

Oil Market Review in Japan No. 49/2017

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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 NYMEX (New York Mercantile Exchange) in the March 15-21 week moved within a firmer range between \$61.19 per barrel and \$65.17/bbl.

On March 22, the May contract turned down for the first time in three days as profit-taking selling came after its rise above \$65/bbl on the previous day. Supporting selling were concerns about a U.S. stock market crash on the escalating U.S.-China trade friction, as well as the dollar's appreciation that made crude oil futures prices relatively higher. The key contract closed at \$64.30/bbl, down \$0.87/bbl from the previous day.

On March 23, the May contract rebounded on Saudi Arabian Energy Minister Khalid Al-Falih's remark indicating the extension of a coordinated production cut by oil-producing countries, as well as U.S. President Donald Trump's nomination of former U.N. Ambassador John Bolton, a hardliner against Iran, as his national security adviser. A Baker Hughes report that the number of operating U.S. oil-drilling rigs increased by four from a week earlier to a three-year high of 804 had little impact on oil futures trading. The key contract rose by \$1.58/bbl to \$65.88/bbl.

On March 26, the May contract turned down on profit-taking selling after a steep rise on the previous trading day. However, oil futures prices were supported by a media report that Saudi Arabian forces intercepted multiple ballistic missiles fired against Saudi Arabia by Shiite Houthi rebels in Yemen. The key contract lost \$0.33/bbl to \$65.55/bbl.

On March 27, the key contract rose above \$66 in the morning on Saudi Arabian Crown Prince Mohammed bin Salman's remark that OPEC (Organization of the Petroleum Exporting Countries) and Russia were considering extending their coordinated oil production cut, as well as moves to revise the Iran nuclear agreement. Later, however, the May contract turned down on concerns about downside risk, profit-taking selling and the dollar's appreciation that made oil futures prices relatively higher. The key contract fell by \$0.30/bbl to \$65.25/bbl.

On March 28, the key contract dropped for the third straight day as the EIA (Energy Information Administration) in its weekly U.S. oil inventory report said crude oil inventories posted a weekly rise instead of a market-forecast decrease and that U.S. oil production reached a record level. The May contract lost \$0.87/bbl to \$64.38/bbl.

The Asian benchmark crude oil of Dubai for May delivery on the Tokyo market moved in a range between \$61.50/bbl and \$63.10/bbl in the March 15-21 week. It closed at \$65.70/bbl on March 22, at \$65.40/bbl on March 23, at \$66.10/bbl on March 26, at \$65.80/bbl on March 27 and at \$65.10/bbl on March 28.

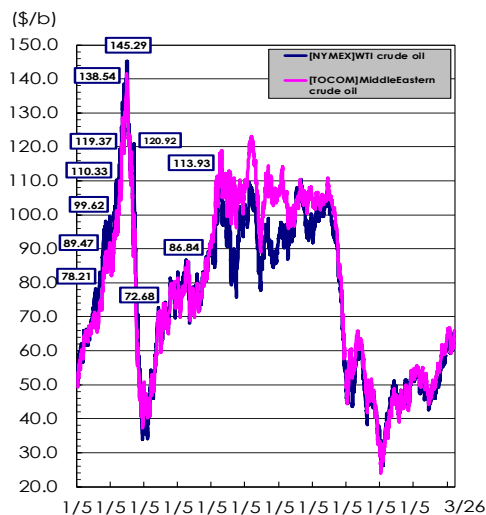
On the foreign exchange market in the March 15-21 week, the dollar moved within a range between 105.93 and 106.28 yen. It changed hands at 105.63 yen in late trading on March 22, at 104.93 yen on March 23, at 105.00 yen on March 26, at 105.59 yen on March 27 and at 105.50 yen on March 28.

According to preliminary 10-day trade statistics released by the Ministry of Finance on March 29, the average crude oil import CIF price in the March 1-10 period stood at 45,513 yen/kl (kiloliter), down 1,453 yen/kl from the previous 10-day period. In dollars, the price was \$67.63/bbl, down \$1.41/bbl. The average exchange rate was 106.99 yen to the dollar.

Wholesale prices that major Motouri (petroleum products wholesalers) applied to the first week of April were raised by 2.0 yen/l for gasoline, increased by 1.5-2.0 yen/l for diesel oil and kept unchanged or raised by 2.0 yen/l for kerosene (heating oil). Crude oil acquisition cost rose although sharp crude oil price hikes were partially offset by the yen's appreciation.

