand passenger numbers fall by 95pc

Air New Zealand's passenger numbers dropped by around 95pc to 67,000 in May from 1.28mn a year earlier, as air travel remained subdued even though New Zealand was one of the first countries to ease Covid-19 restrictions.

The airline has seen passenger numbers fall by 19pc during the first 11 months of the 2019-20 fiscal year to 30 June to 13.09mn from 16.16mn in the same period a year earlier, Air New Zealand said.

The overwhelming majority of the passengers carried on the airline in May were on domestic flights, which totalled 59,000 passengers last month from 855,000 passengers in May 2019, the airline said. A further 5,000 passengers flew either

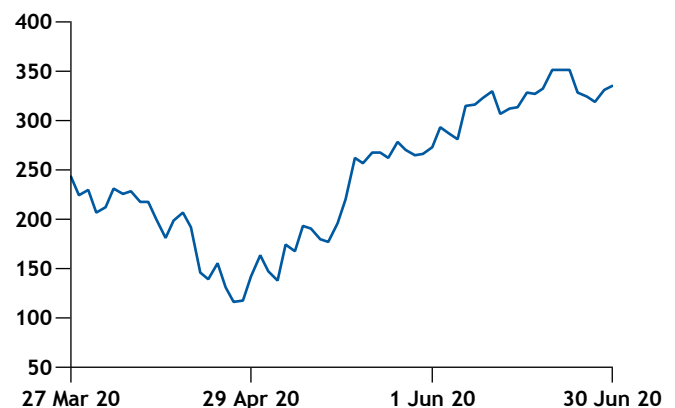
## PRICE SUMMARY

| Price        | ¢/USG   | \$/t    | \$/bl  |
|--------------|---------|---------|--------|
| Singapore    | 99.40   | 328.91  | 41.75* |
| South Korea  | 101.31  | 335.21  | 42.55* |
| Mideast Gulf | 94.88   | 313.94  | 39.85* |
| Rotterdam    | 101.10  | 334.50* | 42.46  |
| New York     | 103.90* | 340.42  | 43.64  |
| Houston      | 101.83* | 333.63  | 42.77  |
| Los Angeles  | 112.90* | 369.91  | 47.42  |

| Change on day | ¢/USG  | \$/t   | \$/bl  |
|---------------|--------|--------|--------|
| Singapore     | +2.98  | +9.85  | +1.25* |
| South Korea   | +3.10  | +10.24 | +1.30* |
| Mideast Gulf  | +2.98  | +9.85  | +1.25* |
| Rotterdam     | +1.21  | +4.00* | +0.51  |
| New York      | -1.10* | -3.60  | -0.46  |
| Houston       | +0.95* | +3.11  | +0.40  |
| Los Angeles   | +1.78* | +5.82  | +0.75  |

\*assessed unit

Rotterdam (NWE) jet fuel cargo cif \$/t



## Contents

|                  |     |
|------------------|-----|
| News             | 1-6 |
| Argus Market Map | 5   |
| Commentary       | 7-9 |

across the Tasman Sea to Australia or to Pacific island nations in May, down from 271,000 a year earlier.

The remaining passengers flew on long-haul flights either to the UK or to the Americas, where the airline flies to cities both in North and South America.

Air New Zealand has restored its financial guidance for 2019-20 with a forecast underlying loss of **NZ\$120mn** (\$77.3mn), excluding significant items. The airline had withdrawn its 2019-20 guidance on 9 March.

By Kevin Morrison

### South Korea's transport fuel demand rises in May

South Korea's transport fuel demand rose in May as the government eased travel restrictions imposed to curb the Covid-19 outbreak.

The country's domestic gasoline and diesel consumption rebounded sharply by 29.7pc to 252,000 b/d and by 22.6pc to 506,500 b/d, respectively, in May from a year earlier, according to provisional data from state-owned KNOC. South Korea's transport fuel demand fell rapidly a year earlier after the government **lowered retail tax reductions** for transportation fuels from May-August 2019, discouraging fuel purchases.

The country's gasoline consumption last month was also 14.8pc higher from 219,000 b/d in April, while diesel consumption rose by 17.1pc from 433,000 b/d in April. South Korea began easing social distancing restrictions since the end of April.

Fuel demand was likely supported by increased use of private vehicles as more people sought to avoid taking public transport amid Covid-19 infection fears. Lower retail prices also provided incentives for additional consumption in May. The South Korean government adjusts fuel retail price in line with crude prices.

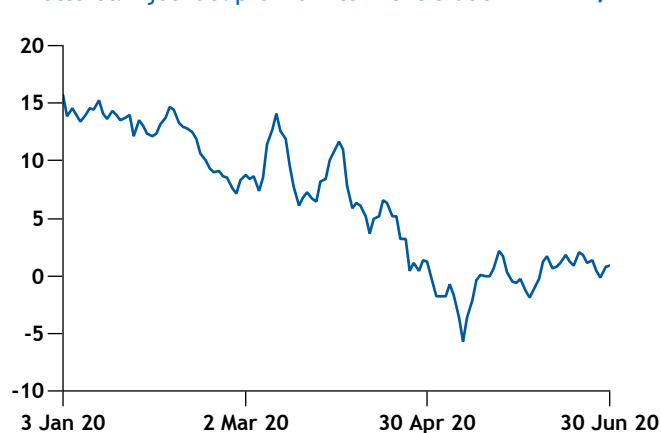
Driving activity increased by 41pc during the second half of

May compared with the period from 3 January to 6 February as more people visited places such as national parks, marinas, plazas and public gardens in South Korea, according to data from Google Community Mobility Reports on 23 June. Mobility trends also showed a 9pc rise in visits to places such as grocery markets, farmers markets and pharmacies over the same period. The country's workplace commutes and public transport hub activity also recovered to near-average levels during the second half of May.

South Korea's jet fuel consumption rose by 149.7pc on the month to 58,800 b/d in May, but this was still lower by 44.8pc from a year earlier. The country consumed 65,000 b/d of jet fuel from January-May, down by 39pc from the same period in 2019.

