

Oil Market Review in Japan No. 10/2017

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Overview

The key WTI (West Texas Intermediate) crude oil futures contract ranged between \$45.72 per barrel and \$48.36/bbl on the NYMEX (New York Mercantile Exchange) in the June 1-7 week, weakening from the previous week.

On June 8, buybacks came after the previous day's plunge on a U.S. oil inventory increase. However, the July contract fell further as crude oil production recovery in Nigeria and Libya discouraged buying. The contract closed at \$45.64/bbl, down \$0.08/bbl.

On June 9, the key contract rallied on position adjustment and bargain hunting buying before the weekend as well as on a report on a force majeure clause for a Nigerian pipeline accident. However, the rally was limited by a Baker Hughes report that the number of operating U.S. oil-drilling rigs increased by eight from a week earlier to 741 for the 21st straight weekly rise. The July contract closed at \$45.83/bbl, up \$0.19/bbl.

On June 12, the key contract rose as media reports pointed to Saudi Aramco's planned cut in oil shipments to Asia in July and an oil inventory decline at the WTI delivery point of Cushing. The July contract closed \$0.25/bbl higher at \$46.08/bbl.

On June 13, the key contract rose for the third straight market day on forecast declines in crude oil and petroleum products inventories in weekly private and government sector reports coming in the day's evening and the next day, as well as an expected cut in Saudi oil exports to the United States in addition to Asia. Limiting the rise was a weekly OPEC (Organization of the Petroleum Exporting Countries) report which stated that the oil cartel increased production in May by 1.1% from the previous month while complying with a production ceiling for the fifth consecutive month. The July contract closed \$0.38/bbl higher at \$46.46/bbl.

On June 14, the key contract turned down for the first time in four market days as a weekly EIA (Energy Information Administration) inventory report was disappointing. The July contract posted a sharp decline of \$1.73/bbl to \$44.73/bbl.

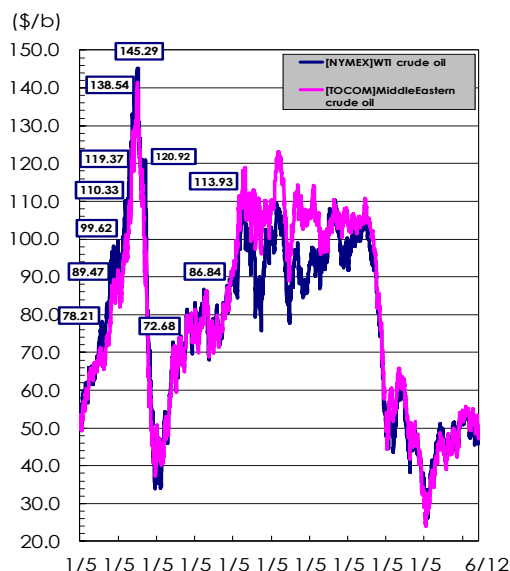
The Asian benchmark crude oil of Dubai for July delivery on the Tokyo market ranged between \$48.10/bbl and \$49.90/bbl in the previous week, weakening from the previous week. It closed at \$47.20/bbl on June 8, at \$46.60/bbl on June 9, at \$47.20/bbl on June 12, at \$47.30/bbl on June 13 and at \$47.00/bbl on June 14.

On the foreign exchange market in the previous week, the dollar ranged between 110.53 and 111.63 yen, weakening against the yen slightly. It changed hands at 109.99 yen in late trading on June 8, at 110.08 yen on June 9, at 110.23 yen on June 12, at 110.02 yen on June 13 and at 110.06 yen on June 14.

Wholesale prices of gasoline and middle distillates that major Motouri (petroleum products wholesalers) applied to the third week of June were lowered by 1.0 yen/l (liter) by some Motouri and by 1.5 yen/l by others. Crude oil cost declined as crude oil price drops were coupled with the yen's appreciation.

Japan's average retail price on June 12 stood at 131.6 yen/l for gasoline, down 0.1 yen/l from a week earlier, at 110.6 yen/l for diesel oil, down 0.2 yen, and at 76.7 yen/l for kerosene (heating oil), down 0.1 yen/l. The gasoline and diesel prices fell for the first time in two weeks. The kerosene price dropped for the eighth straight week. While crude oil cost declined in the second week of June, wholesale prices of petroleum products were lowered by 1.0% by some Motouri companies and raised by up to 1.5 yen/l by others.