Japan's average retail price on March 26 fell by 0.3 yen/l from a week earlier for gasoline, by 0.3 yen/l for diesel oil and by 3.0 yen/l for kerosene on an 18-liter tank basis. The gasoline price fell for the sixth straight week. The diesel price dropped for the fifth consecutive week. The kerosene price decreased for the second straight week on an 18-liter tank basis. While crude oil cost increased slightly in the fourth week of March, one Motouri company raised its wholesale price by 0.5 yen/l for gasoline and left diesel oil and kerosene prices unchanged. The others kept their prices unchanged for gasoline, diesel oil and kerosene.

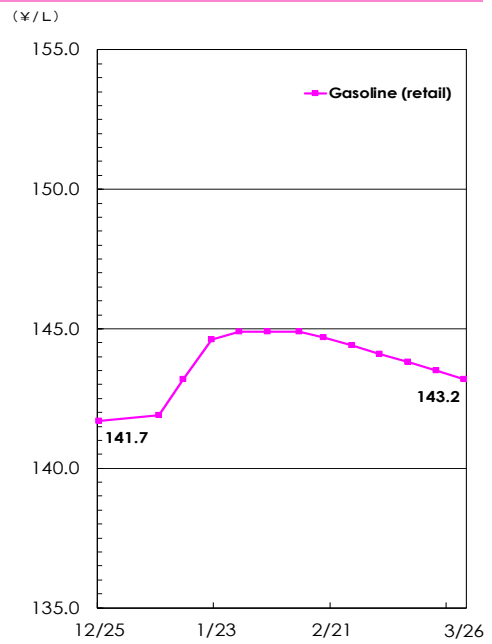
Crude oil			This week	From a week earlier	From a year earlier
Supply/ Demand	Crude oil runs (1,000 kl)	3/18 ~ 3/24	3,610	▼ -48	▼ -
	Topper capacity utilization rate (%)	"	92.2	▼ -1.2	▲ -
	Crude oil inventories (1,000 kl)	3/24	11,825	▼ -665	▼ -
Prices	Middle Eastern crude oil (TOCOM) (\$/bbl)	3/26	66.07	▲ 3.42	▲ 16.9
	WTI crude oil (NYMEX) (\$/bbl)	3/26	65.55	▲ 3.49	▲ 17.8
	Crude oil import CIF price (\$/bbl)	Early Mar	67.63	▼ -1.41	▲ 11.51
	①Crude oil import CIF price (yen/kl)	"	45,513	▼ -1,453	▲ 5,354
	②Yen-dollar exchange rate (yen/dollar)	"	106.99	▲ 1.16	▲ 6.78
	TTS exchange rate (yen/dollar)	3/26	106.00	▲ 0.93	▲ 5.44



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

Gasoline		This week		From a week earlier	From a year earlier	
Supply/ Demand	Production	3/18 ~ 3/24	962	▼ -64	▼ -	
	Imports	"	n.d.	n.d.	n.d.	
	Shipments	"	1,004	▲ 111	▲ -	
	Exports	"	90	▼ -30	▲ -	
	Inventories	3/24	1,580	▼ -132	▼ -	
Prices	Gyoten (spot) [4-district average lorry rack price] (RIM)	3/20 ~ 3/26	57.8	▲ 0.5	▲ 4.5	
	Futures [front-month contract/closing price]	(TOCOM/ Tokyo Bay)	3/20 ~ 3/26	57.2	▲ 2.7	▲ 7.8
		(TOCOM/ Chubu)	3/26	58.5	▲ 1.5	▲ 8.8
	Retail prices [weekly trend] (published by ANRE)	3/26	143.2	▼ -0.3	▲ 9.3	

