

Oil Market Review in Japan No. 12/2017

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Overview

The key WTI (West Texas Intermediate) crude oil futures contract moved within a weaker range between \$42.53 per barrel and \$44.74/bbl on the NYMEX (New York Mercantile Exchange) in the June 15-21 week.

On June 22, the August contract rallied for the first time in four market days as bargain hunting buying came after the key contract's drop to a 10-month low on the previous day. As concerns about oversupply were lingering on growing U.S. shale oil production as well as an increase in oil production by Libya and Nigeria, exempted from oil producing countries' coordination production cut, however, the rally was limited. The contract closed at \$42.74/bbl, up \$0.21/bbl. On June 23, the key contract rose further on position adjustment and bargain hunting buying before the weekend. Buying was encouraged as the Joint Ministerial Monitoring Committee of OPEC (Organization of the Petroleum Exporting Countries) and non-OPEC oil producing countries announced that these countries' production cut compliance rate in May reached the highest ever level of 106%. However, the rise was capped by a Baker Hughes report that the number of operating U.S. oil-drilling rigs increased by 11 from a week earlier to 758 for the 23rd straight weekly rise. The August contract closed at \$43.01/bbl, up \$0.27/bbl.

On June 26, the key contract rose for the third straight market day as a tropical cyclone that emerged in the weekend was feared to affect crude oil shipments from the Gulf of Mexico and the dollar's depreciation against the dollar made crude oil futures prices relatively lower. The August contract closed \$0.37/bbl higher at \$43.38/bbl.

On June 27, the key contract went up further as the dollar's depreciation against the euro triggered by European Central Bank Governor Mario Draghi's remark on monetary tightening made oil prices relatively lower. Also encouraging buying was a forecast U.S. crude oil inventory decline before weekly crude oil inventory reports by the private and government sectors on the day's evening and the next day. The August contract closed \$0.86/bbl higher at \$44.24/bbl.

On June 28, the key contract increased for the fifth straight market day on a faster-than-forecast drop in U.S. gasoline inventories and a weekly crude oil production fall of 100,000 barrels in a weekly EIA (Energy Information Administration) report, although crude oil inventories posted a weekly increase against a market-forecast decrease. The August contract finished at \$44.74/bbl, up 0.50/bbl.

The Asian benchmark crude oil of Dubai for August delivery on the Tokyo market ranged between \$44.50/bbl and \$45.70/bbl in the June 15-21 week, weakening from the previous week. It closed at \$43.50/bbl on June 22, at \$44.00/bbl on June 23, at \$44.70/bbl on June 26, at \$44.80/bbl on June 27 and at \$45.30/bbl on June 28.

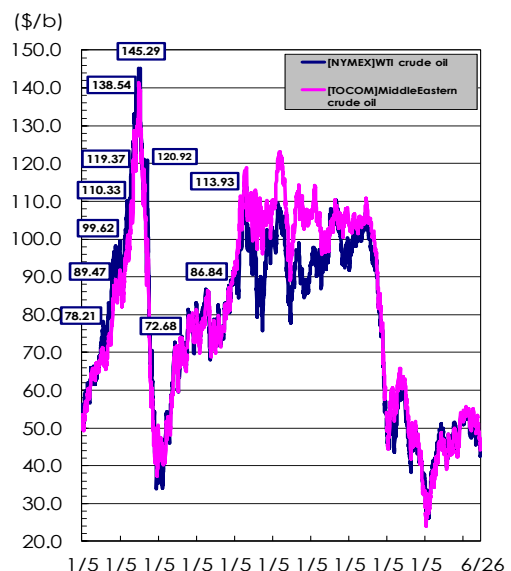
On the foreign exchange market in the June 15-21 week, the dollar moved within a range between 109.72 and 111.77 yen. It changed hands at 111.14 yen in late trading on June 22, at 111.37 yen on June 23, at 111.28 yen on June 26, at 111.95 yen on June 27 and at 112.08 yen on June 28.

According to preliminary 10-day trade statistics released by the Ministry of Finance on June 29, the average crude oil import CIF price in the June 1-10 period stood at 36,733 yen/kl (kiloliter), down 1,205 yen/kl from the previous 10-day period. In dollars, the price was \$52.25/bbl, down \$1.04/bbl. The average exchange rate was 111.77 yen to the dollar.

