

Oil Market Review in Japan No. 41/2017

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Overview

The key WTI (West Texas Intermediate) crude oil futures contract on the NYMEX (New York Mercantile Exchange) in the January 18-24 week moved within a firmer range between \$63.37 per barrel and \$65.61/bbl.

On January 25, buying outpaced selling on expectations of a supply-demand equilibrium and the dollar's depreciation induced by U.S. Treasury Secretary Steven Mnuchin's remark tolerating the dollar's weakness on the previous day, before the March contract turned down for the first time in four trading days on profit taking selling and the dollar's upturn that came on U.S. President Donald Trump's remark welcoming a strong dollar and made crude oil futures prices relatively lower. The key contract closed at \$65.51/bbl, down \$0.10/bbl from the previous day.

On January 26, the March contract rebounded as buying came on the dollar's depreciation against the euro and investors' risk appetite under a stock market upsurge. A Baker Hughes report that the number of operating U.S. oil-drilling rigs increased by 12 from a week earlier to 759 had no major impact on the market. The key contract rose by \$0.63/bbl to \$66.14/bbl.

On January 29, the key contract turned down on profit taking selling as well as selling induced by the dollar's appreciation against the euro. The increase in the number of operating U.S. oil-drilling rigs announced on the previous day and expectations of increasing U.S. oil production exerted downward pressure on crude oil futures. The March contract lost \$0.58/bbl to \$65.56/bbl.

On January 30, the key contract fell on profit taking selling after the recent surge while investors' risk-off attitude spread on a U.S. stock market fall. The March contract fell by \$1.06/bbl to \$64.50/bbl.

On January 31, the March contract rallied for the first time in three days on a weekly EIA (Energy Information Administration) report that said gasoline inventories unexpectedly decreased from a week earlier while crude oil inventories increased for the first time in 11 weeks. The key contract rose by \$0.23/bbl to \$64.73/bbl.

The Asian benchmark crude oil of Dubai for March delivery on the Tokyo market moved in a firm range between \$65.80/bbl and \$67.00/bbl in the January 18-24 week. It closed at \$67.90/bbl on January 25, at \$67.40/bbl on January 26, at \$67.60/bbl on January 29, at \$66.20/bbl on January 30 and at \$65.70/bbl on January 31.

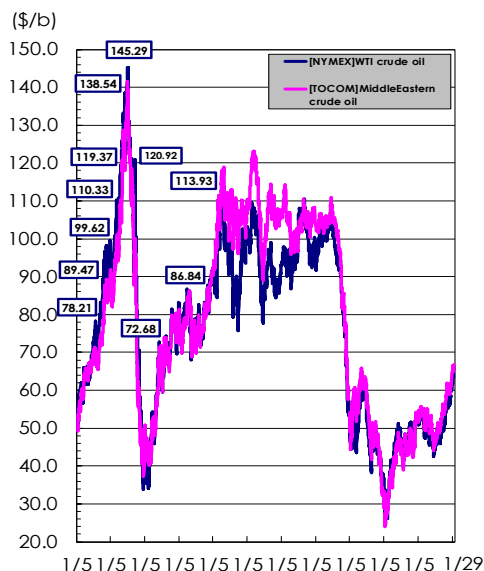
On the foreign exchange market in the January 18-24 week, the dollar moved within a range between 110.28 and 111.33 yen. It changed hands at 109.50 yen in late trading on January 25, at 109.78 yen on January 26, at 108.71 yen on January 29, at 109.05 yen on January 30 and at 108.79 yen on January 31.

According to preliminary 10-day trade statistics released by the Ministry of Finance on January 30, the average crude oil import CIF price in the January 1-10 period stood at 45,046 yen/kl (kiloliter), down 91 yen/kl from the previous 10-day period. In dollars, the price was \$63.33/bbl, down \$0.18/bbl. The average exchange rate was 113.07 yen to the dollar.

Wholesale prices that major Motouri (petroleum products wholesalers) applied to the first week of February were kept unchanged by all Motouri for all petroleum products. Crude oil acquisition cost fell slightly as the yen appreciated against the dollar, with crude oil prices leveling off.

