

Oil Market Review in Japan No. 02/2018

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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 29-April 4 week moved within a firm range between \$63.01 per barrel and \$64.94/bbl.

On April 5, the May contract rallied as concerns over escalating U.S.-China trade disputes decreased on a senior U.S. official's remark indicating that the United States would accept talks with China over the proposed U.S. sanctions for China's intellectual property violation. However, the rise was limited by the dollar's appreciation that made oil futures prices relatively higher. The key contract closed at \$63.54/bbl, up \$0.17/bbl from the previous day.

On April 6, the May contract turned down as U.S. President Donald Trump came up with additional tariffs on Chinese products worth \$100 billion in a manner to prompt market players to become conscious of the escalating U.S.-China trade disputes. Another factor behind the downturn was a Baker Hughes report that the number of operating U.S. oil-drilling rigs increased by eleven from a week earlier to 808 for the first rise in two weeks. The key contract closed at \$62.06/bbl, down \$1.48/bbl from the previous day.

On April 9, the May contract staged a steep rally as U.S. President Trump in a twitter comment indicated China's concessions mitigating concerns over the escalating U.S.-China trade disputes. Contributing to the rally was the dollar's depreciation that made oil futures prices relatively lower. Another factor supporting oil futures was the possibility of U.S. military actions over the Syrian Assad administration's alleged use of chemical weapons. The key contract gained \$1.36/bbl to \$63.42/bbl.

On April 10, the key contract rose substantially as concerns over the escalating U.S.-China trade disputes faded away on Chinese President Xi Jinping's announcement of a plan to correct a bilateral trade imbalance by expanding imports and as the possibility of U.S. attacks on Syria grew further. The May contract rose by \$2.09/bbl to \$65.51/bbl.

On April 11, the key contract rose for the third straight day to a 40-month high on growing tensions involving the Syrian situation and a report that Saudi Arabia intercepted missiles over Riyadh. A weekly EIA (Energy Information Administration) report included a weekly crude oil inventory increase against a market forecast decline but exerted little impact on the market. The May contract gained \$1.31/bbl to \$66.82/bbl, the highest since December 2014.

The Asian benchmark crude oil of Dubai for May delivery on the Tokyo market moved in a range between \$64.70/bbl and \$66.50/bbl in the March 29-April 4 week. It closed at \$65.30/bbl on April 5, at \$65.10/bbl on April 6, at \$64.70/bbl on April 9, at \$66.80/bbl on April 10 and at \$67.60/bbl on April 11.

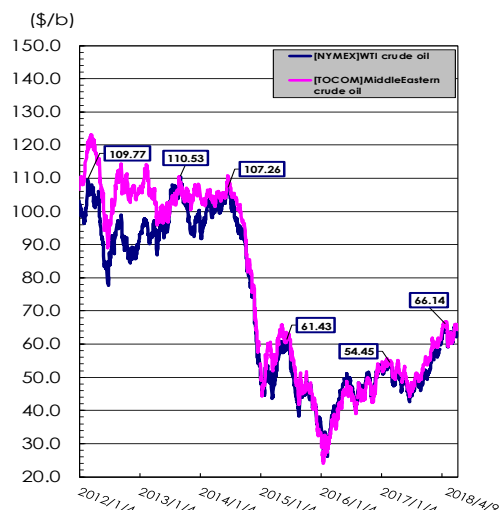
On the foreign exchange market in the March 29-April 4 week, the dollar moved within a range between 105.84 and 106.90 yen. It changed hands at 106.83 yen in late trading on April 5, at 107.22 yen on April 6, at 106.87 yen on April 9, at 106.75 yen on April 10 and at 107.10 yen on April 11.

According to preliminary 10-day trade statistics released by the Ministry of Finance on April 6, the average crude oil import CIF price in the March 11-20 period stood at 44,623 yen/kl (kiloliter), down 890 yen/kl from the previous 10-day period. In dollars, the price was \$66.60/bbl, down \$1.03/bbl. The average exchange rate was 106.53 yen to the dollar.

Wholesale prices that major Motouri (petroleum products wholesalers) applied to the third week of April were left unchanged for gasoline and diesel oil by all Motouri. Kerosene (heating oil) prices were kept unchanged or raised by 0.5-1.0 yen/l. Crude oil acquisition cost fell slightly although crude oil price drops were partially offset by the yen's depreciation.