Wholesale prices of gasoline that major Motouri (petroleum products wholesalers) applied to the first week of July were lowered by 0.5 yen/l (liter) by some Motouri and left unchanged by others. Wholesale prices of middle distillates were cut by 0.5 yen/l by some and by 1.0 yen/l by others. Crude oil cost declined as crude oil price drops overwhelmed the effect of the yen's depreciation.

Japan's average retail price on June 26 stood at 130.6 yen/l for gasoline, down 0.4 yen/l from a week earlier, at 109.9 yen/l for diesel oil, down 0.3 yen, and at 76.3 yen/l for kerosene (heating oil), down 0.3 yen/l. The gasoline and diesel prices fell for the third straight week. The kerosene price dropped for the 10th straight week. While crude oil cost declined in the fourth week of June, wholesale prices of petroleum products were lowered by 0.5 yen/l by some Motouri companies and raised by 0.5 yen/l by others.

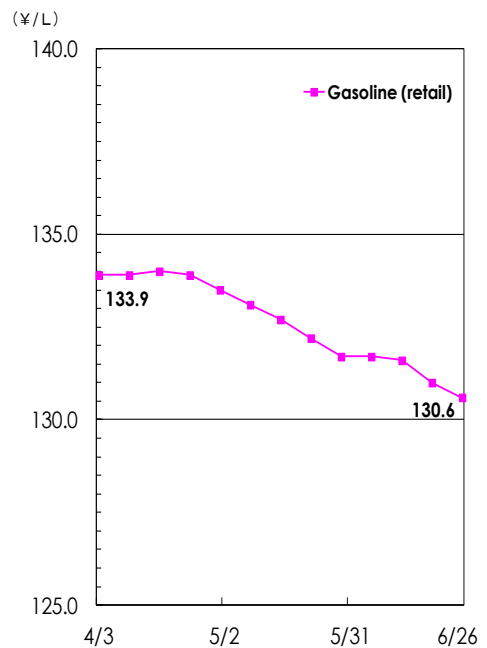
Crude oil			This week		From a week earlier	From a year earlier
Supply/Demand	Crude oil runs (1,000 kl)	6/18 ~ 6/24	3,133	▲ 49	▼ -	-
	Topper capacity utilization rate (%)	"	80.0	▲ 1.2	▲ -	-
	Crude oil inventories (1,000 kl)	6/24	12,095	▼ -1,268	▼ -	-
Prices	Middle Eastern crude oil (TOCOM) (\$/bbl)	6/26	45.28	▼ -0.78	▲ 0.1	-
	WTI crude oil (NYMEX) (\$/bbl)	6/26	43.38	▼ -0.82	▼ -3.0	-
	Crude oil import CIF price (\$/bbl)	Early Jun	52.25	▼ -1.04	▲ 6.97	-
	① Crude oil import CIF price (yen/kl)	"	36,733	▼ -1,205	▲ 5,847	-
	② Yen-dollar exchange rate (yen/dollar)	"	111.77	▲ 1.41	▼ -3.33	-
	TTS exchange rate (yen/dollar)	6/26	112.28	▼ -0.25	▼ -9.10	-



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

Gasoline		This week		From a week earlier	From a year earlier	
Supply/ Demand	Production	6/18 ~ 6/24	956	▲ 29	▲ —	
	Imports	"	n.a.	n.a.	n.a.	
	Shipments	"	938	▼ -27	▼ —	
	Exports	"	60	▲ 6	▲ —	
	Inventories	6/24	1,850	▼ -42	▲ —	
Prices	Gyoten (spot) [4-district average lorry rack price] (RIM)	6/20 ~ 6/26	48.7	▲ 0.5	▲ 5.0	
	Futures [front-month contract/closing price]	(TOCOM/ Tokyo Bay)	6/20 ~ 6/26	45.9	▼ -0.6	▲ 2.2
		(TOCOM/ Chubu)	6/26	46.9	▲ 0.4	▲ 4.9
	Retail prices [weekly trend] (published by ANRE)	6/26	130.6	▼ -0.4	▲ 6.6	