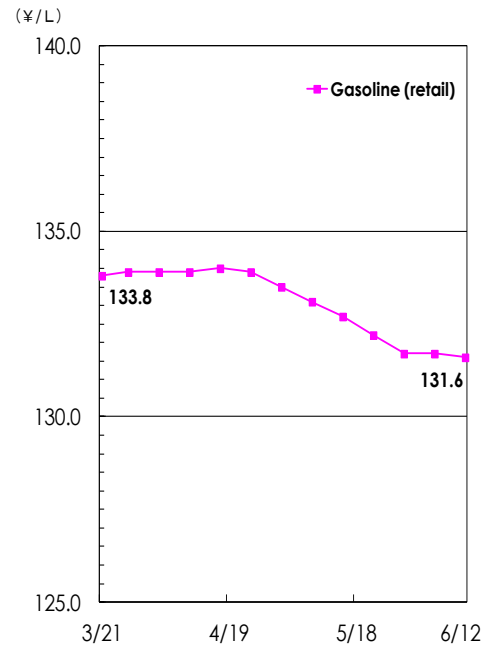
Crude oil			This week	From a week earlier	From a year earlier
Supply/Demand	Crude oil runs (1,000 kl)	6/4 ~ 6/10	3,133	▲ 73	▼ -
	Topper capacity utilization rate (%)	"	80.0	▲ 1.9	▲ -
	Crude oil inventories (1,000 kl)	6/10	14,133	▲ 412	▼ -
Prices	Middle Eastern crude oil (TOCOM) (\$/bbl)	6/12	47.47	▼ -1.99	▲ 1.7
	WTI crude oil (NYMEX) (\$/bbl)	6/12	46.08	▼ -1.32	▼ -2.8
	Crude oil import CIF price (\$/bbl)	Mid May	54.07	▼ -0.12	▲ 13.39
	①Crude oil import CIF price (yen/kl)	"	37,902	▲ 538	▲ 10,028
	②Yen-dollar exchange rate (yen/dollar)	"	111.44	▼ -1.83	▼ -2.52
	TTS exchange rate (yen/dollar)	6/12	111.23	▲ 0.26	▼ -3.77



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

Gasoline		This week		From a week earlier	From a year earlier	
Supply/ Demand	Production	6/4 ~ 6/10	945	▼ -174	▼ —	
	Imports	"	n.a.	n.a.	n.a.	
	Shipments	"	905	▼ -29	▼ —	
	Exports	"	40	▼ -57	▲ —	
	Inventories	6/10	1,984	➡ 0	▲ —	
Prices	Gyoten (spot) [4-district average lorry rack price] (RIM)	6/6 ~ 6/12	49.0	▼ -0.7	▲ 3.9	
	Futures [front-month contract/closing price]	(TOCOM/ Tokyo Bay)	6/6 ~ 6/12	47.5	▼ -2.3	▲ 1.7
		(TOCOM/ Chubu)	6/12	46.6	▼ -1.7	▲ 2.6
	Retail prices [weekly trend] (published by ANRE)	6/12	131.6	▼ -0.1	▲ 8.0	

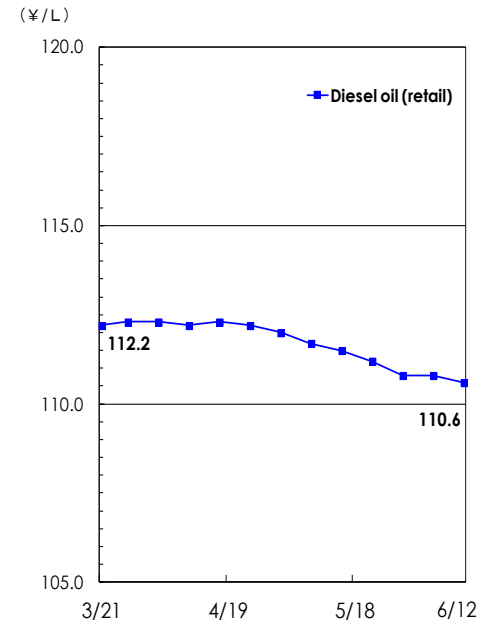
*Gyoten and futures prices are before tax