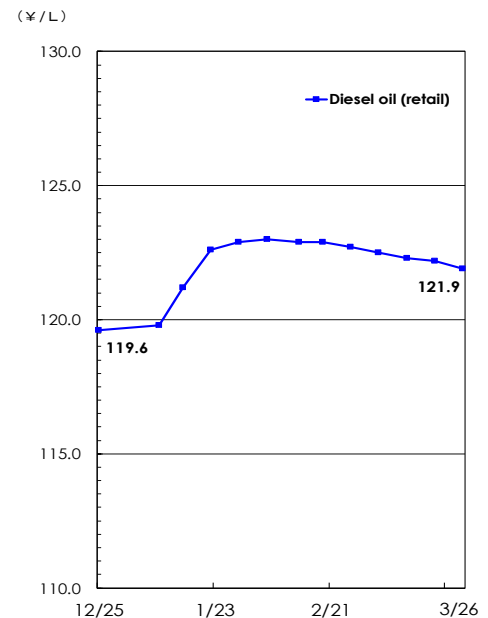
*Gyoten and futures prices are before tax



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

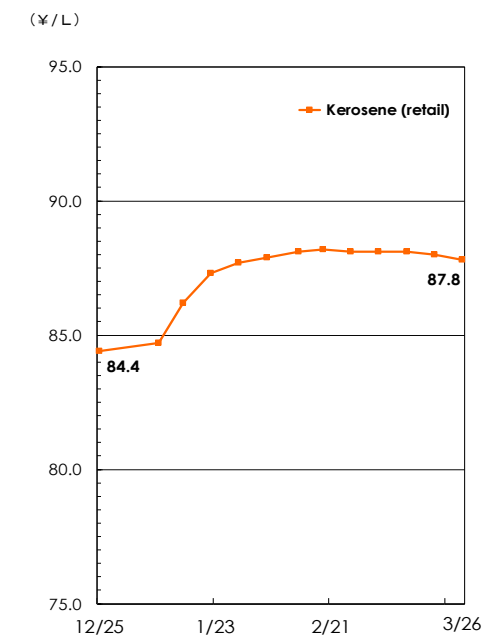
Diesel oil		This week		From a week earlier	From a year earlier	
Supply/ Demand	Production	3/18 ~ 3/24	751	▲ 11	▲ -	
	Imports	"	n.d.	n.d.	n.d.	
	Shipments	"	624	▲ 22	▲ -	
	Exports	"	96	▲ 44	▼ -	
	Inventories	3/24	1,315	▲ 30	▼ -	
Prices	Gyoten (spot) [4-district average lorry rack price] (RIM)	3/20 ~ 3/26	58.8	▼ -0.2	▲ 8.1	
	Futures [front-month contract/closing price]	(TOCOM/ Tokyo Bay)	3/20 ~ 3/26	62.0	➡ 0.0	▲ 16.0
		(TOCOM/ Chubu)	3/26	-	-	-
	Retail prices [weekly trend] (published by ANRE)	3/26	121.9	▼ -0.3	▲ 9.6	

*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	3/18 ~ 3/24	351	▲ 33	▼ -	
	Imports	"	n.d.	n.d.	n.d.	
	Shipments	"	325	▲ 37	▼ -	
	Exports	"	0	➡ 0	➡ -	
	Inventories	3/24	1,397	▲ 25	▲ -	
Prices	Gyoten (spot) [4-district average lorry rack price] (RIM)	3/20 ~ 3/26	61.6	▼ -0.4	▲ 11.9	
	Futures [front-month contract/closing price]	(TOCOM/ Tokyo Bay)	3/20 ~ 3/26	59.4	▼ -0.3	▲ 14.8
		(TOCOM/ Chubu)	3/26	58.5	▼ -1.0	▲ 13.8
	Retail prices [weekly trend] (published by ANRE)	3/26	87.8	▼ -0.2	▲ 9.7	



Relevant Information

1 Overseas crude oil prices

On March 28, the most frequently traded WTI crude futures contract on NYMEX fell for the third straight day as concerns about oil oversupply in the United States grew on the weekly EIA report, which said that U.S. crude oil inventories posted an increase of 1.69 million barrels from a week earlier against a market-forecast decline of 300,000 barrels for the first rise in two weeks and that U.S. crude oil production in the latest week hit a record high of 10.43 million barrels per day. The May contract dropped by \$0.87/bbl to \$64.38/bbl. The June contract fell by \$0.83/bbl to \$64.35/bbl.

