

Oil Market Review in Japan No. 15/2017

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https://eneken.ieej.or.jp/en/weekly_oil/index.php

Overview

The key WTI (West Texas Intermediate) crude oil futures contract on the NYMEX (New York Mercantile Exchange) in the July 6-12 week ranged between \$44.23 per barrel and \$45.52/bbl.

On July 13, the August contract rose for the fourth straight market day, supported by a monthly IEA (International Energy Agency) report's upward revision to oil demand projections for 2017 and 2018 and a 13.8% year-on-year increase in Chinese crude oil imports in the first half of 2017. The contract closed at \$46.08/bbl, up \$0.59/bbl from the previous day.

On July 14, the key contract extended its winning streak to five market days and hit the highest level since \$47.07 on July 3 as a Shell subsidiary in Nigeria invoked the force majeure clause to suspend crude oil exports, with the dollar's depreciation against the euro making crude oil future prices relatively lower. Although Baker Hughes reported that the number of operating U.S. oil-drilling rigs rose by two from a week earlier to 765 for the second straight weekly increase, the rise substantially decelerated. The August contract closed at \$46.54/bbl, up \$0.46/bbl.

On July 17, the key contract turned down as profit taking and position adjustment selling dominated in reaction to a five-day winning streak. Before the Organization of the Petroleum Exporting Countries and non-OPEC oil producing countries held a meeting of their Joint Ministerial Monitoring Committee on July 24, the future of their coordinated production cut grew uncertain, discouraging buying on the crude oil futures market. The August contract closed \$0.52/bbl lower at \$46.02/bbl.

On July 18, the key contract rebounded as buying grew dominant on the dollar's depreciation against the euro, triggered by a low popularity rating for U.S. President Donald Trump in a poll. The rebound was restricted by an EIA (Energy Information Administration) report that U.S. shale oil production increased for the eighth straight month. The August contract closed \$0.38/bbl higher at \$46.40/bbl.

On July 19, the key contract rose further to a 1.5-month high as the EIA reported that U.S. crude oil and gasoline inventories declined from a week earlier faster than forecast in the market. The August contract closed \$0.72/bbl higher at \$47.12/bbl.

The Asian benchmark crude oil of Dubai for August delivery on the Tokyo market ranged between \$45.60/bbl and \$47.00/bbl in the July 6-12 week. It closed at \$46.20/bbl on July 13, at \$47.10/bbl on July 14, at \$47.00/bbl on July 18 and at \$47.30/bbl on July 19.

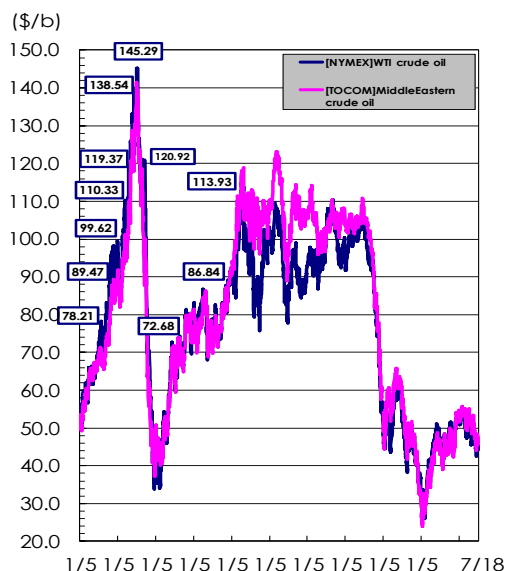
On the foreign exchange market in the July 6-12 week, the dollar moved within a slightly firmer range between 113.04 and 114.22 yen. It changed hands at 113.26 yen in late trading on July 13, at 113.53 yen on July 14, at 112.43 yen on July 18 and at 111.98 yen on July 19.

According to preliminary 10-day trade statistics released by the Ministry of Finance on July 20, the average crude oil import CIF price in the June 21-30 period stood at 35,907 yen/kl (kiloliter), down 879 yen/kl from the previous 10-day period. In dollars, the price was \$51.84/bbl, down \$0.93/bbl. The average exchange rate was 110.13 yen to the dollar. According to preliminary monthly trade statistics released by the ministry on the same day, the average crude oil import CIF price in June came to 36,412 yen/kl, down 1,348 yen/kl from the previous month. In dollars, the price was \$52.21/bbl, down \$1.62/bbl. The average exchange rate was 110.88 yen to the dollar.