Japan's average retail price on April 9 rose by 0.2 yen/l from a week earlier for gasoline, by 0.2 yen/l for diesel oil and by 1.0 yen/l for kerosene on an 18-liter tank basis. The gasoline price increased for the first time in 10 weeks. The diesel price rose for the first time in nine weeks. The kerosene price went up for the first time in seven weeks on an 18-liter tank basis. As crude oil cost increased slightly in the second week of April, all Motouri companies raised their wholesale prices by 0.5 yen/l for gasoline and diesel oil and kept their prices unchanged for kerosene.

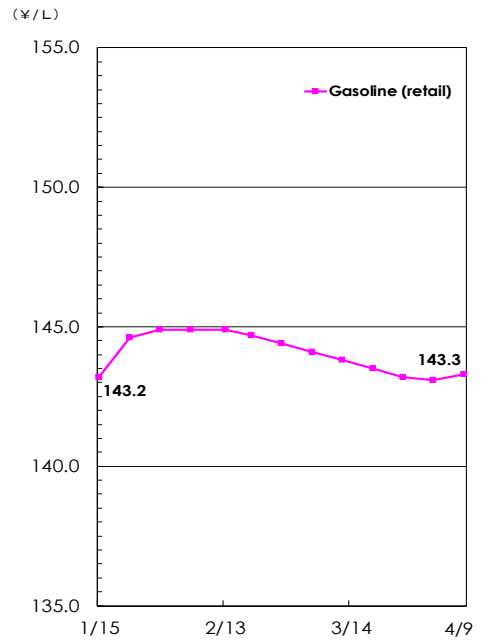
Crude oil			This week	From a week earlier	From a year earlier
Supply/ Demand	Crude oil runs (1,000 kl)	4/1 ~ 4/7	3,677	▲ 17	▲ -
	Topper capacity utilization rate (%)	"	93.9	▲ 0.4	▲ -
	Crude oil inventories (1,000 kl)	4/7	12,076	▼ -548	▼ -
Prices	Middle Eastern crude oil (TOCOM) (\$/bbl)	4/9	64.34	▼ -1.78	▲ 10.2
	WTI crude oil (NYMEX) (\$/bbl)	4/9	63.42	▲ 0.41	▲ 10.3
	Crude oil import CIF price (\$/bbl)	Mid Mar	66.60	▼ -1.03	▲ 10.48
	①Crude oil import CIF price (yen/kl)	"	44,623	▼ -890	▲ 4,464
	②Yen-dollar exchange rate (yen/dollar)	"	106.53	▲ 0.46	▲ 7.24
	TTS exchange rate (yen/dollar)	4/9	107.87	▼ -0.57	▲ 4.56



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

Gasoline		This week	From a week earlier	From a year earlier	
Supply/ Demand	Production	4/1 ~ 4/7	1,119 ▲ 86	▲ —	
	Imports	"	n.d.	n.d.	
	Shipments	"	985 ▲ 116	▲ —	
	Exports	"	79 ▼ -21	▲ —	
	Inventories	4/7	1,700 ▲ 55	▼ —	
Prices	Gyoten (spot) [4-district average lorry rack price] (RIM)	4/3 ~ 4/9	60.0 ▲ 0.4	▲ 7.2	
	Futures [front-month contract/closing price]	(TOCOM/Tokyo Bay)	4/3 ~ 4/9	58.2 ▼ -0.8	▲ 6.9
		(TOCOM/Chubu)	4/9	58.7 ▼ -0.8	▲ 6.8
	Retail prices [weekly trend] (published by ANRE)	4/9	143.3 ▲ 0.2	▲ 9.4	

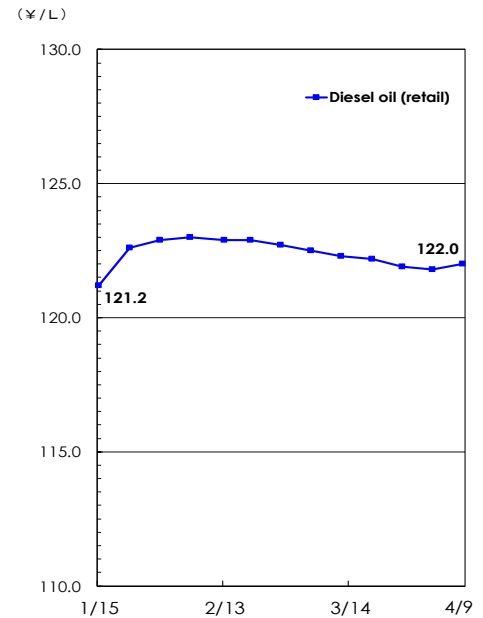
*Gyoten and futures prices are before tax