According to the EIA, the average U.S. retail price of gasoline as of March 26 rose by 5.0 cents per gallon from a week earlier to \$2.648/gal (74.6 yen/l). The average diesel oil price increased by 3.8 cents/gal to \$3.010/gal (84.7 yen/l). The gasoline price rose for the second straight week, while the diesel price increased for the first time in seven 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 March 18-24 week stood at 65,000 bpd, unchanged from the previous week (total capacity stood at 3,519,000 bpd). Crude oil throughput in the week decreased by 48,000 kl from the previous week to 3,610,000 kl. From a year earlier, it fell by 27,000 kl. The topper capacity utilization rate stood at 92.2%, down 1.2 points from the previous week and up 6.0 points from a year earlier.

Output increased from the previous week for kerosene and diesel oil and decreased for other petroleum products. Output was down 6.2% for gasoline, down 25.3% for jet fuel, up 10.5% for kerosene, up 1.5% for diesel oil, down 14.0% for Fuel Oil A and down 11.1% for Fuel Oil C. Fuel Oil C imports in the week totaled 46,000 kl, up 46,000 kl from the previous week. Diesel oil exports aggregated 96,000 kl, up 44,000 kl.

Shipments (excluding imports) in the week increased from the previous week for gasoline, kerosene and diesel oil and decreased for other petroleum products. From a year earlier, shipments increased for gasoline and diesel oil while decreasing for others. Gasoline shipments increased by 12.4% from the previous week to 1,004,000 kl. They increased week on week for the second straight week and year on year for the first time in two weeks, topping 1 million kl for the first time in 12 weeks. Shipments totaled 29,000 kl for jet fuel (down 144.4% from the previous week), 325,000 kl for kerosene (up 13.0%), 624,000 kl

for diesel oil (up 3.8%), 242,000 kl for Fuel Oil A (down 5.1%) and 178,000 kl for Fuel Oil C (down 37.3%). As import data were unknown, jet fuel shipments (inventories at the end of the week minus inventories at the beginning of the week and the week's production and exports) became negative.

(Unit: 1,000 kl)

	This week (3/18 ~ 3/24)	Previous week (3/11 ~ 3/17)	From a week earlier
Gasoline	1,004	893	▲ 111 (12%)
Jet fuel	-29	66	▼ -95 (-144%)
Kerosene (heating Oil)	325	288	▲ 37 (13%)
Diesel oil	624	602	▲ 22 (4%)
Fuel oil A	242	255	▼ -13 (-5%)
Fuel Oil C	178	285	▼ -107 (-38%)
Total	2,344	2,389	▼ -45 (-2%)

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 March 24 decreased from a week earlier for gasoline, and Fuel Oil A and C and increased for other petroleum products. From a year earlier, inventories rose for jet fuel and kerosene and fell for others.

Gasoline inventories totaled 1,580,000 kl, down 132,000 kl from a week earlier and down 140,000 kl from a year earlier.

Kerosene inventories totaled 1,397,000 kl, up 25,000 kl from a week earlier and up 272,000 kl from a year earlier.

Diesel oil inventories totaled 1,315,000 kl, up 30,000 kl from a week earlier and down 164,000 kl from a year earlier.

Fuel Oil A inventories totaled 697,000 kl, unchanged from a week earlier and down 66,000 kl from a year earlier.

Fuel Oil C inventories totaled 1,856,000 kl, down 8,000 kl from a week earlier and down 134,000 kl from a year earlier.

(Unit: 1,000 kl)

	This week (3/24)	Previous week (3/17)	From a week earlier
Gasoline	1,580	1,712	▼ -132 (-8%)
Jet fuel	989	866	▲ 123 (14%)
Kerosene (heating Oil)	1,397	1,372	▲ 25 (2%)
Diesel oil	1,315	1,285	▲ 30 (2%)
Fuel oil A	697	697	→ 0 (0%)
Fuel Oil C	1,856	1,864	▼ -8 (-0%)
Total	7,834	7,796	▲ 38 (0.5%)

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

In the March 20-26 week, crude oil cost apparently increased although crude oil price hikes were partially offset by the yen's appreciation against the dollar.

Onshore cargo spot prices between March 20 and 26 rose in a 111-112 yen/l range for gasoline and leveled off in a 58-59 yen/l range for diesel oil and in a 61-62 yen/l range for kerosene.

Offshore barge spot prices in the week rose and plunged in a 114-119 yen/l range for gasoline, rose and leveled off in a 60-63 yen/l range for diesel oil, and leveled off and dropped in a 60-62 yen/l range for kerosene.