Wholesale prices of gasoline and middle distillates that major Motouri (petroleum products wholesalers) applied to the fourth week of July were left unchanged. Crude oil cost fell slightly despite the yen's depreciation.

Japan's average retail price on July 18 stood at 130.9 yen/l for gasoline, up 0.5 yen/l from a week earlier, at 110.0 yen/l for diesel oil, up 0.3 yen/l, and at 76.2 yen/l for kerosene (heating oil), unchanged. The gasoline price rose for the second straight month. The diesel price increased for the first time in 13 weeks. The kerosene price leveled off for the second straight week. While crude oil cost rose in the third week of July, wholesale prices of petroleum products were raised by 0.5-1.0 yen/l.

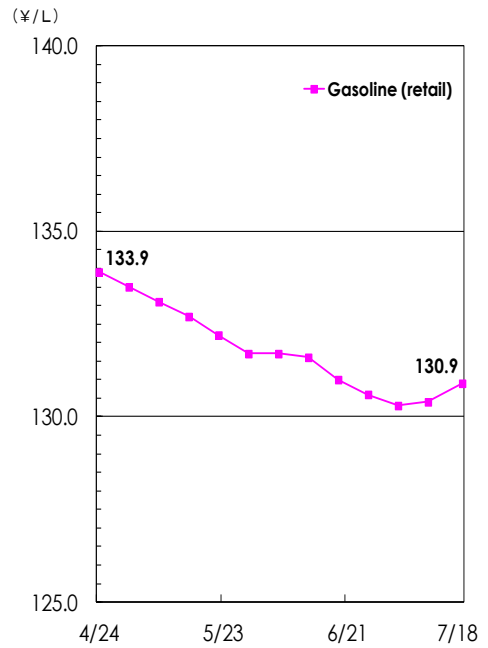
Crude oil			This week	From a week earlier	From a year earlier
Supply/Demand	Crude oil runs (1,000 kl)	7/9 ~ 7/15	3,461	▲ 59	▼ -
	Topper capacity utilization rate (%)	"	88.4	▲ 1.5	▲ -
	Crude oil inventories (1,000 kl)	7/15	13,533	▼ -166	▼ -
Prices	Middle Eastern crude oil (TOCOM) (\$/bbl)	7/18	47.25	▲ 1.47	▲ 3.8
	WTI crude oil (NYMEX) (\$/bbl)	7/17	46.02	▲ 1.62	▲ 0.8
	Crude oil import CIF price (\$/bbl)	Late Jun	51.84	▼ -0.93	▲ 6.56
	① Crude oil import CIF price (yen/kl)	"	35,907	▼ -879	▲ 5,021
	② Yen-dollar exchange rate (yen/dollar)	"	110.13	▲ 0.69	▼ -1.69
	TTS exchange rate (yen/dollar)	7/18	113.43	▲ 1.74	▼ -6.45



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

Gasoline		This week		From a week earlier	From a year earlier	
Supply/ Demand	Production	7/9 ~ 7/15	1,037	▲ 67	▼ -	
	Imports	"	n.a.	n.a.	n.a.	
	Shipments	"	981	▼ -7	▼ -	
	Exports	"	100	▲ 69	▲ -	
	Inventories	7/15	1,728	▼ -44	▲ -	
Prices	Gyoten (spot) [4-district average lorry rack price] (RIM)	7/11 ~ 7/14	50.0	▼ -0.1	▲ 10.9	
	Futures [front-month contract/closing price]	(TOCOM/ Tokyo Bay)	7/11 ~ 7/14	50.0	▲ 0.6	▲ 9.1
		(TOCOM/ Chubu)	7/14	50.4	▲ 1.5	▲ 9.9
	Retail prices [weekly trend] (published by ANRE)	7/18	130.9	▲ 0.5	▲ 8.2	