Flagship airline Korean Air was only operating **6pc of its overseas flights** in mid-May. Demand seems to be gradually recovering as a significant number of international flights by

Rotterdam jet fuel premium to Brent crude \$/bl



## ANNOUNCEMENT

### Argus successfully completes annual losco assurance review

Argus has completed the eighth external assurance review of its price benchmarks covering crude oil, products, LPG, petrochemicals, biofuels, thermal coal, coking coal, iron ore, steel, natural gas and biomass benchmarks. The review was carried out by professional services firm PwC. Annual independent, external reviews of oil benchmarks are required by international regulatory group losco's Principles for Oil Price Reporting Agencies, and losco encourages extension of the reviews to non-oil benchmarks.

For more information and to download the review visit our website <https://www.argusmedia.com/en/about-us/governance-compliance>

| Argus global spot market prices                          |          |       |                   |        |        |        |        |           |                   |             |             |  |
|--|----------|-------|-------------------|--------|--------|--------|--------|-----------|-------------------|-------------|-------------|--|
|  |          |       | Daily spot prices |        |        |        |        |           | Contract averages |             |             |  |
|  |          |       | Differentials     |        |        | Prices |        |           | Prior week        | Prior month | Current MTD |  |
|  | Timing   | Basis | Low               | High   | Mean   | Low    | High   | Mean      | Mean              | Mean        | Mean        |  |
| Asia-Pacific   |          |       |                   |        |        |        |        |           |                   |             |             |  |
| Singapore fob cargo \$/bl                                | Prompt   | Mops  | -0.80             | -0.60  | -0.70  | 41.65  | 41.85  | 41.75     | 42.94             | 28.94       | 41.16       |  |
| South Korea fob cargo \$/bl                              | Prompt   | Mops  | 0.00              | +0.20  | +0.10  | 42.45  | 42.65  | 42.55     | 43.79             | 28.19       | 41.36       |  |
| Japan c+f cargo \$/bl                                    | Prompt   |       | -                 | -      | -      | 43.30  | 43.50  | 43.40     | 44.72             | 32.85       | 43.10       |  |
| Mideast Gulf   | Timing   | Basis | Low               | High   | Mean   | Low    | High   | Mean      | Mean              | Mean        | Mean        |  |
| Mideast Gulf fob cargo \$/bl                             | Prompt   | Mopag | +0.50             | +0.70  | +0.60  | 39.75  | 39.95  | 39.85     | 41.12             | 23.50       | 39.30       |  |
| Mideast Gulf fob diff to Ice \$/bl                       | Prompt   | Ice   | -6.74             | -6.54  | -6.64  | -      | -      | -         | -6.15             | -13.79      | -5.70       |  |
| Africa   | Timing   | Basis | Low               | High   | Mean   | Low    | High   | Mean      | Mean              | Mean        | Mean        |  |
| Durban c+f cargo \$/t                                    | Prompt   |       |                   |        |        | 328.49 | 328.69 | 328.59    | 342.26            | 223.69      | 329.77      |  |
| West Africa delivered \$/t                               | Prompt   |       |                   |        |        |        |        |           | 362.20            | 251.38      | 344.38      |  |
| FSU  | Timing   | Basis | Low               | High   | Mean   | Low    | High   | Mean      | Mean              | Mean        | Mean        |  |
| Moscow formula incl VAT Rbs/t                            | Prompt   |       | -                 | -      | -      | -      | -      | 23,191.00 | 23,601.80         | 15,296.59   | 22,260.35   |  |
| Moscow formula ex VAT \$/t                               | Prompt   | Ice   | -                 | -      | -68.44 | -      | -      | 279.56    | 284.02            | 175.91      | 267.83      |  |
| Moscow spot fit incl VAT Rbs/t                           | Prompt   |       | -                 | -      | -      | 27,950 | 33,100 | 30,525    | 30,025            | 25,094.12   | 28,871.25   |  |
| Moscow spot fit ex VAT \$/t                              | Prompt   |       | -                 | -      | -      | 336.93 | 399.02 | 367.98    | 361.38            | 288.14      | 347.57      |  |
| Omsk fca incl VAT \$/t                                   | Prompt   |       | -                 | -      | -      | 540.30 | 546.81 | 544.00    | 529.38            | 434.70      | 500.66      |  |
| Chimkent fca incl VAT \$/t                               | Prompt   |       | -                 | -      | -      | -      | -      | -         | 388.50            | 361.50      | 385.30      |  |
| Pavlodar fca incl VAT \$/t                               | Prompt   |       | -                 | -      | -      | -      | -      | -         | 388.50            | 372.13      | 384.70      |  |
| Atyrau fca incl VAT \$/t                                 | Prompt   |       | -                 | -      | -      | -      | -      | -         | 378.50            | 361.50      | 380.10      |  |
| Europe   | Timing   | Basis | Low               | High   | Mean   | Low    | High   | Mean      | High              | High        | High        |  |
| Northwest Europe fob cargo \$/t                          | Prompt   |       | -                 | -      | -      | 329.25 | 330.25 | 329.75    | 330.65            | 212.24      | 314.85      |  |
| Northwest Europe cif cargo \$/t                          | Prompt   | Ice   | -18.25            | -17.25 | -17.75 | 334.00 | 335.00 | 334.50    | 335.40            | 220.47      | 320.00      |  |
| Northwest Europe fob barge \$/t                          | Prompt   | Ice   | -7.75             | -7.25  | -7.50  | 344.50 | 345.00 | 344.75    | 345.40            | 222.33      | 324.58      |  |
| Mediterranean fob cargo \$/t                             | Prompt   |       | -                 | -      | -      | 320.50 | 321.50 | 321.00    | 321.65            | 197.53      | 304.76      |  |
| Mediterranean cif cargo \$/t                             | Prompt   | Ice   | -20.25            | -19.25 | -19.75 | 332.00 | 333.00 | 332.50    | 333.40            | 218.47      | 318.00      |  |
| Mediterranean cif diff to Med fob \$/t                   | Prompt   | fob   | +11.00            | +12.00 | +11.50 | -      | -      | -         | +12.25            | +21.45      | +13.74      |  |
| US   | Timing   | Basis | Low               | High   | Mean   | Low    | High   | Mean      | Mean              | Mean        | Mean        |  |
| New York cif waterborne 54 grade €/USG                   | Prompt   | Aug   | -16.25            | -13.25 | -14.75 | 102.40 | 105.40 | 103.90    | 106.96            | 75.47       | 102.53      |  |
| New York del Colonial 54 grade €/USG                     | cycle 34 | Aug   | -14.50            | -14.00 | -14.25 | 104.15 | 104.65 | 104.40    | 107.56            | 76.34       | 103.25      |  |
| New York fob barge 54 grade €/USG                        | Prompt   | Aug   | -15.00            | -14.50 | -14.75 | 103.65 | 104.15 | 103.90    | 106.96            | 75.47       | 102.53      |  |
| New York fob Buckeye 54 grade €/USG                      | Prompt   | Aug   | -15.00            | -14.50 | -14.75 | 103.65 | 104.15 | 103.90    | 106.96            | 75.47       | 102.53      |  |
| Philadelphia fob Laurel 54 grade €/USG                   | Prompt   | Aug   | -15.00            | -14.50 | -14.75 | 103.65 | 104.15 | 103.90    | 106.96            | 75.47       | 102.53      |  |
| del Port Everglades, FL 54 grade €/USG                   | Prompt   |       | -                 | -      | -      | -      | -      | 109.19    | 110.03            | 81.48       | 106.50      |  |
| del Tampa, FL 54 grade €/USG                             | Prompt   |       | -                 | -      | -      | -      | -      | 108.24    | 109.08            | 80.53       | 105.55      |  |
| US Gulf fob waterborne 54 grade €/USG                    | Prompt   | Aug   | -15.90            | -15.25 | -15.57 | 102.75 | 103.40 | 103.08    | 103.92            | 75.23       | 100.38      |  |
| US Gulf fob Colonial 54 grade €/USG                      | cycle 38 | Aug   | -17.15            | -16.50 | -16.82 | 101.50 | 102.15 | 101.83    | 102.67            | 73.98       | 99.13       |  |
| US Gulf fob Colonial 54 wgt avg €/USG                    | Prompt   | Aug   | -                 | -      | -16.95 | -      | -      | 101.70    | 102.58            | 74.00       | 99.11       |  |
| Tulsa fob Group Three Q grade €/USG                      | Prompt   | Aug   | -8.00             | -4.00  | -6.00  | 110.65 | 114.65 | 112.65    | 109.69            | 77.28       | 105.41      |  |
| West Shore/Badger fob €/USG                              | Prompt   | Aug   | -2.00             | +2.00  | 0.00   | 116.65 | 120.65 | 118.65    | 115.15            | 76.06       | 109.26      |  |
| Los Angeles fob €/USG                                    | Prompt   | Aug   | -6.00             | -5.50  | -5.75  | 112.65 | 113.15 | 112.90    | 114.05            | 81.09       | 111.03      |  |
| LAX fob €/USG  | Prompt   | Aug   | -6.50             | -6.00  | -6.25  | 112.15 | 112.65 | 112.40    | 113.55            | 80.59       | 110.54      |  |
| San Francisco fob €/USG                                  | Prompt   | Aug   | -7.50             | -7.00  | -7.25  | 111.15 | 111.65 | 111.40    | 112.55            | 79.59       | 109.53      |  |
| Argus US Jet Fuel Index™ €/USG                           | Prompt   |       | -                 | -      | -      | -      | -      | 109.32    | 109.71            | 76.65       | 105.49      |  |
| California LCFS premium per carbon intensity point €/USG |          |       |                   |        |        |        |        | 2.55      |                   |             |             |  |
| Oregon LCFS premium per carbon intensity point €/USG     |          |       |                   |        |        |        |        | 1.58      |                   |             |             |  |
| Latin America  | Timing   | Basis | Low               | High   | Mean   | Low    | High   | Mean      | Mean              | Mean        | Mean        |  |
| del east coast Mexico €/USG                              | Prompt   |       | -                 | -      | -      | 104.52 | 105.17 | 104.84    | 105.16            | 77.81       | 102.11      |  |
| del Rosarito €/USG                                       | Prompt   |       | -                 | -      | -      | 111.46 | 112.11 | 111.78    | 111.15            | 86.48       | 109.08      |  |
| del Lazaro Cardenas €/USG                                | Prompt   |       | -                 | -      | -      | 110.26 | 110.91 | 110.58    | 109.94            | 85.27       | 107.87      |  |
| del Progreso \$/m3                                       | Prompt   |       | -                 | -      | -      | 105.56 | 106.21 | 105.89    | 106.21            | 78.85       | 103.15      |  |
| del Santos \$/m3   | Prompt   |       | -                 | -      | -      | -      | -      | 288.27    | 288.88            | 221.27      | 282.65      |  |
| del Rio de Janeiro \$/m3                                 | Prompt   |       | -                 | -      | -      | -      | -      | 286.42    | 287.23            | 218.60      | 280.61      |  |
| del Suape \$/m3  | Prompt   |       | -                 | -      | -      | -      | -      | 296.25    | 296.02            | 232.77      | 291.42      |  |
| del Itaquí \$/m3   | Prompt   |       | -                 | -      | -      | -      | -      | 296.05    | 295.84            | 232.48      | 291.20      |  |