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

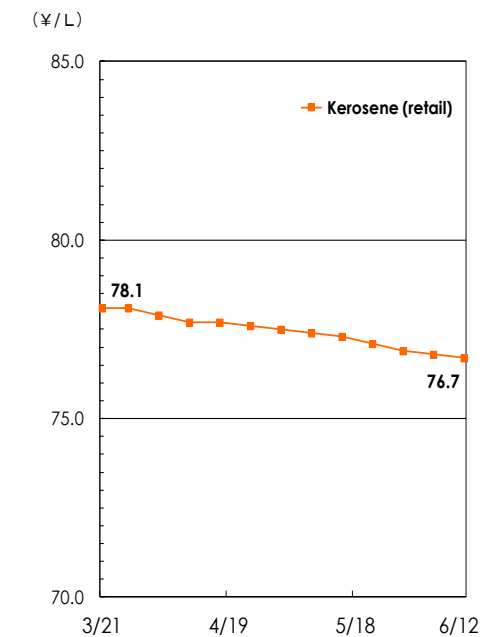
Diesel oil		This week		From a week earlier	From a year earlier	
Supply/ Demand	Production	6/4 ~ 6/10	643	▼ -93	▼ —	
	Imports	"	n.a.	n.a.	n.a.	
	Shipments	"	585	▲ 35	▲ —	
	Exports	"	206	▲ 17	▲ —	
	Inventories	6/10	1,429	▼ -149	▼ —	
Prices	Gyoten (spot) [4-district average lorry rack price] (RIM)	6/6 ~ 6/12	47.6	▼ -0.8	▲ 5.8	
	Futures [front-month contract/closing price]	(TOCOM/ Tokyo Bay)	6/6 ~ 6/12	48.0	➡ 0.0	▲ 6.1
		(TOCOM/ Chubu)	6/12	—	—	—
	Retail prices [weekly trend] (published by ANRE)	6/12	110.6	▼ -0.2	▲ 7.1	

*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	6/4 ~ 6/10	120	▼ -45	▼ —	
	Imports	"	n.a.	n.a.	n.a.	
	Shipments	"	53	▼ -77	▼ —	
	Exports	"	0	➡ 0	➡ —	
	Inventories	6/10	1,416	▲ 66	▼ —	
Prices	Gyoten (spot) [4-district average lorry rack price] (RIM)	6/6 ~ 6/12	46.5	▼ -1.0	▲ 5.1	
	Futures [front-month contract/closing price]	(TOCOM/ Tokyo Bay)	6/6 ~ 6/12	43.9	▼ -1.7	▲ 2.1
		(TOCOM/ Chubu)	6/12	44.0	▼ -1.5	▲ 3.3
	Retail prices [weekly trend] (published by ANRE)	6/12	76.7	▼ -0.1	▲ 12.7	



Relevant Information

1 Overseas crude oil prices

On June 14, the most frequently traded WTI futures contract on the NYMEX took a sharp downturn on disappointing weekly inventory reports, falling for the first time in four market days and slipping below \$45/bbl to the lowest level in seven months since last November 14. After the API (American Petroleum Institute) on the previous day reported a weekly U.S. crude oil inventory increase of 2.8 million barrels against a market-forecast decline, the EPA announced that crude oil inventories decreased by 1.7 million barrels against a market-forecast 2.7 million barrels and that gasoline inventories posted an increase of 2.1 million barrels against a market-forecast decrease of 500,000 barrels despite the arrival of the driving season. The Federal Reserve's announcement to raise interest rates exerted no major influence on oil futures trading. The July contract finished \$1.73/bbl lower at \$44.73/bbl. The August contract lost \$1.74/bbl to \$44.93/bbl.

According to the EIA, the average U.S. retail price of gasoline as of June 12 fell by 4.8 cents per gallon from a week earlier to \$2.366/gal (69.4 yen/l). The average diesel oil price fell by 0.4 cents/gal to \$2.524/gal (74.1 yen/l). The gasoline price dropped for the first time in four weeks, while the diesel price fell for the second straight week.

2 Petroleum products supply and demand in Japan (1) Shipments

According to a weekly report by the PAJ (Petroleum Association of Japan), inactive topper capacity during the June 4-10 week came to 523,000 bpd (barrels per day), down 97,000 bpd from the previous week (total capacity stood at 3,519,000 bpd).