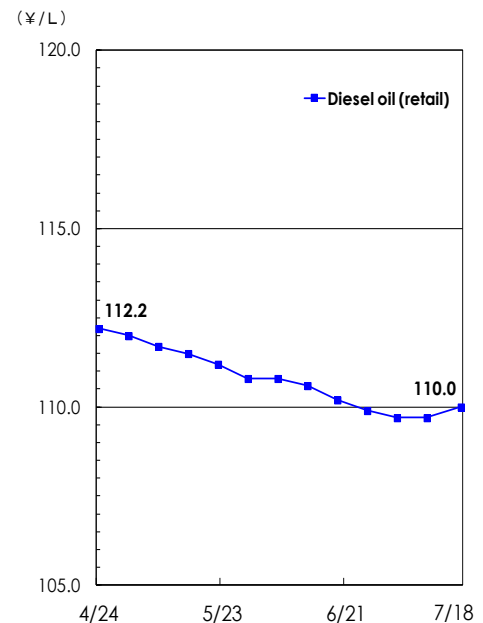
*Gyoten and futures prices are before tax



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

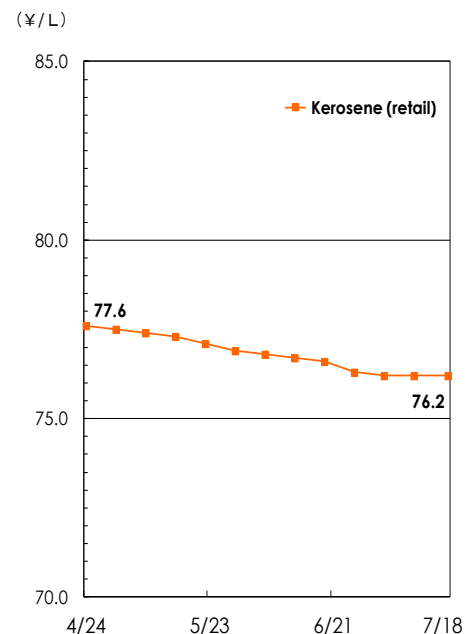
Diesel oil		This week		From a week earlier	From a year earlier	
Supply/ Demand	Production	7/9 ~ 7/15	864	▼ -5	▲ -	
	Imports	"	n.a.	n.a.	n.a.	
	Shipments	"	726	▲ 12	▲ -	
	Exports	"	207	▲ 59	▲ -	
	Inventories	7/15	1,444	▼ -69	▼ -	
Prices	Gyoten (spot) [4-district average lorry rack price] (RIM)	7/11 ~ 7/14	48.2	▼ -0.1	▲ 8.9	
	Futures [front-month contract/closing price]	(TOCOM/ Tokyo Bay)	7/11 ~ 7/14	48.0	➡ 0.0	▲ 9.5
		(TOCOM/ Chubu)	7/14	-	-	-
	Retail prices [weekly trend] (published by ANRE)	7/18	110.0	▲ 0.3	▲ 7.3	

*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	7/9 ~ 7/15	138	▼ -4	▼ -	
	Imports	"	n.a.	n.a.	n.a.	
	Shipments	"	72	▼ -17	▼ -	
	Exports	"	3	▲ 3	▲ -	
	Inventories	7/15	1,669	▲ 63	▼ -	
Prices	Gyoten (spot) [4-district average lorry rack price] (RIM)	7/11 ~ 7/14	47.4	▼ -0.1	▲ 9.7	
	Futures [front-month contract/closing price]	(TOCOM/ Tokyo Bay)	7/11 ~ 7/14	48.2	▲ 0.9	▲ 10.3
		(TOCOM/ Chubu)	7/14	48.0	▲ 0.7	▲ 9.8
	Retail prices [weekly trend] (published by ANRE)	7/18	76.2	➡ 0.0	▲ 12.1	



Relevant Information

1 Overseas crude oil prices

On July 19, the most frequently traded WTI futures contract on the NYMEX rose further as the EIA reported that U.S. crude oil and gasoline inventories declined from a week earlier faster than forecast in the market. Crude oil inventories logged a decline of 4.7 million barrels against a market-forecast fall of 3.2 million barrels. Gasoline inventories posted a drop of 4.4 million barrels against a market-forecast decrease of 700,000 barrels. However, the dollar's appreciation made crude oil futures prices relatively higher, restricting the rise. The August contract posted a rise of \$0.72/bbl to \$47.12/bbl, the highest since June 6. The September contract gained \$0.73/bbl to \$47.32/bbl.