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

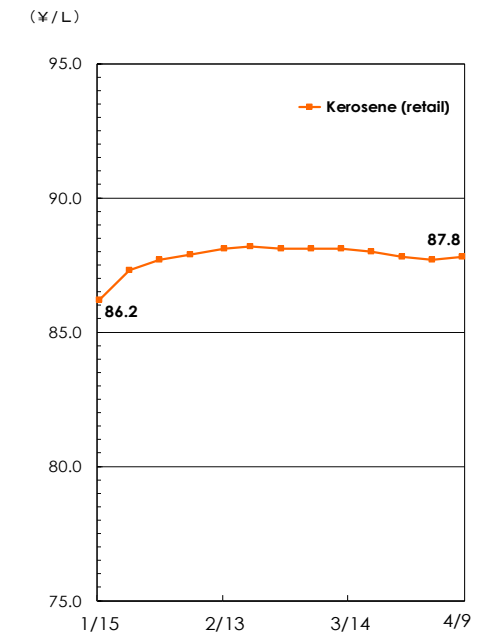
Diesel oil		This week	From a week earlier	From a year earlier	
Supply/ Demand	Production	4/1 ~ 4/7	809 ▼ -58	▲ —	
	Imports	"	n.d.	n.d.	
	Shipments	"	641 ▼ -19	▼ —	
	Exports	"	93 ▼ -180	▲ —	
	Inventories	4/7	1,323 ▲ 74	▼ —	
Prices	Gyoten (spot) [4-district average lorry rack price] (RIM)	4/3 ~ 4/9	61.2 ▲ 0.6	▲ 10.3	
	Futures [front-month contract/closing price]	(TOCOM/Tokyo Bay)	4/3 ~ 4/9	60.9 ▼ -0.3	▲ 12.9
		(TOCOM/Chubu)	4/9	—	—
	Retail prices [weekly trend] (published by ANRE)	4/9	122.0 ▲ 0.2	▲ 9.8	

*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	4/1 ~ 4/7	205 ▼ -163	▼ —	
	Imports	"	n.d.	n.d.	
	Shipments	"	189 ▼ -21	▼ —	
	Exports	"	0 ▼ -53	➡ —	
	Inventories	4/7	1,518 ▲ 16	▲ —	
Prices	Gyoten (spot) [4-district average lorry rack price] (RIM)	4/3 ~ 4/9	62.6 ▼ -0.1	▲ 13.1	
	Futures [front-month contract/closing price]	(TOCOM/Tokyo Bay)	4/3 ~ 4/9	59.2 ▼ -0.7	▲ 12.9
		(TOCOM/Chubu)	4/9	60.0 ▲ 1.5	▲ 12.8
	Retail prices [weekly trend] (published by ANRE)	4/9	87.8 ▲ 0.1	▲ 10.1	



Relevant Information

1 Overseas crude oil prices

On April 11, the most frequently traded WTI crude futures contract on NYMEX rose for the third straight day and hit a 40-month high on the growing possibility of the Trump administration's military actions over the Syrian Assad administration's alleged use of chemical weapons and a media report that the Saudi Arabian government intercepted missiles over Riyadh. The missiles were reportedly fired by Houthi rebels in Yemen. A weekly EIA report that U.S. crude oil inventories posted an increase of 3.3 million barrels from a week earlier against a market-forecast decrease of 200,000 barrels with gasoline inventories logging a rise of 500,000 barrels against a market-forecast fall of 1.4 million barrels had little impact on the market. The May contract rose by \$1.31/bbl to \$66.82/bbl, the highest since early December 2014. The June contract increased by \$1.30/bbl to \$66.74/bbl.