\*weekly prices

Korean Air and Asiana Airlines remain suspended or have been reduced for July, although flight frequencies have risen from previous months.

The recovery in domestic demand and lower refinery run

rates in the country have lent support to the market. The South Korea 10ppm sulphur gasoil differential, or the premium or discount to Singapore spot assessments for cargoes loading from South Korea, has been positive since the end of May. The

| Argus jet fuel forward curve |                            |        |                                  |        |                      |        |        |                                 |        |        |
|------------------------------|----------------------------|--------|----------------------------------|--------|----------------------|--------|--------|---------------------------------|--------|--------|
| Timing                       | Singapore cargo swap \$/bl |        | Northwest Europe cargo swap \$/t |        | New York barge €/USG |        |        | Houston Colonial pipeline €/USG |        |        |
|                              | Mean                       | Change | Mean                             | Change | Timing               | Mean   | Change | Timing                          | Mean   | Change |
| Month 1                      | 42.25                      | +1.25  | -20.00                           | -0.75  | Prompt               | 103.90 | -1.10  | cycle 38                        | 101.83 | +0.95  |
| Month 2                      | 43.05                      | +1.35  | -14.50                           | -1.25  | 10 days fwd          | 103.90 | -1.10  | cycle 39                        | 101.62 | +0.88  |
| Month 3                      | 43.90                      | +1.50  | -10.00                           | -0.50  | 15 days fwd          | 103.90 | -1.10  | cycle 40                        | 101.42 | +0.68  |
| Quarter 1                    | 43.05                      | +1.30  | 0.00                             | -1.25  | 20 days fwd          | 103.90 | -1.10  | cycle 41                        | 101.22 | +0.47  |
| Quarter 2                    | 45.35                      | +1.45  | 12.75                            | -0.75  |                      |        |        |                                 |        |        |
| Quarter 3                    | 47.45                      | +1.10  |                                  |        |                      |        |        |                                 |        |        |