According to the EIA, the average U.S. retail price of gasoline as of July 17 fell by 1.9 cents per gallon from a week earlier to \$2.278/gal (68.8 yen/l). The average diesel oil price rose by 1.0 cents/gal to \$2.491/gal (75.3 yen/l). The gasoline price fell for the first time in two weeks, while the diesel price increased for the third 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 July 9-15 week came to 324,000 bpd (barrels per day), down 66,000 bpd from the previous week (total capacity stood at 3,519,000 bpd).

Crude oil throughput in the week rose by 59,000 kl from the previous week to 3,461,000 kl. From a year earlier, it decreased by 34,000 kl. The topper capacity utilization rate stood at 88.4%, up 1.5 points from a week earlier and up 6.1 points from a year earlier.

Output increased from the previous week only for gasoline while decreasing for other petroleum products. Output was up 6.9% for gasoline, down 1.7% for jet fuel, down 3.0% for kerosene, down 0.6% for diesel oil, down 5.9% for Fuel Oil A and down 1.3% for Fuel Oil C. Fuel Oil C imports in the week totaled 27,000 kl, up 8,000 kl from the previous week. Diesel oil exports aggregated 207,000 kl, up 59,000 kl.

Shipments (sales volume) in the week decreased from the previous week for gasoline, kerosene and Fuel Oil C and increased for other petroleum products. From a year earlier, shipments also decreased for gasoline, kerosene and Fuel Oil C and increased for others. Gasoline shipments decreased by 0.8% from the previous week to 981,000 kl. They decreased week on week for the first time in two weeks and fell year on year for the fourth straight week, remaining below 1 million kl for seven weeks on end.

Shipments totaled 108,000 kl for jet fuel (up 106.2% from the previous week), 72,000 kl for kerosene (down 18.5%), 726,000 kl for diesel oil (up 1.7%), 207,000 kl for Fuel Oil A (up 6.7%) and 231,000 kl for Fuel Oil C (down 9.8%).

(Unit: 1,000 kl)

	This week (7/9 ~ 7/15)	Previous week (7/2 ~ 7/8)	From a week earlier
Gasoline	981	988	▼ -7 (-1%)
Jet fuel	108	52	▲ 56 (108%)
Kerosene (heating Oil)	72	89	▼ -17 (-19%)
Diesel oil	726	714	▲ 12 (2%)
Fuel oil A	207	194	▲ 13 (7%)
Fuel Oil C	231	256	▼ -25 (-10%)
Total	2,325	2,293	▲ 32 (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 July 15 decreased from a week earlier for gasoline and diesel oil and increased for other petroleum products. From a year earlier, inventories decreased for kerosene and diesel oil and increased for others.

Gasoline inventories totaled 1,728,000 kl, down 44,000 kl from a week earlier and up 14,000 kl from a year earlier.

Kerosene inventories totaled 1,669,000 kl, up 63,000 kl from a week earlier and down 337,000 kl from a year earlier.

Diesel oil inventories totaled 1,444,000 kl, down 69,000 kl from a week earlier and down 61,000 kl from a year earlier.

Fuel Oil A inventories totaled 802,000 kl, up 6,000 kl from a week earlier and up 44,000 kl from a year earlier.

Fuel Oil C inventories totaled 2,131,000 kl, up 24,000 kl from a week earlier and up 258,000 kl from a year earlier.

(Unit: 1,000 kl)

	This week (7/15)	Previous week (7/8)	From a week earlier
Gasoline	1,728	1,772	▼ -44 (-2%)
Jet fuel	1,170	1,109	▲ 61 (6%)
Kerosene (heating Oil)	1,669	1,606	▲ 63 (4%)
Diesel oil	1,444	1,513	▼ -69 (-5%)
Fuel oil A	802	796	▲ 6 (1%)
Fuel Oil C	2,131	2,107	▲ 24 (1%)
Total	8,944	8,903	▲ 41 (0.5%)

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

Between July 11 and 17, crude oil cost apparently decreased despite the yen's slight depreciation as crude oil prices declined.

Onshore cargo spot prices remained almost unchanged in a 103-104 yen/l range for gasoline, in a 48-49 yen/l range for diesel oil and in a 47-48 yen/l range for kerosene.