Crude oil throughput in the week increased by 73,000 kl from the previous week to 3,133,000 kl. From a year earlier, it fell by 169,000 kl. The topper capacity utilization rate stood at 80.0%, up 1.9 points from a week earlier and up 2.3 points from a year earlier.

Output increased from the previous week only for Fuel Oil A, while decreasing for other petroleum products. Output was down 15.6% for gasoline, down 2.0% for jet fuel, down 27.3% for kerosene, down 12.6% for diesel oil, up 14.0% for Fuel Oil A and down 6.9% for Fuel Oil C. Fuel Oil C imports in the week totaled 68,000 kl, down 15,000 kl from the previous week. Diesel oil exports aggregated 206,000 kl, up 17,000 kl.

Shipments (sales volume) in the week increased from the previous week for jet fuel, diesel oil and Fuel Oil A and decreased for other petroleum products. From a year earlier, shipments also increased for jet fuel, diesel oil and Fuel Oil A and decreased for other petroleum products. Gasoline shipments decreased by 3.1% from the previous week to 905,000 kl. They decreased week on week for second straight week and year on year for the third consecutive week, remaining below 1 million kl for two weeks on end.

Shipments totaled 169,000 kl for jet fuel (up 95.5% from the previous week), 53,000 kl for kerosene (down 58.9%), 585,000 kl for diesel oil (up 6.5%), 202,000 kl for Fuel Oil A (up 18.9%) and 168,000 kl for Fuel Oil C (down 9.6%).

(Unit: 1,000 kl)

	This week (6/4 ~ 6/10)	Previous week (5/28 ~ 6/3)	From a week earlier
Gasoline	905	934	▼ -29 (-3%)
Jet fuel	169	86	▲ 83 (97%)
Kerosene (heating Oil)	53	130	▼ -77 (-59%)
Diesel oil	585	550	▲ 35 (6%)
Fuel oil A	202	170	▲ 32 (19%)
Fuel Oil C	168	186	▼ -18 (-10%)
Total	2,082	2,056	▲ 26 (1%)

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 June 10 decreased from a week earlier for diesel oil and Fuel Oil A and increased for other petroleum products. From a year earlier, inventories increased for gasoline, jet fuel and Fuel Oil C and decreased for others

Gasoline inventories totaled 1,984,000 kl, unchanged from a week earlier and up 124,000 kl from a year earlier.

Kerosene inventories totaled 1,416,000 kl, up 66,000 kl from a week earlier and down 259,000 kl from a year earlier.

Diesel oil inventories totaled 1,429,000 kl, down 149,000 kl from a week earlier and up 69,000 kl from a year earlier.

Fuel Oil A inventories totaled 812,000 kl, down 5,000 kl from a week earlier and down 6,000 kl from a year earlier.

Fuel Oil C inventories totaled 2,125,000 kl, up 49,000 kl from a week earlier and up 114,000 kl from a year earlier.

(Unit: 1,000 kl)

	This week (6/10)	Previous week (6/3)	From a week earlier
Gasoline	1,984	1,984	➡ 0 (0%)
Jet fuel	1,061	1,017	▲ 44 (4%)
Kerosene (heating Oil)	1,416	1,350	▲ 66 (5%)
Diesel oil	1,429	1,578	▼ -149 (-9%)
Fuel oil A	812	817	▼ -5 (-1%)
Fuel Oil C	2,125	2,076	▲ 49 (2%)
Total	8,827	8,822	▲ 5 (0.1%)

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

Between June 6 and 12, crude oil cost apparently decreased as crude oil price drops were combined with the yen's appreciation.

Onshore cargo spot prices slightly weakened to a 102-104 yen/l range for gasoline, to a 47-49 yen/l range for diesel oil and to a 46-48 yen/l range for kerosene. Offshore barge spot prices slightly fell to a 104-106 yen/l range for gasoline, weakened to a 47-49 yen/l range for diesel oil and leveled off in a 43-45 yen/l range for kerosene. The key futures price ranged between 100 and 102 yen/l for gasoline, slightly down from the previous week, between 48 and 49 yen/l for diesel oil, unchanged, and between 43 and 45 yen/l for kerosene, almost unchanged. Wholesale gasoline, kerosene and diesel oil prices were cut by 0.1 yen/l by some Motouri companies and by 1.5 yen/l by others.