| Spot market deals done |       |          |           |        |          |
|------------------------|-------|----------|-----------|--------|----------|
| Market                 | Spec  | Timing   | Basis     | Price  | Volume   |
| USGC Colonial          | Jet A | cycle 38 | cycle 39  | +0.10  | 25000 bl |
| USGC Colonial          | Jet A | cycle 38 | cycle 39  | +0.25  | 25000 bl |
| USGC Colonial          | Jet A | cycle 38 | Aug Nymex | -17.15 | 25000 bl |
| USGC Colonial          | Jet A | cycle 38 | Aug Nymex | -17.00 | 25000 bl |
| USGC Colonial          | Jet A | cycle 38 | Aug Nymex | -17.00 | 25000 bl |
| USGC Colonial          | Jet A | cycle 38 | Aug Nymex | -17.00 | 25000 bl |
| USGC Colonial          | Jet A | cycle 38 | Aug Nymex | -17.00 | 25000 bl |
| USGC Colonial          | Jet A | cycle 38 | Aug Nymex | -17.00 | 25000 bl |
| USGC Colonial          | Jet A | cycle 38 | Aug Nymex | -17.00 | 25000 bl |
| USGC Colonial          | Jet A | cycle 38 | Aug Nymex | -17.00 | 25000 bl |
| USGC Colonial          | Jet A | cycle 38 | Aug Nymex | -17.00 | 25000 bl |
| USGC Colonial          | Jet A | cycle 38 | Aug Nymex | -17.00 | 25000 bl |
| USGC Colonial          | Jet A | cycle 38 | Aug Nymex | -17.00 | 25000 bl |
| USGC Colonial          | Jet A | cycle 38 | Aug Nymex | -17.00 | 25000 bl |
| USGC Colonial          | Jet A | cycle 38 | Aug Nymex | -16.75 | 25000 bl |
| USGC Colonial          | Jet A | cycle 38 | Aug Nymex | -16.75 | 25000 bl |
| USGC Colonial          | Jet A | cycle 38 | Aug Nymex | -16.50 | 25000 bl |
| LA                     | Jet A | Jul      | Aug Nymex | -5.75  | 25000 bl |
| LA                     | Jet A | Jul      | Aug Nymex | -5.75  | 25000 bl |
| Buckeye                | Jet A | 3-5 Jul  | Aug Nymex | -14.75 | 25000 bl |

South Korea jet fuel differential has also remained positive since 15 June.

By Yawen Lu and Sarah Giam

## Global air freight demand picked up in May: IATA

Global air freight demand picked up in May, but only to a level considerably lower than a year earlier, according to the International Air Travel Association (IATA).

Demand was down by 20pc on the year, whereas it had been lower by 26pc on the year in April.

European air freight markets performed worse than any other region in May. The region's international cargo volumes fell by 30pc on the year, probably reflecting limited manufacturing output and the many lockdowns that were in place well into the month. European jet fuel markets dipped sharply from premiums to North Sea Dated to discounts in May, when the

| Argus jet fuel differential to gasoil |            |             |                    |                  | \$/bl |
|---------------------------------------|------------|-------------|--------------------|------------------|-------|
|                                       | Prior week | Prior month | Prior three months | Prior six months |       |
| Singapore jet vs 0.5%                 | -3.99      | -4.25       | -4.82              | -2.01            |       |
| Rotterdam jet vs 0.1%                 | -3.38      | -5.27       | -5.87              | -1.96            |       |
| Houston jet vs heating oil            | +2.09      | +3.54       | +0.47              | +2.07            |       |

| Argus jet fuel differential to crude |            |             |                    |                  | \$/bl |
|--------------------------------------|------------|-------------|--------------------|------------------|-------|
|                                      | Prior week | Prior month | Prior three months | Prior six months |       |
| Singapore jet vs Dubai Aug 20        | +0.83      | -2.04       | +1.19              | +6.07            |       |
| Rotterdam jet vs North Sea Dated     | +0.86      | -1.08       | +4.19              | +8.49            |       |
| Houston jet vs Nymex WTI Aug 20      | +3.97      | +2.50       | +6.48              | +11.38           |       |