Offshore barge spot prices fluctuated within a 105-106 yen/l range for gasoline, slightly weakened to a 49-50 yen/l range for diesel oil and slightly firmed to a 47-49 yen/l range for kerosene.

The key futures price firmed to a 103-105 yen/l for gasoline, levelled off within a 48-49 yen/l range for diesel oil and rose to a 47-49 yen/l range for kerosene. Motouri companies left their wholesale petroleum products prices unchanged.

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

While crude oil cost increased, hikes were seen in spot petroleum product prices, other than onshore cargo spot prices for gasoline, diesel oil and kerosene that slightly declined and diesel oil futures that leveled off. Weekly gasoline shipment volume (excluding imports) decreased from a year earlier for the fourth straight week and from a week earlier for the first time in two weeks, remaining below 1 million kl for seven weeks on end.

The latest onshore cargo spot price (the average onshore rack price for four districts -- Chiba, Kawasaki, Chukyo and Hanshin -- for the July 11-17 week) that influences Motouri's wholesale prices applied to the fourth week of July (July 20-26) fell by 0.1 yen/l for gasoline, diesel oil and kerosene. The average offshore barge spot price in Tokyo Bay rose by 0.6 yen/l for gasoline, by 0.7 yen/l for diesel oil and by 0.3 yen/l for kerosene. The key futures price increased by 0.6 yen/l for gasoline, leveled off for diesel oil and rose by 0.9 yen/l for kerosene. As crude oil prices rose, crude oil cost increased despite the yen's slight appreciation.

Motouri companies kept wholesale prices of petroleum products unchanged for the fourth week of July. They 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 (7/11 ~ 7/14)	Previous week (7/4 ~ 7/10)	From a week earlier
Spot Prices	Regular	50.0	50.1	▼ -0.1
	Kerosene	47.4	47.5	▼ -0.1
	Diesel oil	48.2	48.3	▼ -0.1

(TOCOM) [Front-month contract/closing price]		(Unit: yen/l)		
[Average]		This week (7/11 ~ 7/14)	Previous week (7/4 ~ 7/10)	From a week earlier
Futures Price	Regular	50.0	49.4	▲ 0.6
	Kerosene	48.2	47.3	▲ 0.9
	Diesel oil	48.0	48.0	➡ 0.0

Above prices are before tax.

Reference (July 11 - July 14 actual data)				(Unit: yen/l)	
Products	Spot	Futures	Average		
Gasoline	▼ -0.1	▲ 0.6	▲ 0.2		
Kerosene	▼ -0.1	▲ 0.9	▲ 0.4		
Diesel oil	▼ -0.1	➡ 0.0	▼ -0.1		
Fuel Oil A	➡ 0.0				

(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 July 18 increased by 0.5 yen/l from a week earlier to 130.9 yen/l for gasoline and by 0.3 yen/l to 110.0 yen/l for diesel oil and remained unchanged at 76.2 yen/l for kerosene. The gasoline price rose for the second straight week. The diesel oil price increased for the first time in 13 weeks. The kerosene price leveled off for the second straight week.

Gasoline prices increased in 36 prefectures, remained unchanged in four and fell in seven. The lowest gasoline price among the prefectures was 126.9 yen/l in Saitama Prefecture (up 1.0 yen/l from a week earlier). The second lowest was 127.0 yen/l in Shiga (up 1.6 yen/l) and Okayama (up 0.5 yen). The highest price was 140.0 yen/l in Okinawa (unchanged). Posting the largest price hike of 3.0 yen/l was Kanagawa (129.7 yen/l). Logging the largest drop of 0.3 yen/l was Nagasaki (138.5 yen/l). The average gasoline price remained unchanged in Okinawa, Kochi, Hiroshima and Chiba.