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

While crude oil cost increased slightly, onshore cargo spot prices for all petroleum products and offshore barge spot prices for gasoline and kerosene decreased. Offshore barge spot and futures prices for diesel leveled off. Spot petroleum products prices thus weakened generally. Weekly gasoline sales volume decreased for the second straight week, remaining below 1 million kl for two weeks on end.

The latest onshore cargo spot price (the average onshore rack price for four districts -- Chiba, Kawasaki, Chukyo and Hanshin - for June 6-12) that influences Motouri's wholesale prices applied to the third week of June (June 15-21) fell by 0.7 yen/l for gasoline, by 0.8 yen/l for diesel oil and by 1.0 yen/l for kerosene. The average offshore barge spot price in Tokyo Bay decreased by 0.6 yen/l for gasoline and by 1.5 yen/l for kerosene and leveled off for diesel oil. The key futures price decreased by 2.3 yen/l for gasoline and by 1.7 yen for kerosene, while leveling off for diesel oil. As crude oil price drops were coupled with the yen's slight appreciation, crude oil cost decreased.

Wholesale prices of petroleum products for the third week of June were cut by 1.0 yen/l by some Motouri companies and by 1.5 yen/l by others. Motouri companies based wholesale price revisions on crude oil and petroleum products market prices and each other's prices from 2010 and have adopted an approach giving greater priority to crude oil acquisition costs since June 2014.

(RIM) [4-district average lorry rack price]		(Unit: yen/l)		
		This week (6/6 ~ 6/12)	Previous week (5/30 ~ 6/5)	From a week earlier
Spot Prices	Regular	49.0	49.7	▼ -0.7
	Kerosene	46.5	47.5	▼ -1.0
	Diesel oil	47.6	48.4	▼ -0.8

(TOCOM) [Front-month contract/closing price] [Average]		(Unit: yen/l)		
		This week (6/6 ~ 6/12)	Previous week (5/30 ~ 6/5)	From a week earlier
Futures Price	Regular	47.5	49.8	▼ -2.3
	Kerosene	43.9	45.6	▼ -1.7
	Diesel oil	48.0	48.0	➡ 0.0

Above prices are before tax.

Reference (June 6 - June 12 actual data)				(Unit: yen/l)
Products	Spot	Futures	Average	
Gasoline	▼ -0.7	▼ -2.3	▼ -1.5	
Kerosene	▼ -1.0	▼ -1.7	▼ -1.4	
Diesel oil	▼ -0.8	➡ 0.0	▼ -0.4	
Fuel Oil A	▼ -0.7			

(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 June 12 fell by 0.1 yen/l from a week earlier to 131.6 yen/l for gasoline, by 0.2 yen/l to 110.6 yen/l for diesel oil and by 0.1 yen/l to 76.7 yen/l for kerosene. The gasoline and diesel prices dropped for the first time in two weeks. The kerosene price decreased for the eighth straight week.

Gasoline prices increased in 19 prefectures, remained unchanged in one and fell in 27. The lowest gasoline price among the prefectures was 126.0 yen/l in Tokushima Prefecture (down 0.9 yen/l from a week earlier). The second lowest was 126.6 yen/l in Okayama (up 0.7 yen/l). The highest price was 140.0 yen/l in Okinawa (up 0.6 yen/l). Posting the largest price hike of 0.7 yen/l was Okayama (126.6 yen/l). Logging the largest drop of 3.6 yen/l was Shiga (129.7 yen/l). The average gasoline price remained unchanged only in Kagoshima (139.2 yen/l).