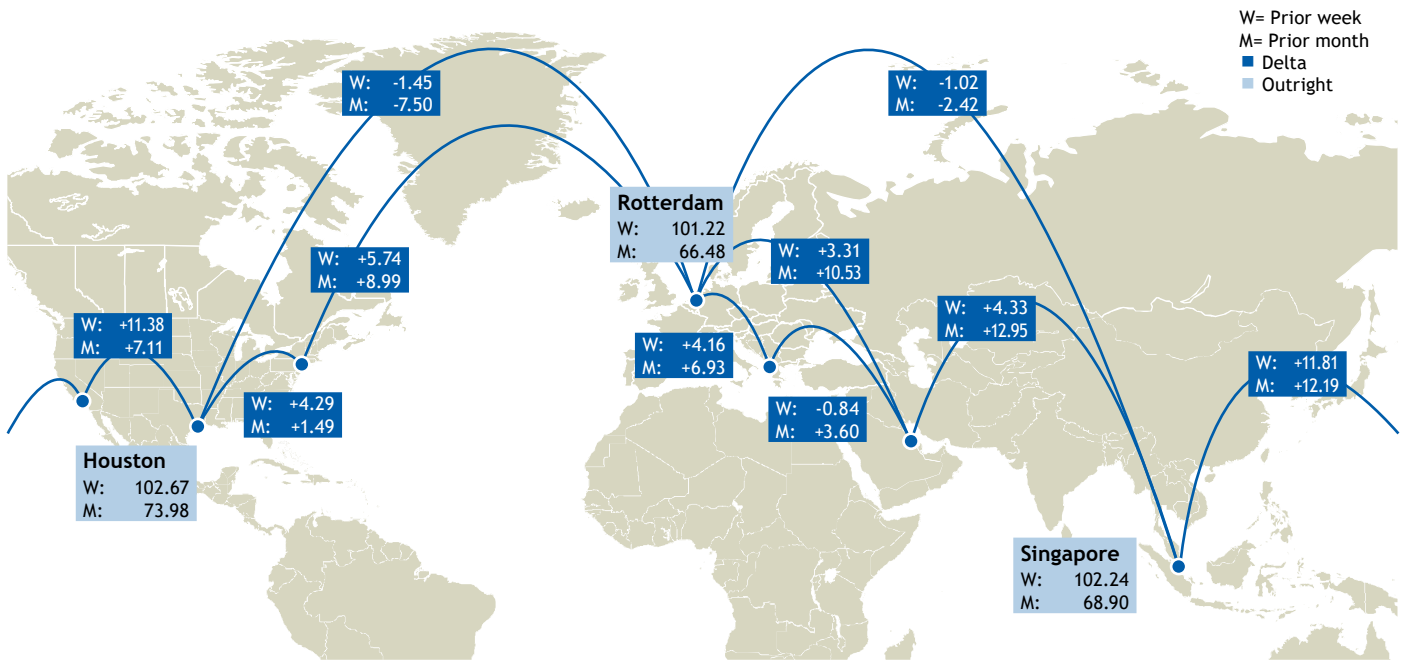
| Related markets |                                   |                           |                            |                            |
|-----------------|-----------------------------------|---------------------------|----------------------------|----------------------------|
|                 | Nymex heating oil benchmark €/USG | Ice gasoil benchmark \$/t | Nymex WTI settlement \$/bl | Ice Brent settlement \$/bl |
| Jul 20          | 117.81                            | 352.25                    |                            |                            |
| Aug-20          | 118.65                            | 355.25                    | 39.27                      | 41.15                      |
| Sep-20          | 120.36                            | 359.00                    | 39.34                      | 41.27                      |
| Oct-20          | 122.21                            | 363.25                    | 39.48                      | 41.39                      |
| Nov-20          | 123.92                            | 365.75                    | 39.58                      | 41.56                      |
| Dec-20          | 125.26                            | 367.25                    | 39.68                      | 41.76                      |
| Jan-21          | 126.60                            | 370.50                    | 39.78                      | 41.95                      |
| Feb-21          | 127.64                            | 374.00                    | 39.87                      | 42.16                      |
| Mar-21          | 128.31                            | 377.25                    | 39.97                      | 42.40                      |
| Dec-21          | 135.69                            | 396.00                    | 40.83                      | 44.06                      |
| Dec-22          | 144.08                            | 420.25                    | 41.95                      | 45.90                      |
| Dec-23          | 151.13                            | 446.50                    | 43.05                      | 47.46                      |
| Dec-24          |                                   | 471.25                    | 44.17                      | 48.89                      |
| Dec-25          |                                   | 499.75                    | 45.38                      | 50.24                      |

region's tanks were overwhelmed by surplus products across the barrel.

If air freight demand continued to recover this month, when there was a gradual reopening of some economies around the world, it could help to explain a rise jet fuel prices earlier this month. Northwest European jet fuel cargoes have averaged a 46¢/bl premium to North Sea Dated crude in June

ARGUS MARKET MAP

€/USG



| Geographic comparisons          |               | Price spreads in €/USG |             |                    |                  | Price spreads in \$/t |             |                    |                  |
|---------------------------------|---------------|------------------------|-------------|--------------------|------------------|-----------------------|-------------|--------------------|------------------|
| First center less second center |               | Prior week             | Prior month | Prior three months | Prior six months | Prior week            | Prior month | Prior three months | Prior six months |
| Rotterdam                       | Singapore     | -1.02                  | -2.42       | +1.74              | +4.01            | -3.38                 | -8.02       | +5.77              | +13.27           |
| Los Angeles                     | Singapore     | +11.81                 | +12.19      | +9.29              | +11.11           | +35.40                | +37.70      | +28.15             | +32.49           |
| Singapore                       | Mideast Gulf  | +4.33                  | +12.95      | +11.57             | +8.93            | +14.34                | +42.86      | +38.29             | +29.54           |
| Rotterdam                       | Mideast Gulf  | +3.31                  | +10.53      | +13.31             | +12.94           | +10.96                | +34.84      | +44.05             | +42.81           |
| Mediterranean                   | Mideast Gulf  | -0.84                  | +3.60       | +4.06              | +4.07            | -2.79                 | +11.90      | +13.42             | +13.46           |
| Rotterdam                       | Mediterranean | +4.16                  | +6.93       | +9.26              | +8.87            | +13.75                | +22.94      | +30.63             | +29.35           |
| New York                        | Rotterdam     | +5.74                  | +8.99       | +2.58              | +2.44            | +15.55                | +27.30      | +6.10              | +3.95            |
| Rotterdam                       | Houston       | -1.45                  | -7.50       | -2.02              | +1.91            | -1.49                 | -22.42      | -4.27              | +10.30           |
| New York                        | Houston       | +4.29                  | +1.49       | +0.56              | +4.35            | +14.06                | +4.88       | +1.83              | +14.25           |
| Los Angeles                     | Houston       | +11.38                 | +7.11       | +5.53              | +9.01            | +37.29                | +23.30      | +18.12             | +29.52           |

so far, by Argus assessments, up from a \$1.06/bl discount in May as a whole. Some airlines have also announced plans to increase passenger operations.

IATA said there is pent-up air freight demand not being met, because passenger aircraft that typically carry cargo in their bellies are operating far less than usual. Freight capacity was much more severely restricted than demand: it was 35pc down on the year in May, compared with 42pc down on the year in April. In particular, belly capacity was down by 66pc on the year in May.

The global cargo load factor – the percentage of available cargo tonne-kilometres being used – was 10.4 percentage points higher on the year in May.

North America showed the smallest year-on-year air freight demand decline of any region except Africa, with a fall of just 9pc from a year earlier in May. Demand was partly supported by robust US-China trade, IATA said. Asia-North America routes were just 0.4pc down on the year.

By Benedict George

## Stocks in Germany limit refinery production rises

Germany's road fuel demand is edging up towards normal as the country adjusts to light-touch measures to tackle Covid-19 after a period of lockdown. But refineries face unusually high stocks across the country, which are keeping prices down.