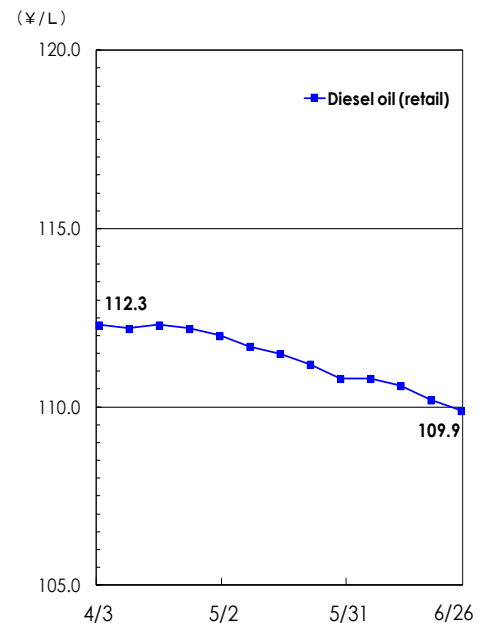
*Gyoten and futures prices are before tax



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

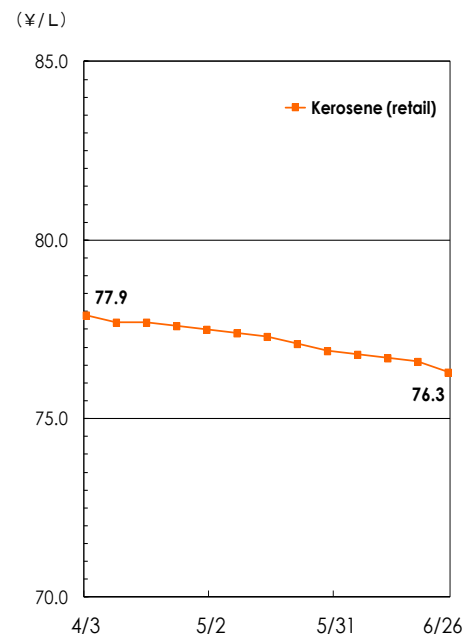
Diesel oil		This week		From a week earlier	From a year earlier	
Supply/ Demand	Production	6/18 ~ 6/24	777	▼ -12	▼ —	
	Imports	"	n.a.	n.a.	n.a.	
	Shipments	"	664	▲ 62	▲ —	
	Exports	"	104	▼ -57	▼ —	
	Inventories	6/24	1,463	▲ 8	▲ —	
Prices	Gyoten (spot) [4-district average lorry rack price] (RIM)	6/20 ~ 6/26	46.8	▼ -0.2	▲ 5.3	
	Futures [front-month contract/closing price]	(TOCOM/ Tokyo Bay)	6/20 ~ 6/26	48.0	▶ 0.0	▲ 7.8
		(TOCOM/ Chubu)	6/26	—	—	—
	Retail prices [weekly trend] (published by ANRE)	6/26	109.9	▼ -0.3	▲ 6.3	

*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	6/18 ~ 6/24	152	▲ 5	▼ —	
	Imports	"	n.a.	n.a.	n.a.	
	Shipments	"	112	▲ 32	▲ —	
	Exports	"	0	▼ -3	▶ —	
	Inventories	6/24	1,520	▲ 40	▼ —	
Prices	Gyoten (spot) [4-district average lorry rack price] (RIM)	6/20 ~ 6/26	45.6	▲ 0.2	▲ 5.1	
	Futures [front-month contract/closing price]	(TOCOM/ Tokyo Bay)	6/20 ~ 6/26	43.9	▼ -0.4	▲ 4.0
		(TOCOM/ Chubu)	6/26	43.8	▼ -0.8	▲ 4.7
	Retail prices [weekly trend] (published by ANRE)	6/26	76.3	▼ -0.3	▲ 12.1	



Relevant Information

1 Overseas crude oil prices

On June 28, the most frequently traded WTI futures contract on the NYMEX extended its winning streak to five days as concerns about oversupply receded on a weekly U.S. gasoline inventory fall of 900,000 barrels against a market-forecast decrease of 600,000 barrels and a weekly crude oil production drop of 100,000 barrels despite a crude oil inventory increase of 100,000 barrels against a market-forecast decrease of 2.5 million barrels in the EIA report. The dollar's depreciation against the euro continued to encourage buybacks by making oil prices relatively lower. The August contract finished \$0.50/bbl higher at \$44.74/bbl. The September contract gained \$0.50/bbl to \$44.99/bbl.