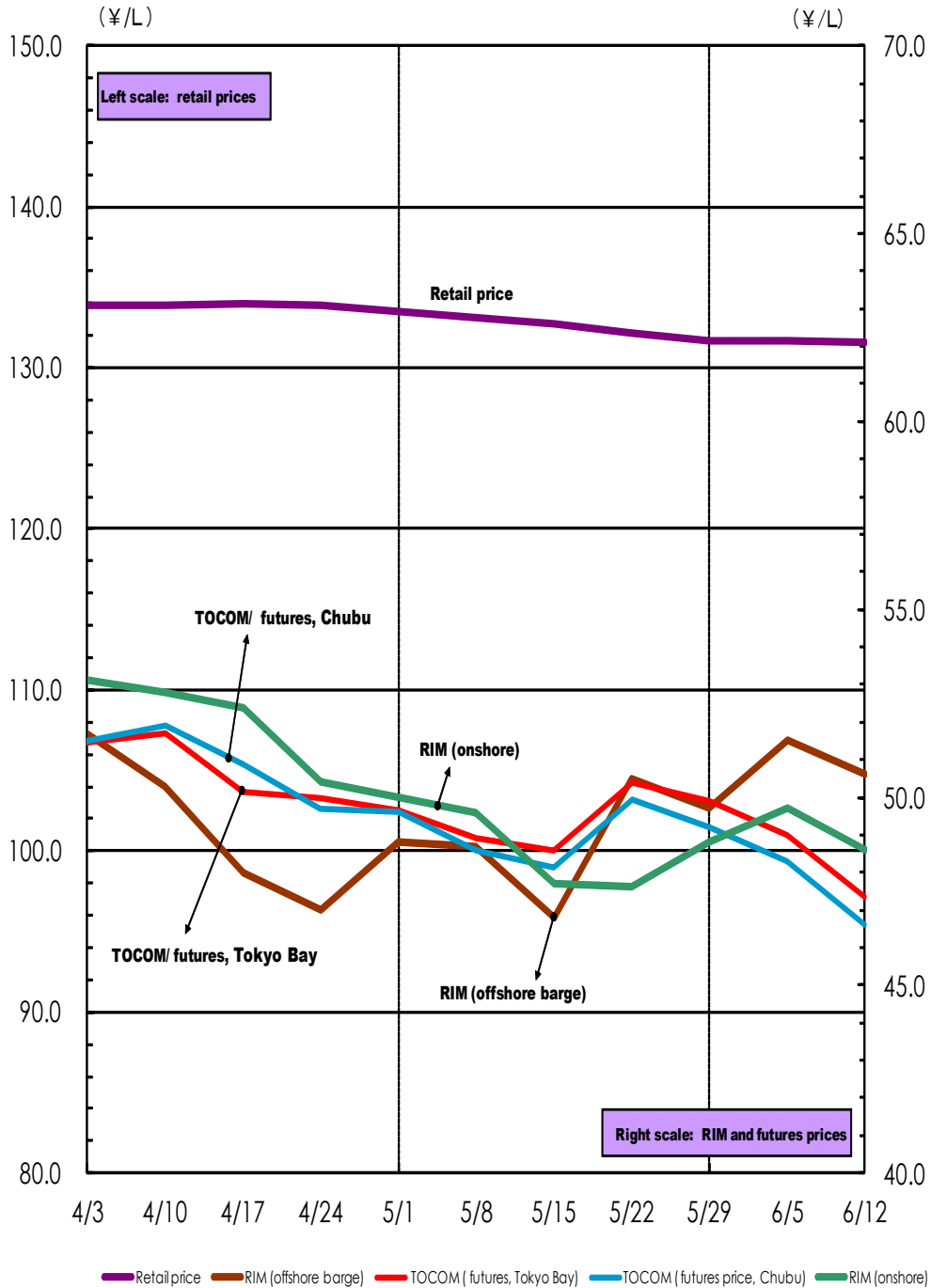
While crude oil cost fell, with Motouri cutting gasoline prices by 1.0 yen/l or 1.5 yen/l, the average retail gasoline price fell for the first time in two weeks. This week, crude oil cost decreased, as crude oil price drops were combined with the yen's appreciation. Wholesale gasoline prices were cut by 1.0 yen by some Motouri and by 1.5 yen/l by others. Retail gasoline prices are likely to fall next week (as of June 19).

(Published by ANRE)[Weekly trend]		(Unit: yen/l)			
		This week (6/12)	Previous week (6/5)	From a week earlier	Latest high
Retail Price	Regular	131.6	131.7	▼ -0.1	08/8/4 185.1
	Kerosene	76.7	76.8	▼ -0.1	08/8/11 132.1
	Diesel oil	110.6	110.8	▼ -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

(2017/4/3 ~ 2017/6/12)



(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 (<http://eneken.ieej.or.jp/en/>).
The next issue (No. 11 for 2017) will be announced at 14:00 on June 30.

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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).