Many participants in the inland wholesale market have notified suppliers that they wish to take their entire term volumes for diesel and gasoline in July. This underscores their expectation that consumer demand will be mostly back to normal soon, although they expect to top up less on the spot market than in a normal year. They had cut their term volume deliveries by 30-40pc in May, and then in June by around 10pc from agreed volumes for diesel and by 20-50pc for gasoline.

Anecdotal evidence from retail stations and market participants puts demand for gasoline and diesel at around 85-90pc of normal levels, compared with around 80pc in some parts of May and **60pc in April for both fuels combined**. The increase reflects ramped up industrial and logistical activity, and increased road traffic especially as domestic driving is replacing international air travel this summer holiday season.

Refiners started ramping up runs from around 70pc in April at the first sign of stronger demand, which pushed stocks to their limit and compressed premiums to prices in the Amsterdam-Rotterdam-Antwerp (ARA) hub. Diesel fell to just €7.75/100l (\$102.32/t) above ARA barge prices on average from mid-May to mid-June, from €10.50/100l in March and April. Most of the current premium covers the costs of the greenhouse gas (GHG) reduction quota and is even lower than the €8.50/100l seen in January-February before any lockdown measures.

In a sign of abundant supply across Germany, diesel prices in all locations have converged. The difference between diesel in the most expensive and cheapest regions shrank to just over €2/100l yesterday, not far above the average €1.80/100l difference in January-February.

Domestic gasoline prices have also converged, reflecting plentiful supply across the country and large stocks. Regional differences inside Germany tend to be larger than for diesel because the country is structurally long gasoline, so prices at refinery locations can be far lower than at import hubs.

German E5 prices have recovered to a premium of above €6/100l to Eurobob barges on average since mid-June, indicating that demand has caught up with an early rise in production. The premium covers the GHG quota costs and can give a

profit margin to suppliers with access to cheap biofuels. The premium to ARA was below €3/100l at times in late May, when refineries started increasing runs. As this did not cover the cost of blending ethanol, it effectively priced the non-blended product below Eurobob for export, pointing to an overhang and a lack of storage capacity. Official data released yesterday for April put the year-on-year fall in inland deliveries of gasoline at just 34.5pc. The drop is far smaller than reported at many retail stations and is likely to include product still in storage.

*By Charlotte Blum*

## US gasoline, jet yields hit record low in April: EIA

US refiners dialed gasoline and jet yields to record lows in April because of plummeting demand for gasoline and jet fuel amid Covid-19-related lockdowns.

US refiners cut gasoline yield to 40.7pc and jet yield to 4.7pc in April, the lowest levels since the Energy Information Administration (EIA) began keeping official data in 1993. Distillates yields rose to 38.1pc in April, the highest since 1993 as well.

Refiners adjusted quickly after gasoline and jet fuel demand plummeted in the second half of March. They cut US crude unit run rates to 70.2pc, including **completely idling** Marathon's 166,000 b/d Martinez refinery in California by late April.

At the secondary level, refiners cut fluid catalytic cracker (FCC) throughput to 3.31mn b/d in April, the lowest level since EIA began tracking this data since 1987. Hydrocracker throughput was less severely impacted, falling to 1.4mn b/d, a nine-year low.

Refiners were able to further reduce jet fuel yield by **repurposing the finished fuel**, possibly by hydrotreating jet fuel and blending with diesel.

The secondary level adjustments were in response to gasoline and jet fuel demand falling to **50-year lows** at 5.9mn b/d and 762,000 b/d day respectively in April.

Diesel demand held up relatively well amid continued highway transportation needs as well as agricultural consumption during the crop planting season. But April's maximizing of diesel would eventually lead to a surplus in May, when diesel margins **fell below gasoline**. Refiners responded in May by tilting yields back to gasoline, while the overhang of diesel limited the **gasoline-driven refinery ramp up**.

*By Chunzi Xu*

## MARKET COMMENTARY

### Asia-Pacific

Singapore jet fuel swaps rose by less than Dubai crude values, narrowing refining margins. South Korean refiner GS Caltex sold its second July-loading spot cargo.

The afternoon online trading session in Singapore yielded no physical deals. Trading firm Vitol placed the sole bid for a 250,000 bl cargo for 15-19 July loading at a \$1/bl discount to Singapore spot assessments. Oil major BP offered three 100,000 bl cargoes for July-loading, two at a \$0.20/bl premium and one at a \$0.10/bl premium to the same pricing basis. Norway's Equinor offered a 100,000 bl cargo for 26-30 July loading at a \$0.30/bl premium to the same pricing basis.

GS Caltex has awarded a Medium Range (300,000 bl) spot jet fuel cargo for 11-15 July loading, at around a \$0.20/bl premium to the average of Singapore spot assessments, said market participants, although this could not be confirmed with the refiner. The tender closed on 25 June. GS Caltex could also have sold a same-size cargo for 14-18 July loading around a \$0.10/bl premium to the average of Singapore spot assessments for July, said market participants. The buyers could not be confirmed.

South Korea's jet fuel consumption was at 58,800 b/d in May, 149.7pc higher than April but still 44.8pc less than a year earlier, according to data from state-owned KNOC. Demand recovery looks gradual, as a significant number of flights by flagship airline Korean Air and Asiana Airlines is suspended or on reduced operations for July.

Tokyo's Narita airport hosted just 89,640 passengers through its terminals in May, 36.4pc less than in April and 97.5pc less than a year earlier. Aircraft movements, including

passenger and cargo flights, totalled 7,545 in May, 3.6pc higher than April but 66.2pc less than a year earlier. Narita also supplied 152,393 kilolitres (30,920 b/d) of jet fuel to aircraft in May, 14.7pc higher than in April but 59.9pc lower than a year earlier. Japan produced about 561,880 kl (114,000 b/d) of jet fuel in May, 15.4pc higher than April but 61.3pc lower than a year earlier, according to data from the Petroleum Association of Japan.

Air New Zealand's passenger numbers dropped by around 95pc to 67,000 in May from 1.28mn a year earlier. New Zealand's jet fuel consumption in January-March dropped by 12.4pc to 32,310 b/d from 36,890 b/d a year earlier, according to data from New Zealand's ministry of business, innovation and employment, possibly because of the imposition of travel restrictions in mid-March in the Covid-19 pandemic.