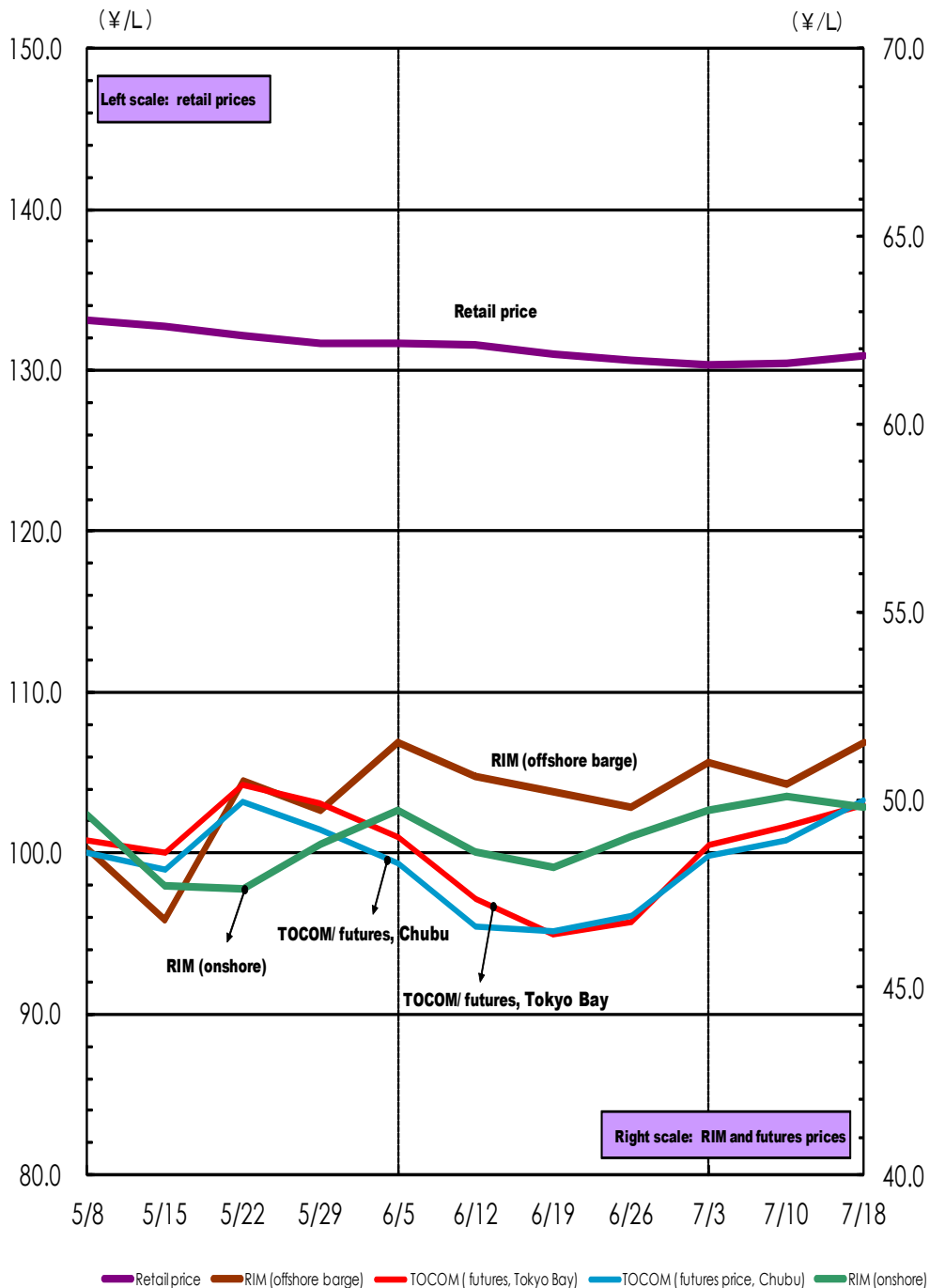
As crude oil cost rose, Motouri companies raised wholesale gasoline prices by 0.5-1.0 yen/l. Retail gasoline prices rose for the second straight week. This week, crude oil cost decreased despite the yen's slight appreciation as crude oil price dropped. Motouri left wholesale gasoline prices unchanged. Retail gasoline prices are likely to slightly rise next week (as of July 24).

(Published by ANRE)[Weekly trend]		(Unit: yen/l)			
		This week (7/18)	Previous week (7/10)	From a week earlier	Latest high
Retail Price	Regular	130.9	130.4	▲ 0.5	08/8/4 185.1
	Kerosene	76.2	76.2	➡ 0.0	08/8/11 132.1
	Diesel oil	110.0	109.7	▲ 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

(2017/5/8 ~ 2017/7/18)



(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. 16 for 2017) will be announced at 14:00 on August 4.

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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).