According to the EIA, the average U.S. retail price of gasoline as of June 26 fell by 3.0 cents per gallon from a week earlier to \$2.288/gal (67.8 yen/l). The average diesel oil price fell by 2.4 cents/gal to \$2.465/gal (73.0 yen/l). The gasoline price dropped for the third straight week, while the diesel price fell for the fourth 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 18-24 week came to 549,000 bpd (barrels per day), down 98,000 bpd from the previous week (total capacity stood at 3,519,000 bpd).

Crude oil throughput in the week rose by 49,000 kl from the previous week to 3,133,000 kl. From a year earlier, it decreased by 241,000 kl. The topper capacity utilization rate stood at 80.0%, up 1.2 points from a week earlier and up 0.6 points from a year earlier.

Output increased from the previous week for gasoline and kerosene, while decreasing for other petroleum products.

Output was up 3.1% for gasoline, down 12.2% for jet fuel, up 3.5% for kerosene, down 1.5% for diesel oil, down 6.3% for Fuel Oil A and down 18.8% for Fuel Oil C. Fuel Oil C imports in the week totaled 67,000 kl, up 39,000 kl from the previous week.

Diesel oil exports aggregated 104,000 kl, down 57,000 kl.

Shipments (sales volume) in the week decreased from the previous week only for gasoline and increased for other petroleum products. From a year earlier, shipments decreased for gasoline and Fuel Oil C and increased for other petroleum products. Gasoline shipments increased by 2.8% from the previous week to 938,000 kl. They decreased week on week and year on year for the first time in two weeks, remaining below 1 million kl for four weeks on end.

Shipments totaled 162,000 kl for jet fuel (up 84.6% from the previous week), 112,000 kl for kerosene (up 40.4%),

664,000 kl for diesel oil (up 10.4%), 205,000 kl for Fuel Oil A (up 15.8%) and 200,000 kl for Fuel Oil C (up 2.4%).

(Unit: 1,000 kl)

	This week (6/18 ~ 6/24)	Previous week (6/11 ~ 6/17)	From a week earlier
Gasoline	938	965	▼ -27 (-3%)
Jet fuel	162	88	▲ 74 (84%)
Kerosene (heating Oil)	112	80	▲ 32 (40%)
Diesel oil	664	602	▲ 62 (10%)
Fuel oil A	205	177	▲ 28 (16%)
Fuel Oil C	200	196	▲ 4 (2%)
Total	2,281	2,108	▲ 173 (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 June 24 decreased from a week earlier for gasoline, jet fuel and Fuel Oil A and increased for other petroleum products. From a year earlier, inventories decreased for kerosene and Fuel Oil A and increased for others.

Gasoline inventories totaled 1,850,000 kl, down 42,000 kl from a week earlier and up 17,000 kl from a year earlier.

Kerosene inventories totaled 1,520,000 kl, up 40,000 kl from a week earlier and down 302,000 kl from a year earlier.

Diesel oil inventories totaled 1,463,000 kl, up 8,000 kl from a week earlier and up 25,000 kl from a year earlier.

Fuel Oil A inventories totaled 774,000 kl, down 29,000 kl from a week earlier and down 28,000 kl from a year earlier.

Fuel Oil C inventories totaled 2,119,000 kl, up 49,000 kl from a week earlier and up 157,000 kl from a year earlier.

(Unit: 1,000 kl)

	This week (6/24)	Previous week (6/17)	From a week earlier
Gasoline	1,850	1,892	▼ -42 (-2%)
Jet fuel	1,095	1,148	▼ -53 (-5%)
Kerosene (heating Oil)	1,520	1,480	▲ 40 (3%)
Diesel oil	1,463	1,455	▲ 8 (1%)
Fuel oil A	774	803	▼ -29 (-4%)
Fuel Oil C	2,119	2,070	▲ 49 (2%)
Total	8,821	8,848	▼ -27 (-0.3%)

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

Between June 20 and 26, crude oil cost apparently decreased despite the yen's slight depreciation as crude oil prices dropped.