Japan's average retail price on January 29 rose by 0.3 yen/l from a week earlier for gasoline, by 0.3 yen/l for diesel oil and by 0.4 yen/l for kerosene (heating oil). The gasoline price increased for the sixth straight week. The diesel price rose for the 19th straight week. The kerosene price also increased for the 19th consecutive week on an 18-liter tank basis. While crude oil cost fell slightly in the fourth week of January, all Motouri companies kept wholesale prices unchanged for gasoline, diesel oil and kerosene.

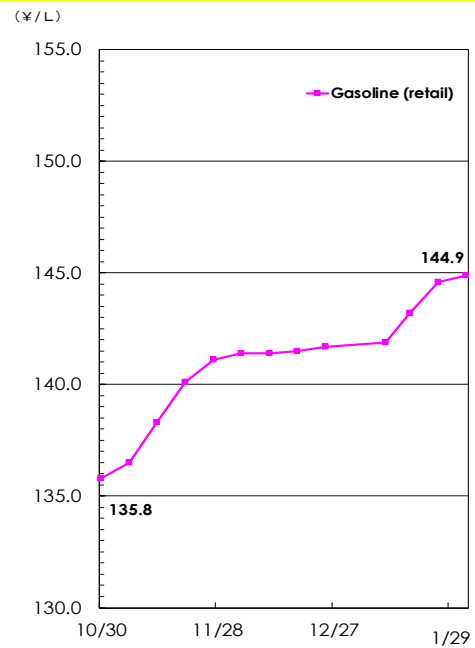
Crude oil			This week	From a week earlier	From a year earlier
Supply/Demand	Crude oil runs (1,000 kl)	1/21 ~ 1/27	3,584	▼ -105	▼ -
	Topper capacity utilization rate (%)	"	91.5	▼ -2.7	▼ -
	Crude oil inventories (1,000 kl)	1/27	13,308	▲ 280	▲ -
Prices	Middle Eastern crude oil (TOCOM) (\$/bbl)	1/29	66.83	▲ 1.22	▲ 13.3
	WTI crude oil (NYMEX) (\$/bbl)	1/29	65.56	▲ 2.07	▲ 12.9
	Crude oil import CIF price (\$/bbl)	Early Jan	63.33	▼ -0.18	▲ 9.97
	① Crude oil import CIF price (yen/kl)	"	45,046	▼ -91	▲ 5,959
	② Yen-dollar exchange rate (yen/dollar)	"	113.07	▼ -0.08	▲ 3.38
	TTS exchange rate (yen/dollar)	1/29	109.71	▲ 2.04	▲ 6.02



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

Gasoline		This week		From a week earlier	From a year earlier	
Supply/ Demand	Production	1/21 ~ 1/27	964	▲ 6	▼ -	
	Imports	"	n.a.	n.a.	n.a.	
	Shipments	"	833	▼ -55	▼ -	
	Exports	"	136	▼ -24	▼ -	
	Inventories	1/27	1,724	▼ -5	▲ -	
Prices	Gyoten (spot) [4-district average lorry rack price] (RIM)	1/23 ~ 1/29	61.9	▼ -0.6	▲ 14.5	
	Futures [front-month contract/closing price]	(TOCOM/ Tokyo Bay)	1/23 ~ 1/29	60.7	▲ 0.1	▲ 11.3
		(TOCOM/ Chubu)	1/29	61.0	▼ -1.0	▲ 12.0
	Retail prices [weekly trend] (published by ANRE)	1/29	144.9	▲ 0.3	▲ 13.9	

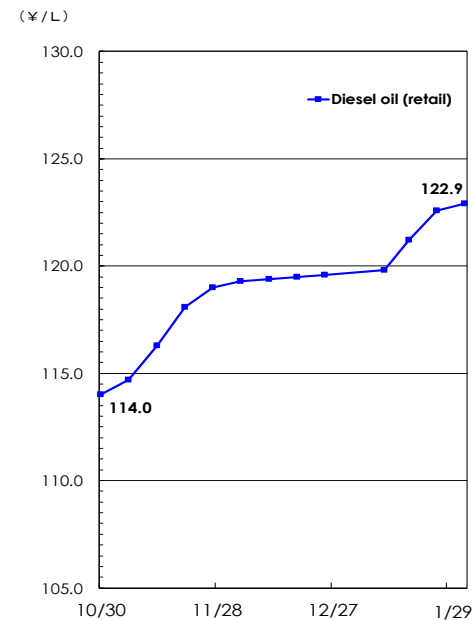
*Gyoten and futures prices are before tax