According to the EIA, the average U.S. retail price of gasoline as of April 9 fell by 0.6 cents per gallon from a week earlier to \$2.694/gal (76.7 yen/l). The average diesel oil price increased by 0.1 cents/gal to \$3.043/gal (86.6 yen/l). The gasoline price dropped for the first time in four weeks, while the diesel price increased for the third consecutive 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 in the April 1-7 week stood at zero, down 65,000 from the previous week (total capacity remained at 3,519,000 bpd).

Crude oil throughput in the week increased by 17,000 kl from the previous week to 3,677,000 kl. From a year earlier, it expanded by 190,000 kl. The topper capacity utilization rate stood at 93.9%, up 0.4 points from the previous week and up 4.9 points from a year earlier.

Output increased from the previous week for gasoline and jet fuel and decreased for other petroleum products. Output was up 8.3% for gasoline, up 37.9% for jet fuel, down 44.3% for kerosene, down 6.7% for diesel oil, down 9.8% for Fuel Oil A and down 20.5% for Fuel Oil C. Fuel Oil C imports in the week totaled zero, down 54,000 kl from the previous week. Diesel oil exports aggregated 93,000 kl, down 180,000 kl.

Shipments (excluding imports) in the week increased from the previous week for gasoline and decreased for other petroleum products. From a year earlier, shipments increased for gasoline while decreasing for others. Gasoline shipments increased by 13.5% from the previous week to 985,000 kl. They increased week on week and year on year for the first time in two weeks, remaining below 1 million kl for two weeks on end. Shipments totaled 66,000 kl for jet fuel (down 7.4% from the previous week), 189,000 kl for kerosene (down 9.7% from the

previous week), 641,000 kl for diesel oil (down 2.9%), 206,000 kl for Fuel Oil A (down 17.9%) and 119,000 kl for Fuel Oil C (down 50.7%).

(Unit: 1,000 kl)

	This week (4/1 ~ 4/7)	Previous week (3/25 ~ 3/31)	From a week earlier
Gasoline	985	869	▲ 116 (13%)
Jet fuel	66	72	▼ -6 (-8%)
Kerosene (heating Oil)	189	210	▼ -21 (-10%)
Diesel oil	641	660	▼ -19 (-3%)
Fuel oil A	206	251	▼ -45 (-18%)
Fuel Oil C	119	242	▼ -123 (-51%)
Total	2,206	2,304	▼ -98 (-4%)

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 April 7 increased from a week earlier for all petroleum products. From a year earlier, inventories increased for jet fuel and kerosene and decreased for others.

Gasoline inventories totaled 1,700,000 kl, up 55,000 kl from a week earlier and down 62,000 kl from a year earlier.

Kerosene inventories totaled 1,518,000 kl, up 16,000 kl from a week earlier and up 545,000 kl from a year earlier.

Diesel oil inventories totaled 1,323,000 kl, up 74,000 kl from a week earlier and down 121,000 kl from a year earlier.

Fuel Oil A inventories totaled 746,000 kl, up 40,000 kl from a week earlier and down 37,000 kl from a year earlier.

Fuel Oil C inventories totaled 1,935,000 kl, up 123,000 kl from a week earlier and down 15,000 kl from a year earlier.

(Unit: 1,000 kl)

	This week (4/7)	Previous week (3/31)	From a week earlier
Gasoline	1,700	1,645	▲ 55 (3%)
Jet fuel	1,082	960	▲ 122 (13%)
Kerosene (heating Oil)	1,518	1,502	▲ 16 (1%)
Diesel oil	1,323	1,249	▲ 74 (6%)
Fuel oil A	746	706	▲ 40 (6%)
Fuel Oil C	1,935	1,812	▲ 123 (7%)
Total	8,304	7,874	▲ 430 (5.5%)

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

In the April 3-9 week, crude oil cost apparently decreased slightly although crude oil price falls were partially offset by the yen's depreciation against the dollar.

Onshore cargo spot prices between April 3 and 9 rose slightly and fell in a 113-115 yen/l range for gasoline, rose slightly and leveled off in a 61-62 yen/l range for diesel oil and fell in a 62-64 yen/l range for kerosene.

Offshore barge spot prices in the week rose and fell in a 115-117 yen/l range for gasoline, leveled off in a 62-63 yen/l range for diesel oil and plunged in a 58-61 yen/l range for kerosene.

The key futures price in the week rose and fell in a 111-113 yen/l range for gasoline, fell and leveled off in a 60-62 yen/l range for diesel oil and rose and dropped in a 58-60 yen/l range for kerosene.