The key futures price in the week rose sharply in a 109-113 yen/l range for gasoline, leveled off in a 62-63 yen/l range for diesel oil and dropped and rose back slightly in a 58-61 yen/l range for diesel oil.

Motouri companies raised their wholesale prices by 2.0 yen/l for gasoline, by 1.5-2.0 yen/l for diesel oil and by 0.0-2.0 yen for kerosene.

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

Among spot petroleum product prices, onshore cargo spot, offshore barge spot and futures prices for gasoline increased. For kerosene, offshore barge spot prices leveled off, with onshore cargo spot and futures prices falling. For diesel oil, onshore cargo spot prices decreased, offshore barge spot prices increased, and futures prices leveled off.

The latest onshore cargo spot price (the average onshore rack price for four districts -- Chiba, Kawasaki, Chukyo and Hanshin -- for the March 20-26 week) that influences Motouri's wholesale prices applied to the first week of April (March 29-April 4) rose by 0.5 yen/l from the previous week for gasoline and declined by 0.4 yen/l for kerosene and by 0.2 yen/l for diesel oil. The average offshore barge spot price in Tokyo Bay rose by 0.8 yen/l for gasoline, leveled off for kerosene and increased by 1.1 yen/l for diesel oil. The key futures price rose by 2.7 yen/l for gasoline, dropped by 0.3 yen/l for kerosene and leveled off for diesel oil. Crude oil cost increased although the yen's appreciation against the dollar partially offset substantial crude oil price hikes.

For the first week of March, Motouri companies raised their wholesale prices by 2.0 yen/l for gasoline, by 1.5-2.0 yen for diesel oil and by 0.0-2.0 yen for 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.

	(Unit: yen/l)			
	(RIM) [4-district average lorry rack price]	This week (3/20 ~ 3/26)	Previous week (3/13 ~ 3/19)	From a week earlier
Spot Prices				
Regular		57.8	57.3	▲ 0.5
Kerosene		61.6	62.0	▼ -0.4
Diesel oil		58.8	59.0	▼ -0.2

	(Unit: yen/l)			
	(TOCOM) [Front-month contract/closing price] [Average]	This week (3/20 ~ 3/26)	Previous week (3/13 ~ 3/19)	From a week earlier
Futures Price				
Regular		57.2	54.5	▲ 2.7
Kerosene		59.4	59.7	▼ -0.3
Diesel oil		62.0	62.0	➡ 0.0

Above prices are before tax.

Products	Reference (March 20 - March 26 actual data)		
	Spot	Futures	Average
Gasoline	▲ 0.5	▲ 2.7	▲ 1.6
Kerosene	▼ -0.4	▼ -0.3	▼ -0.4
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

Among spot petroleum product prices, onshore cargo spot, offshore barge spot and futures prices for gasoline increased. For kerosene, offshore barge spot prices leveled off, with onshore cargo spot and futures prices falling. For diesel oil, onshore cargo spot prices decreased, offshore barge spot prices increased, and futures prices leveled off.

The latest onshore cargo spot price (the average onshore rack price for four districts -- Chiba, Kawasaki, Chukyo and Hanshin -- for the March 20-26 week) that influences Motouri's wholesale prices applied to the first week of April (March 29-April 4) rose by 0.5 yen/l from the previous week for gasoline and declined by 0.4 yen/l for kerosene and by 0.2 yen/l for diesel oil. The average offshore barge spot price in Tokyo Bay rose by 0.8 yen/l for gasoline, leveled off for kerosene and increased by 1.1 yen/l for diesel oil. The key futures price rose by 2.7 yen/l for gasoline, dropped by 0.3 yen/l for kerosene and leveled off for diesel oil. Crude oil cost increased although the yen's appreciation against the dollar partially offset substantial crude oil price hikes.