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

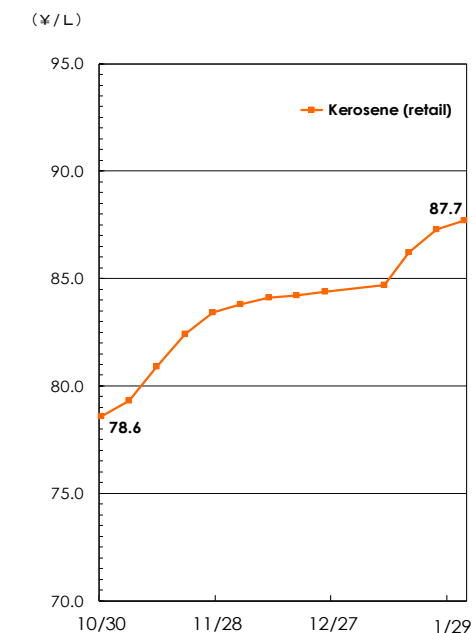
Diesel oil		This week		From a week earlier	From a year earlier	
Supply/ Demand	Production	1/21 ~ 1/27	745	▼ -101	▼ -	
	Imports	"	n.a.	n.a.	n.a.	
	Shipments	"	648	▲ 3	▼ -	
	Exports	"	55	▼ -239	▼ -	
	Inventories	1/27	1,692	▲ 42	▲ -	
Prices	Gyoten (spot) [4-district average lorry rack price] (RIM)	1/23 ~ 1/29	62.2	▼ -0.2	▲ 13.8	
	Futures [front-month contract/closing price]	(TOCOM/ Tokyo Bay)	1/23 ~ 1/29	60.0	▶ 0.0	▲ 14.0
		(TOCOM/ Chubu)	1/29	-	-	-
	Retail prices [weekly trend] (published by ANRE)	1/29	122.9	▲ 0.3	▲ 12.5	

*Gyoten and futures prices are before tax



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

Kerosene		This week		From a week earlier	From a year earlier	
Supply/ Demand	Production	1/21 ~ 1/27	372	▼ -87	▼ -	
	Imports	"	n.a.	n.a.	n.a.	
	Shipments	"	577	▲ 7	▼ -	
	Exports	"	0	▶ 0	▼ -	
	Inventories	1/27	1,693	▼ -205	▼ -	
Prices	Gyoten (spot) [4-district average lorry rack price] (RIM)	1/23 ~ 1/29	64.7	▼ -0.1	▲ 12.5	
	Futures [front-month contract/closing price]	(TOCOM/ Tokyo Bay)	1/23 ~ 1/29	64.9	▲ 0.5	▲ 15.1
		(TOCOM/ Chubu)	1/29	64.1	▼ -2.4	▲ 15.1
	Retail prices [weekly trend] (published by ANRE)	1/29	87.7	▲ 0.4	▲ 9.6	



Relevant Information

1 Overseas crude oil prices

On January 31, selling outpaced buying in NYMEX oil futures trading as the EIA reported that U.S. crude oil inventories posted an increase of 6.8 million barrels from a week earlier, far faster than a market-forecast rise of 100,000 barrels, for the first expansion in 11 weeks, and that U.S. oil production increased to 9.92 million barrels per day close to the highest level since 1970 when the oil production survey started. However, the most frequently traded WTI crude futures contract turned up later as market players found that gasoline inventories in the EIA report recorded a decline of 2 million barrels against a market-forecast increase of 100,000 barrels and that middle distillate inventories logged a decrease of 1.9 million barrels against a market-forecast drop of 1.5 million barrels. The dollar's depreciation against the euro supported buying. The March contract finished at \$64.73/bbl, up \$0.23/bbl. The April contract rose by \$0.21/bbl to \$64.56/bbl.