All Motouri companies left their wholesale prices unchanged for gasoline and diesel oil. Some of them kept wholesales price unchanged for kerosene while others lowered kerosene prices by 0.5-1.0 yen/l.

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

Among spot petroleum product prices, offshore barge and onshore cargo prices for gasoline and diesel oil increased, while these prices for kerosene and futures prices for gasoline, diesel oil and kerosene decreased.

The latest onshore cargo spot price (the average onshore rack price for four districts -- Chiba, Kawasaki, Chukyo and Hanshin -- for the April 3-9 week) that influences Motouri's wholesale prices applied to the third week of April (April 12-18) rose by 0.4 yen/l from the previous week for gasoline, fell by 0.1 yen/l for kerosene and increased by 0.6 yen/l for diesel oil. The average offshore barge spot price in Tokyo Bay rose by 0.3 yen/l for gasoline, fell by 1.5 yen/l for kerosene and increased by 1.2 yen/l for diesel oil. The key futures price dropped by 0.8 yen/l for gasoline, by 0.7 yen/l for kerosene and by 0.3 yen/l for diesel oil. Crude oil cost slightly decreased although the yen's depreciation against the dollar partially offset crude oil price falls.

For the third week of April, all Motouri companies left their wholesale prices unchanged for gasoline and diesel oil. Some of them kept prices unchanged for kerosene, while others cut their kerosene prices by 0.5-1.0 yen/l. 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 (4/3 ~ 4/9)	Previous week (3/27 ~ 4/2)	From a week earlier
Spot Prices	Regular	60.0	59.6	▲ 0.4
	Kerosene	62.6	62.7	▼ -0.1
	Diesel oil	61.2	60.6	▲ 0.6

(TOCOM) [Front-month contract/closing price] [Average]		(Unit: yen/l)		
		This week (4/3 ~ 4/9)	Previous week (3/27 ~ 4/2)	From a week earlier
Futures Price	Regular	58.2	59.0	▼ -0.8
	Kerosene	59.2	59.9	▼ -0.7
	Diesel oil	60.9	61.2	▼ -0.3

Above prices are before tax.

Reference (April 3 - April 9 actual data)				(Unit: yen/l)
Products	Spot	Futures	Average	
Gasoline	▲ 0.4	▼ -0.8	▼ -0.2	
Kerosene	▼ -0.1	▼ -0.7	▼ -0.4	
Diesel oil	▲ 0.6	▼ -0.3	▲ 0.2	
Fuel Oil A	▲ 0.8			

(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 April 9 increased by 0.2 yen/l from a week earlier to 143.3 yen/l for gasoline, by 0.2 yen/l to 122.0 yen/l for diesel oil and by 0.1 yen/l to 87.8 yen/l for kerosene (on an 18-liter tank basis, the kerosene price rose by 1.0 yen to 1,580 yen). The gasoline price rose for the first time in 10 weeks. The diesel price went up for the first time in nine weeks. The kerosene price rose for the first time in seven weeks. Gasoline prices increased in 30 of Japan's 47 prefectures, remained unchanged in five and decreased in 12. The lowest gasoline price among the prefectures was 135.7 yen/l in Tokushima Prefecture (down 0.6 yen/l from a week earlier). The second lowest was 137.8 yen/l in Okayama (down 0.1 yen/l). The highest price was 151.7 yen/l in Nagasaki (up 0.1 yen/l). Posting the largest price hike of 1.1 yen/l were Yamaguchi (142.6 yen/l) and Ibaraki (141.1 yen/l). Logging the largest price drop of 0.8 yen/l was Miyazaki (144.1 yen/l).