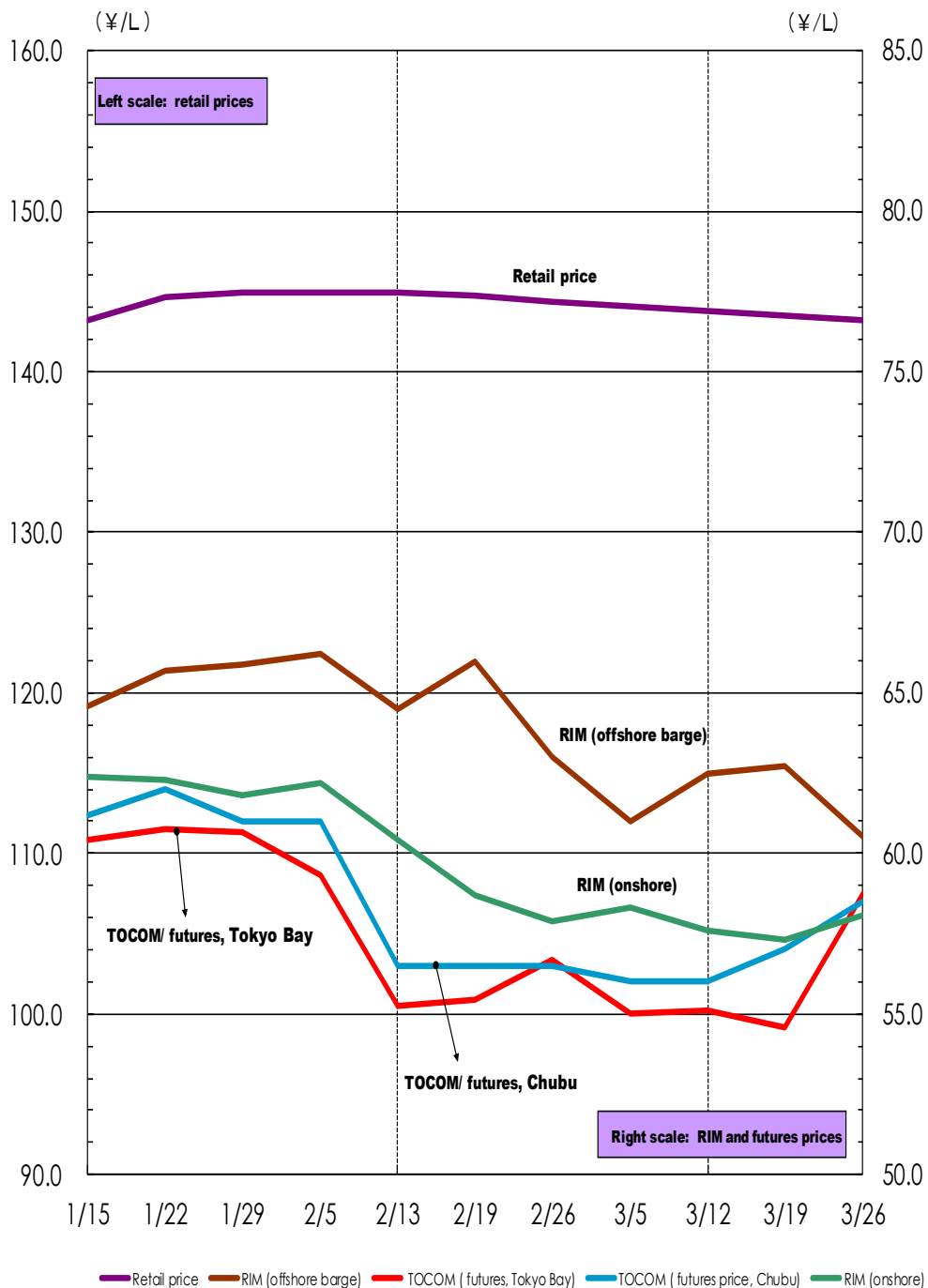
For the first week of March, Motouri companies raised their wholesale prices by 2.0 yen/l for gasoline, by 1.5-2.0 yen for diesel oil and by 0.0-2.0 yen for kerosene. Motouri based wholesale price revisions on crude oil and petroleum products market prices and each other's prices from 2010 and have adopted an approach giving greater priority to crude oil acquisition cost since June 2014.

	(Unit: yen/l)				
	(Published by ANRE)[Weekly trend]	This week (3/26)	Previous week (3/19)	From a week earlier	Latest high
Retail Price					
Regular		143.2	143.5	▼ -0.3	08/8/4 185.1
Kerosene		87.8	88.0	▼ -0.2	08/8/11 132.1
Diesel oil		121.9	122.2	▼ -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

(2018/1/15 ~ 2018/3/26)



(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://eneken.ieej.or.jp/en/>).
The next issue (No. 1 for 2018) will be announced at 14:00 on April 13.

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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).