According to the EIA, the average U.S. retail price of gasoline as of January 29 rose by 4.0 cents per gallon from a week earlier to \$2.607/gal (75.5 yen/l). The average diesel oil price increased by 4.5 cents/gal to \$3.070/gal (88.9 yen/l). The gasoline price rose for the sixth straight week, while the diesel price increased for the first time in two weeks.

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 in the January 21-27 week stood at 199,000 bpd, up 150,000 bpd from the previous week (total capacity stood at 3,519,000 bpd). Crude oil throughput in the week decreased by 105,000 kl from the previous week to 3,584,000 kl. From a year earlier, it decreased by 295,000 kl. The topper capacity utilization rate stood at 91.5%, down 2.7 points from the previous week and down 0.5 points from a year earlier.

Output increased from the previous week for gasoline and jet fuel while decreasing for other petroleum products. Output was up 0.6% for gasoline, up 51.0% for jet fuel, down 18.9% for kerosene, down 12.0% for diesel oil, down 14.0% for Fuel Oil A and down 27.6% for Fuel Oil C. Fuel Oil C imports in the week totaled 69,000 kl, down 64,000 kl from the previous week. Diesel oil exports aggregated 55,000 kl, down 239,000 kl.

Shipments (excluding imports) in the week increased from the previous week for kerosene and diesel oil and decreased for other petroleum products. From a year earlier, shipments increased only for jet fuel and decreased for others. Gasoline shipments decreased by 6.2% from the previous week to 833,000 kl. They decreased week on week for the first time in two weeks and year on year for the third straight week, remaining below 1 million kl for four weeks on end. Shipments totaled 133,000 kl for jet fuel (down 22.7% from the previous week), 577,000 kl for kerosene (up 1.3%), 648,000 kl for diesel oil (up 0.5%), 279,000

kl for Fuel Oil A (up 11.3%) and 265,000 kl for Fuel Oil C (down 8.8%).

(Unit: 1,000 kl)

	This week (1/21 ~ 1/27)	Previous week (1/14 ~ 1/20)	From a week earlier
Gasoline	833	888	▼ -55 (-6%)
Jet fuel	133	172	▼ -39 (-23%)
Kerosene (heating Oil)	577	570	▲ 7 (1%)
Diesel oil	648	645	▲ 3 (0%)
Fuel oil A	279	315	▼ -36 (-11%)
Fuel Oil C	265	290	▼ -25 (-9%)
Total	2,735	2,880	▼ -145 (-5%)

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 January 27 increased from a week earlier only for diesel oil and decreased for other petroleum products. From a year earlier, inventories increased for gasoline, diesel oil and Fuel Oil C and decreased for others.

Gasoline inventories totaled 1,724,000 kl, down 5,000 kl from a week earlier and up 14,000 kl from a year earlier.

Kerosene inventories totaled 1,693,000 kl, down 205,000 kl from a week earlier and down 105,000 kl from a year earlier.

Diesel oil inventories totaled 1,692,000 kl, up 42,000 kl from a week earlier and up 206,000 kl from a year earlier.

Fuel Oil A inventories totaled 700,000 kl, down 12,000 kl from a week earlier and down 39,000 kl from a year earlier.

Fuel Oil C inventories totaled 1,969,000 kl, down 71,000 kl from a week earlier and up 35,000 kl from a year earlier.

(Unit: 1,000 kl)

	This week (1/27)	Previous week (1/20)	From a week earlier
Gasoline	1,724	1,729	▼ -5 (-0%)
Jet fuel	823	839	▼ -16 (-2%)
Kerosene (heating Oil)	1,693	1,898	▼ -205 (-11%)
Diesel oil	1,692	1,650	▲ 42 (3%)
Fuel oil A	700	712	▼ -12 (-2%)
Fuel Oil C	1,969	2,040	▼ -71 (-3%)
Total	8,601	8,868	▼ -267 (-3.0%)

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

In the January 23-29 week, crude oil cost apparently increased slightly as crude oil price hikes were partially offset by the yen's appreciation against the dollar.

Onshore cargo spot prices between January 23 and 29 fell slightly in a 115-117 yen/l range for gasoline, in a 62-63 yen/l range for diesel oil and in a 64-65 yen/l range for kerosene.

Offshore barge spot prices in the week fell slightly after moving in a 119-121 yen/l range for gasoline, rose slightly in a 64-65 yen/l range for diesel oil and increased sharply in a 67-70 yen/l range for kerosene.