### Europe

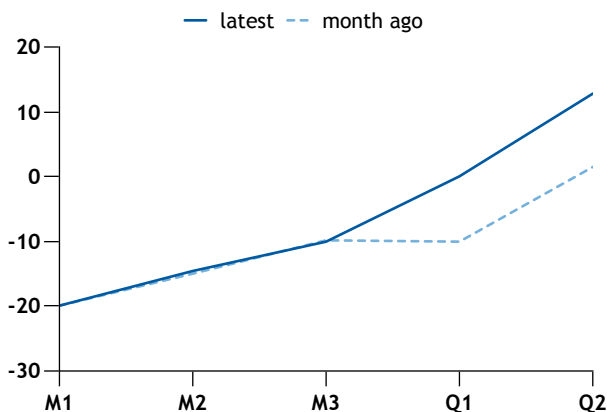
Northwest European jet fuel cargo prices gained on Tuesday as the front-month Ice gasoil futures contract climbed by \$4.25/t, more than offsetting 25¢/t wider discounts to it. Air freight demand together with restricted production and imports could be lending muted support.

Northwest European jet fuel cargo barrels climbed back to a 63¢/bl premium to North Sea Dated crude on 29 June, after slipping back to a discount on the previous trading day.

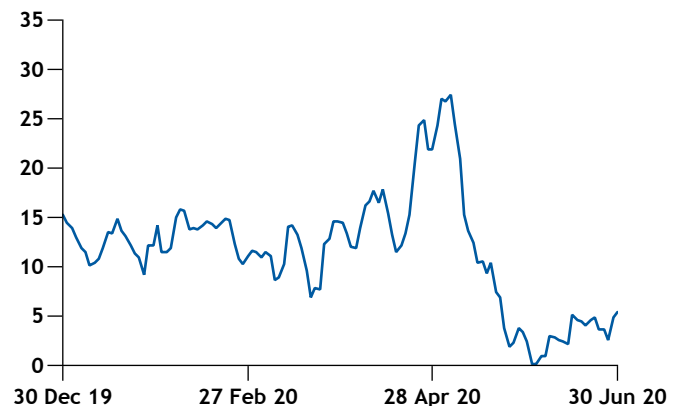
Global air freight demand picked up in May, according to fresh data released by the International Air Travel Association (IATA), though it remained considerably lower than a year earlier. Air freight demand was only 20.3pc down on the year in May, whereas it had been 25.6pc down on the year in April.

That provides a sharp contrast with the depth of the crater in air passenger demand. Air New Zealand, for example, re-

Jet swap Rotterdam forward curve \$/t



Rotterdam less Mideast Gulf: 3-day moving avg ¢/USG



ported on Tuesday that its passenger numbers were 95pc down on the year in May.

European air freight markets performed worse than any other region. Europe’s international cargo volumes were down by 29.7pc on the year. This probably reflects limited manufacturing output and the fact many lockdowns continued well into the month.

If air freight demand continued to recover in June with the gradual reopening of economies around the world, it could help to explain an uptick in jet fuel markets earlier this month. Northwest European jet fuel cargoes have averaged a 46¢/bl premium to North Sea Dated crude in June so far by Argus assessments, up from a \$1.06/bl discount in May as a whole. Carriers have also announced plans to increase passenger aircraft operations.

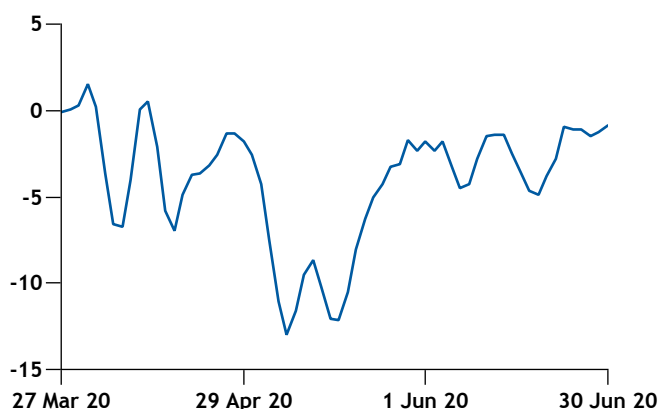
There is pent-up air freight demand not being met, according to IATA, because passenger aircraft that typically carry cargo in their bellies are currently operating far below usual. Freight capacity was much more severely restricted than demand, falling by 34.7pc on the year in May, compared with 41.6pc on the year in April. In particular, belly capacity was down by 66.4pc on the year in May. The global cargo load factor – the percentage of available cargo tonne-kilometres being used – was 10.4 percentage points higher on the year in May.

Lower than usual jet fuel imports may soon allow stocks to be drawn down. South Korea’s jet fuel consumption surged by 149.7pc on the month in May, according to provisional data from state-owned oil company KNOC, contributing to the country’s exports falling by more than a third month-on-month.

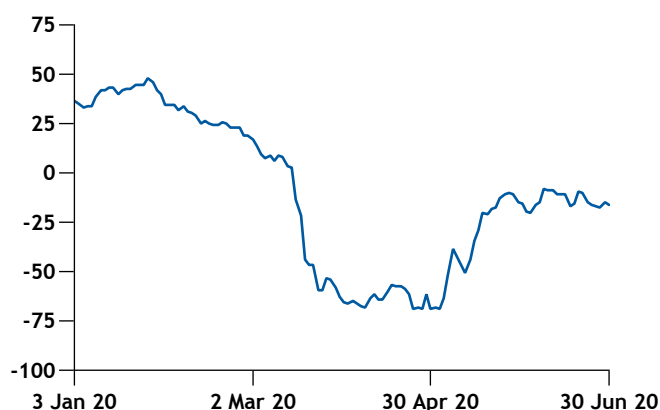
German refiners are showing restraint in restoring pre-crisis production levels. They have been slowly edging up throughput rates from around 70pc, where they bottomed out during the height of the crisis in April and May. But ample fuel stocks are keeping inland product prices relatively tight compared with ARA prices, which is disincentivising refiners from ramping up output. Local refining margins were probably also pressured by the return of BP’s 265,000 b/d Gelsenkirchen refinery from maintenance in May.

No jet fuel cargoes traded in northwest Europe on Tuesday. Gunvor again bid for a cargo for Rotterdam delivery at a \$17/t discount to Ice July gasoil. But Shell reduced its offer of a cargo for Le Havre by 50¢/t from Monday to \$18.50/t. Cargoes were assessed at a \$17.75/t discount to Ice July gasoil, wider by 25¢/t on the day, reflecting a reverse mid-point of the highest bid and the lowest offer.