Onshore cargo spot prices slightly firmed to a 102-103 yen/l range for gasoline, remained almost unchanged in a 46-47 yen/l range for diesel oil and rose slightly to a 45-46 yen/l range for kerosene. Offshore barge spot prices fluctuated within a 103-105 yen/l range for gasoline and firmed to a 47-49 yen/l range for diesel oil and to a 43-45 yen/l range for kerosene. The key futures price ranged between 98 and 101 yen/l for gasoline, slightly up from the previous week, between 48 and 49 yen/l for diesel oil, unchanged, and between 43 and 45 yen/l for kerosene, slightly up. Wholesale gasoline, kerosene and diesel oil prices were cut by 0.5 yen/l by some Motouri companies and raised by 0.5 yen/l by others.

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

While crude oil cost decreased slightly, onshore cargo spot prices for gasoline and kerosene and offshore barge spot prices for diesel oil increased. Diesel oil futures prices remained unchanged. Other prices declined. Generally, spot petroleum products prices went down. Weekly gasoline sales volume fell from a year earlier for the first time in two weeks, remaining below 1 million kl for four weeks on end.

The latest onshore cargo spot price (the average onshore rack price for four districts -- Chiba, Kawasaki, Chukyo and Hanshin -- for June 20-26) that influences Motouri's wholesale prices applied to the first week of July (June 29-July 5) rose by 0.5 yen/l for gasoline, fell by 0.2 yen/l for diesel oil and increased by 0.2 yen/l for kerosene. The average offshore barge spot price in Tokyo Bay decreased by 0.3 yen/l for gasoline, rose by 0.5 yen/l for diesel oil and fell by 0.6 yen/l for kerosene. The key futures price decreased by 0.6 yen/l for gasoline, leveled off for diesel oil and fell by 0.4 yen/l for kerosene. As crude oil prices dropped, crude oil cost decreased despite the yen's slight depreciation.

Wholesale prices of petroleum products for the first week of July were cut by 0.5 yen/l by some Motouri companies and left unchanged 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 (6/20 ~ 6/26)	Previous week (6/13 ~ 6/19)	From a week earlier
Spot Prices			
Regular	48.7	48.2	▲ 0.5
Kerosene	45.6	45.4	▲ 0.2
Diesel oil	46.8	47.0	▼ -0.2

(TOCOM) [Front-month contract/closing price]		(Unit: yen/l)	
[Average]	This week (6/20 ~ 6/26)	Previous week (6/13 ~ 6/19)	From a week earlier
Futures Price			
Regular	45.9	46.5	▼ -0.6
Kerosene	43.9	44.3	▼ -0.4
Diesel oil	48.0	48.0	➡ 0.0

Above prices are before tax.

Reference (June 20 - June 26 actual data)				(Unit: yen/l)
Products	Spot	Futures	Average	
Gasoline	▲ 0.5	▼ -0.6	▼ -0.1	
Kerosene	▲ 0.2	▼ -0.4	▼ -0.1	
Diesel oil	▼ -0.2	➡ 0.0	▼ -0.1	
Fuel Oil A	▼ -0.4			

(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 26 fell by 0.4 yen/l from a week earlier to 130.6 yen/l for gasoline, by 0.3 yen/l to 109.9 yen/l for diesel oil and by 0.3 yen/l to 76.3 yen/l for kerosene. The gasoline and diesel prices dropped for the third straight week. The kerosene price decreased for the 10th straight week.

Gasoline prices increased in four prefectures, remained unchanged in one and fell in 42. The lowest gasoline price among the prefectures was 123.9 yen/l in Tokushima Prefecture (down 0.5 yen/l from a week earlier). The second lowest was 125.6 yen/l in Shiga (down 1.4 yen/l). The highest price was 139.9 yen/l in Okinawa (down 0.1 yen/l). Posting the largest price hike of 0.2 yen/l were Kagoshima (138.8 yen/l) and Oita (135.8 yen/l). Logging the largest drop of 1.6 yen/l was Kanagawa (127.9 yen/l). The average gasoline price remained unchanged in Kagawa (131.8 yen/l).