The key futures price in the week fell slightly in a 114-115 yen/l range for gasoline, leveled off in a 60-61 yen/l range for diesel oil and soared in a 64-66 yen/l range for kerosene.

All Motouri companies left their wholesale prices unchanged for gasoline, diesel oil and kerosene.

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

Among spot petroleum product prices, onshore cargo spot prices declined while offshore barge spot prices increased. Futures prices almost leveled off.

The latest onshore cargo spot price (the average onshore rack price for four districts -- Chiba, Kawasaki, Chukyo and Hanshin -- for the January 23-29 week) that influences Motouri's wholesale prices applied to the first week of February (February 1-7) fell by 0.6 yen/l from the previous week for gasoline, by 0.1 yen for kerosene and by 0.2 yen/l for diesel oil. The average offshore barge spot price in Tokyo Bay increased by 0.7 yen/l for gasoline, by 1.1 yen/l for kerosene and by 0.7 yen/l for diesel oil. The key futures price rose by 0.1 yen/l for gasoline and by 0.5 yen/l for kerosene and leveled off for diesel oil. Crude oil cost increased slightly as the yen's appreciation against the dollar partially offset crude oil price hikes.

For the first week of February, all Motouri companies left their wholesale prices unchanged for gasoline, diesel oil and kerosene. Motouri 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 cost since June 2014.

(RIM) [4-district average lorry rack price]		(Unit: yen/l)		
		This week (1/23 ~ 1/29)	Previous week (1/16 ~ 1/22)	From a week earlier
Spot Prices	Regular	61.9	62.5	▼ -0.6
	Kerosene	64.7	64.8	▼ -0.1
	Diesel oil	62.2	62.4	▼ -0.2

(TOCOM) [Front-month contract/closing price] [Average]		(Unit: yen/l)		
		This week (1/23 ~ 1/29)	Previous week (1/16 ~ 1/22)	From a week earlier
Futures Price	Regular	60.7	60.6	▲ 0.1
	Kerosene	64.9	64.4	▲ 0.5
	Diesel oil	60.0	60.0	➡ 0.0

Above prices are before tax.

Reference (January 23 - January 29 actual data)

		(Unit: yen/l)		
Products	Spot	Futures	Average	
Gasoline	▼ -0.6	▲ 0.1	▼ -0.3	
Kerosene	▼ -0.1	▲ 0.5	▲ 0.2	
Diesel oil	▼ -0.2	➡ 0.0	▼ -0.1	
Fuel Oil A	▼ -0.2			

(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 January 29 rose by 0.3 yen/l from a week earlier to 144.9 yen/l for gasoline, by 0.3 yen/l to 122.9 yen/l for diesel oil and by 0.4 yen/l to 87.7 yen/l for kerosene. The gasoline price increased for the sixth straight week. The diesel price increased for the 19th straight week. The kerosene price also rose for the 19th consecutive week on an 18-liter tank basis. Gasoline prices increased in 37 of Japan's 47 prefectures, remained unchanged in five and decreased in five. The lowest gasoline price among the prefectures was 140.5 yen/l in Saitama Prefecture (up 0.5 yen/l). The second lowest was 140.6 yen/l in Chiba (up 0.2 yen/l). The highest price was 152.2 yen/l in Okinawa (up 0.2 yen/l). Posting the largest price hike of 3.8 yen/l was Kochi (148.0 yen/l).