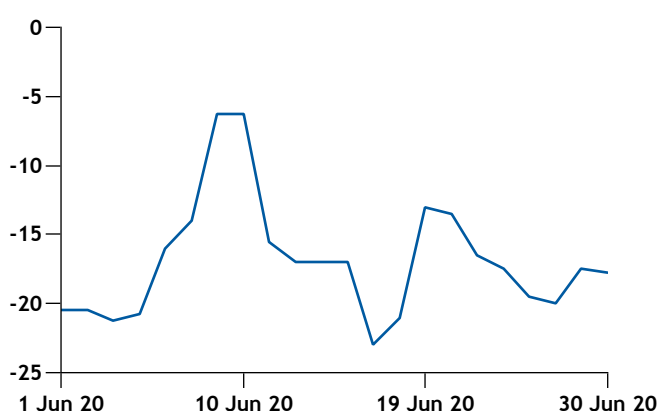
Rotterdam less Houston: 3-day moving avg ¢/USG



Rotterdam less 0.1pc Gasoil \$/t



Rotterdam jet fuel: Differential mean \$/t





No jet fuel barges traded in northwest Europe either. BP bid for one loading at FARAG at a \$15/t discount to Ice July gasoil. The barge discount to Ice July gasoil was assessed at \$7.50t, wider by 25¢/t on the day in line with the cargo assessment.

### Americas

US jet fuel markets were mixed as basis gains were met by mostly lower spot differentials.

US Atlantic coast jet fuel margins fell to a three-week low on Tuesday, and arbitrage opportunities into the region from the US Gulf coast remained unappealing on paper.

East coast jet fuel cash differentials weakened on Tuesday, with a trade at August Nymex -14.75¢/USG decreasing the mid-point value of Buckeye pipeline material by 2¢/USG on the day, offsetting gains in the underlying ULSD futures contract.

Barge jet fuel prices decreased to \$43.64/bl, while North Sea Dated Brent crude oil prices increased to \$41.71/bl. At \$1.93/USG, the price spread between the two was the lowest recorded by Argus since 8 June.

Gulf coast jet fuel traded briskly on scheduling day, keeping the midpoint nearly unchanged in daily comparison. Deals were done from August Nymex -17.15¢/USG to -16.75¢/USG. Outright prices rose nearly 1¢/USG on the back of Nymex gains to a one-week high of \$1.02/USG.

Chicago jet fuel cash differentials softened for just the second time in 14 sessions on Tuesday. Chicago jet fuel was valued between August Nymex -2¢/USG and +2¢/USG on first cycle July, sending differentials down by 1¢/USG from the previous session.

This weighed on outright prices, which shed 0.1¢/USG in daily comparison to \$1.19/USG.

The drop in prices didn't deter arbitrage opportunity for sending US Gulf coast jet to Chicago, which remained viable

on paper for a 12th-consecutive trading day at 10.78¢/USG¢/USG above the cost for shipping on the Explorer Pipeline from Pasadena, Texas, to Wood River, Illinois.

Group Three jet fuel cash differentials in Tulsa, Oklahoma, were unchanged at August Nymex -6¢/USG amid scant liquidity. Outright Group Three jet prices rose by 2.11¢/USG to \$1.13/USG.

Group Three prices fetched a double-digit premium above Gulf coast jet for the first time since late April at 10.83¢/USG. Arbitrage economics have been open on paper between the two regions since 19 June.

At the US west coast, July Los Angeles jet fuel barrels changed hands multiple times at August Nymex -5.75¢/USG, reflecting a 0.88¢/USG increase on the day. Outright prices posted a gain of 1.78¢/USG to end the session at \$1.13/USG.

Vortexa tracking software showed an additional west coast jet fuel cargo laden and inbound. Torm Laura left Sakai, Japan on 30 June, carrying an estimated 313,000 bl of fuel. The handymax vessel is expected to arrive in Los Angeles on 17 July.

### Announcement

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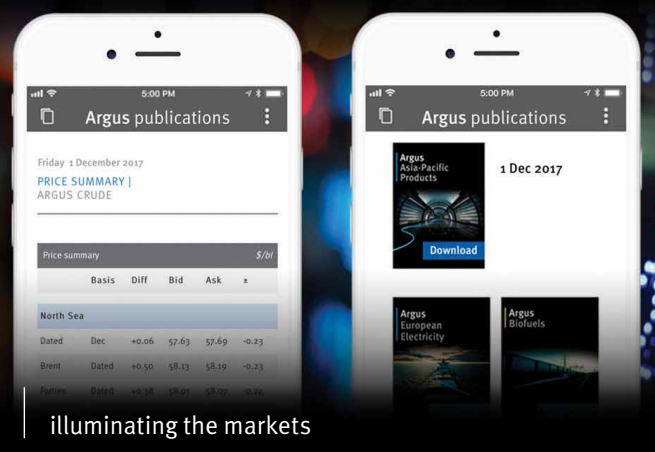
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**Registered office**

Lacon House, 84 Theobald's Road, London, WC1X 8NL  
Tel: +44 20 7780 4200

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**Editor in chief**  
Jim Washer

**Managing editor**  
Jim Kennett

**Editor:** Zander Capozzola  
Tel: +1 713 429 6332  
[houstonproducts@argusmedia.com](mailto:houstonproducts@argusmedia.com)

**Customer support and sales:**  
[support@argusmedia.com](mailto:support@argusmedia.com)  
[sales@argusmedia.com](mailto:sales@argusmedia.com)

**Houston, US**  
Tel: +1 713 968 0000

**New York, US**  
Tel: +1 646 376 6130

**Washington DC, US**  
Tel: +1 202 775 0240

**London, UK** Tel: +44 20 7780 4200

**Astana, Kazakhstan** Tel: +7 7172 72 92 94

**Beijing** Tel: +86 10 6598 2000

**Dubai** Tel: +971 4434 5112

**Moscow, Russia** Tel: +7 495 933 7571

**Sao Paulo, Brazil**  
Tel: +55 11 3235 2700

**Singapore** Tel: +65 6496 9966

**Tokyo, Japan** Tel: +81 3 3561 1805

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