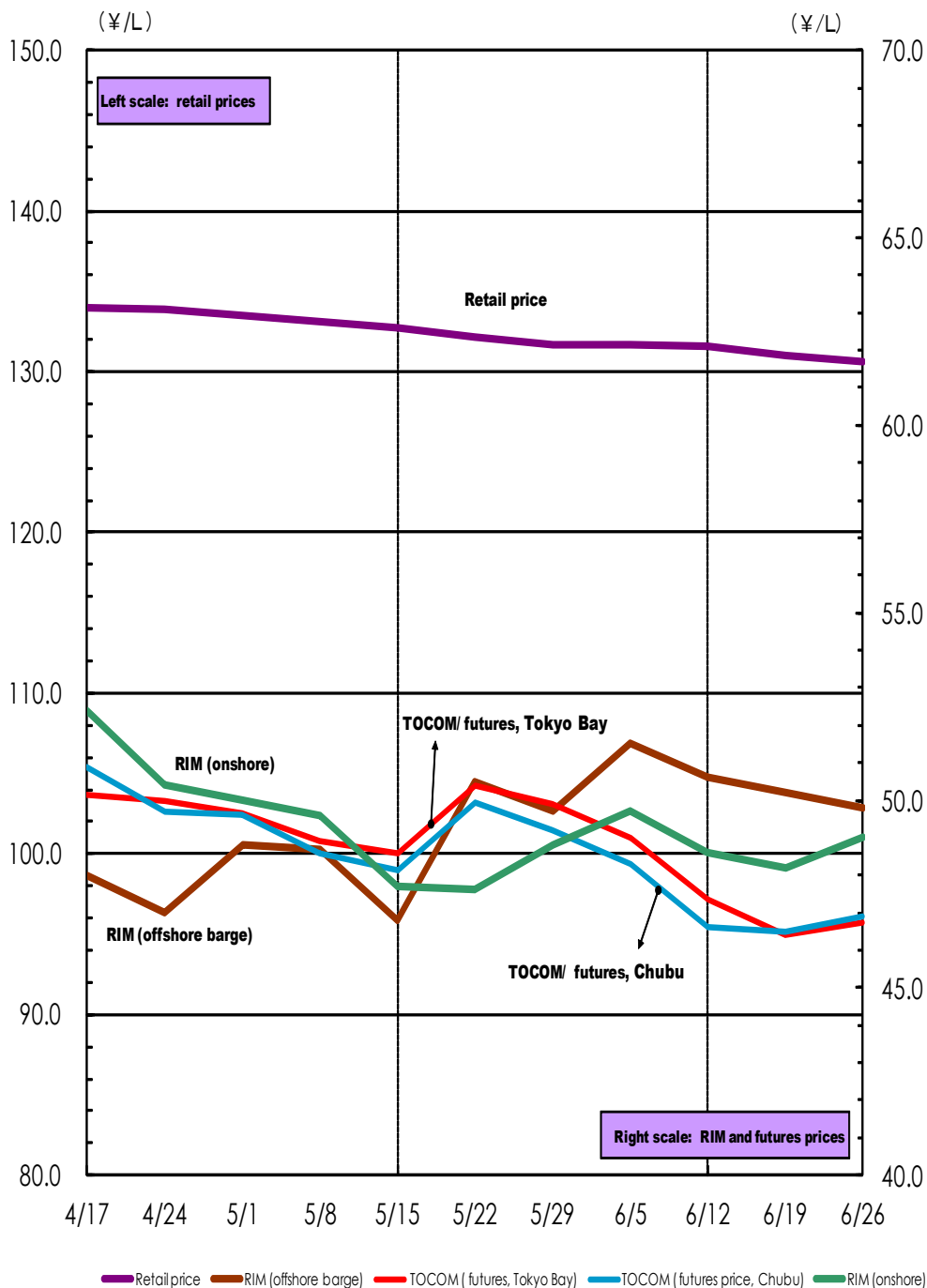
While crude oil cost fell, with Motouri cutting or raising gasoline prices by 0.5 yen/l, the average retail gasoline price fell for the third straight week. This week, crude oil cost decreased despite the yen's slight appreciation as crude oil prices dropped. Wholesale gasoline prices were cut by 0.5 yen by some Motouri and left unchanged by others. Retail gasoline prices are likely to slightly fall next week (as of July 3).

(Published by ANRE)[Weekly trend]		(Unit: yen/l)			
	This week (6/26)	Previous week (6/19)	From a week earlier	Latest high	
Retail Price					
Regular	130.6	131.0	▼ -0.4	08/8/4	185.1
Kerosene	76.3	76.6	▼ -0.3	08/8/11	132.1
Diesel oil	109.9	110.2	▼ -0.3	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

(2017/4/17 ~ 2017/6/26)



(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 (<http://enen.iej.or.jp/en/>).
The next issue (No. 13 for 2017) will be announced at 14:00 on July 14.

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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).