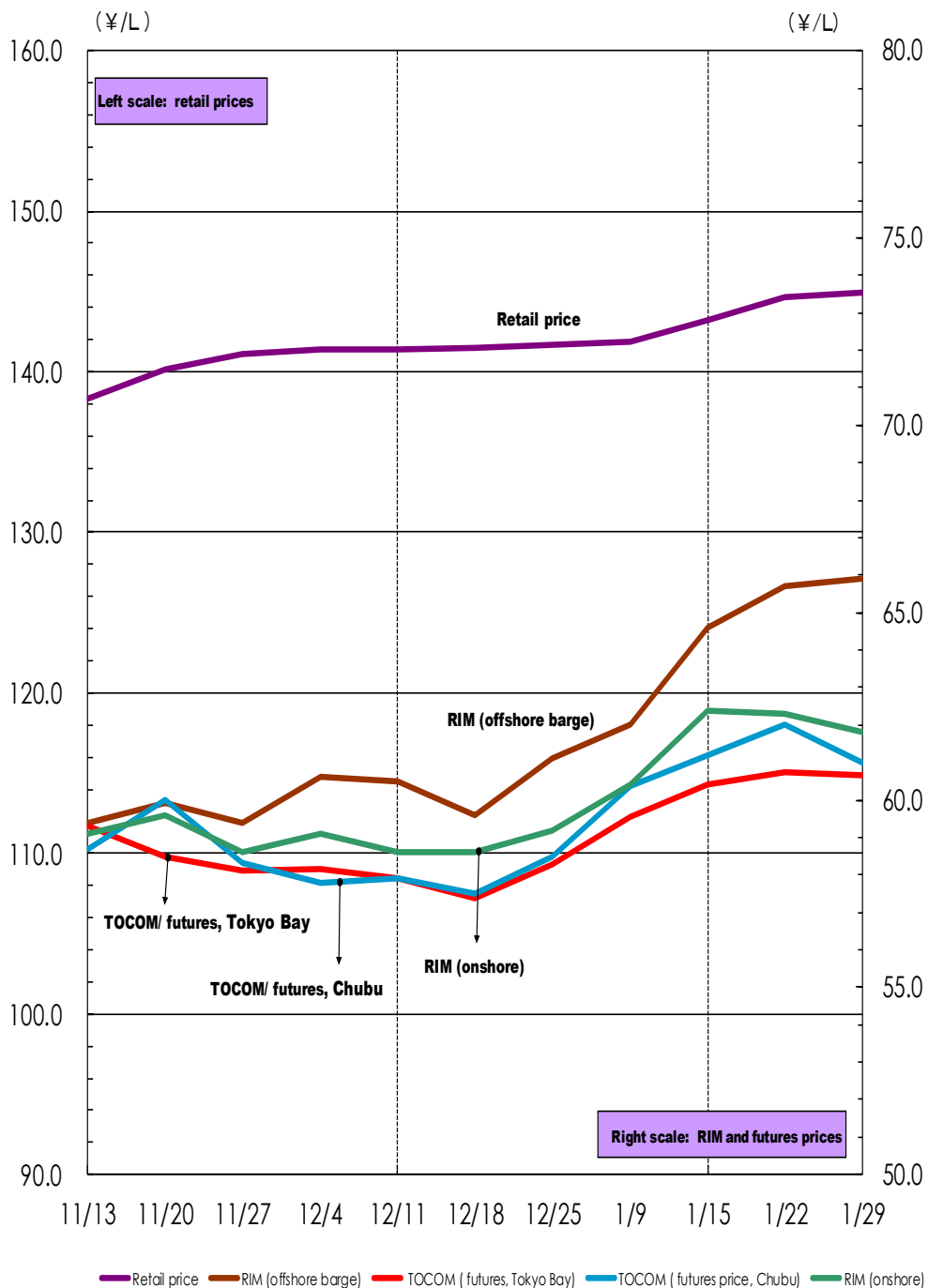
While crude oil cost decreased slightly in the previous week, all Motouri companies left their wholesale prices unchanged for gasoline, diesel oil and kerosene. The average retail gasoline price rose for the sixth straight week. This week, crude oil cost increased slightly as the yen's appreciation against the dollar partially offset crude oil price hikes. Retail gasoline prices are expected to level off next week (as of February 5). Kerosene prices are likely to rise slightly as retailers have yet to pass earlier wholesale price hikes on to retail prices.

(Published by ANRE)[Weekly trend]		(Unit: yen/l)			
		This week (1/29)	Previous week (1/22)	From a week earlier	Latest high
Retail Price	Regular	144.9	144.6	▲ 0.3	08/8/4 185.1
	Kerosene	87.7	87.3	▲ 0.4	08/8/11 132.1
	Diesel oil	122.9	122.6	▲ 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

(2017/11/13 ~ 2018/1/29)



(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.iej.or.jp/en/>).
The next issue (No. 42 for 2017) will be announced at 14:00 on February 16.

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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).