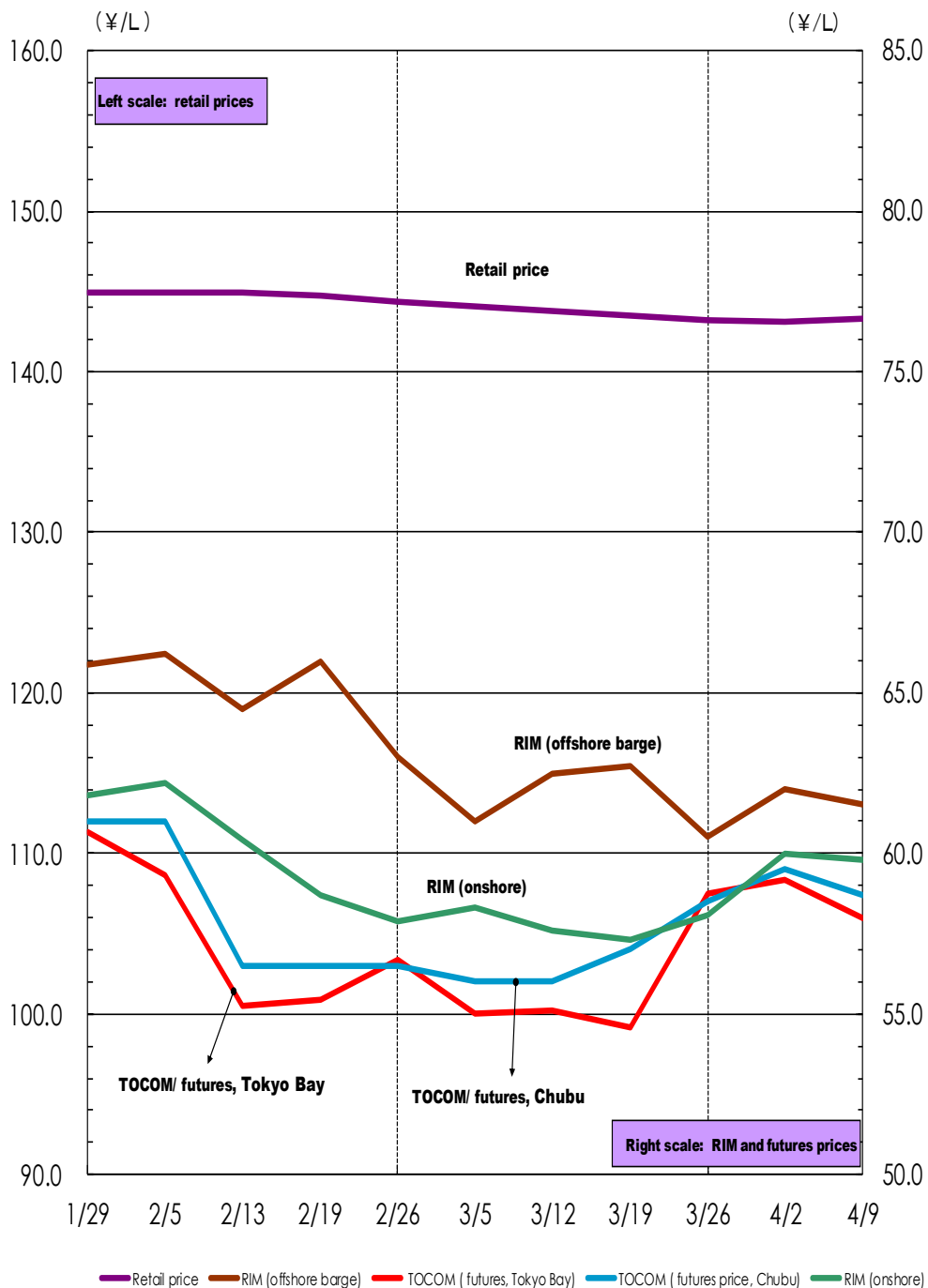
While crude oil cost increased in the previous week, all Motouri companies kept their wholesale prices unchanged for gasoline and diesel oil. Kerosene prices were left unchanged by some of these companies and lowered by 0.5-1.0 yen/l by others. The average retail gasoline price rose for the first time in 10 weeks. This week, crude oil cost slightly decreased although crude oil price drops were partially offset by the yen's depreciation against the dollar. Retail gasoline prices are expected to level off next week (as of April 16).

(Published by ANRE)[Weekly trend]		(Unit: yen/l)			
		This week (4/9)	Previous week (4/2)	From a week earlier	Latest high
Retail Price	Regular	143.3	143.1	▲ 0.2	08/8/4 185.1
	Kerosene	87.8	87.7	▲ 0.1	08/8/11 132.1
	Diesel oil	122.0	121.8	▲ 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

(2018/1/29 ~ 2018/4/9)



(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. 3 for 2018) will be announced at 14:00 on April 27.

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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).