

Oil Market Review in Japan No. 03/2018

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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 April 5-11 week moved within a firm range between \$62.06 per barrel and \$66.82/bbl.

On April 12, profit-taking selling following the key contract's rise to a 40-month high on the previous day and selling on concerns about its downturn outpaced buying. Amid growing tensions in the Middle East as triggered by the rising possibility of attacks on Syria, however, the May contract posted a small gain. It closed at \$67.07/bbl, up \$0.25/bbl from the previous day. On April 13, the May contract rose for the fifth straight trading day on growing tensions over the Syrian situation, a decrease of 201,000 barrels per day in OPEC (Organization of the Petroleum Exporting Countries) production in March from the previous month as reported in a monthly OPEC journal published on the previous day, and OPEC Secretary-General Mohammed Barkindo's remark predicting the elimination of excess inventories in September and the continuation of a coordinated oil production cut into 2019. However, the rise was restricted by profit-taking selling after the winning streak and a Baker Hughes report that the number of operating U.S. oil-drilling rigs increased by seven from a week earlier to 815 for the second straight week of rise. The key contract closed at \$67.39/bbl, up \$0.32/bbl from the previous day.

On April 16, the May contract turned down for the first time in six trading days as tensions eased on a limited missile attack by the United States, the United Kingdom and France on Syria on April 14 (Japanese time), with profit-taking selling coming after the key contract's rise to a 40-month high in the previous week. The key contract lost \$1.17/bbl to \$66.22/bbl. On April 17, the key contract rebounded as market players saw concerns about oversupply receding before weekly oil inventory reports by U.S. government and private sectors and were conscious of Syrian tensions increased by Russian and Iranian complaints against the missile attack on Syria and of rumors about the United States' reinvocation of economic sanctions on Iran. The May contract rose by \$0.30/bbl to \$66.52/bbl. On April 18, the key contract rose further with a substantial gain on a U.S. crude oil inventory decline in a weekly EIA (Energy Information Administration) report, the fluid Middle East situation including Syrian tensions and growing hopes on the extension of the coordinated oil production cut by OPEC and non-OPEC oil producing countries, although the inventory drop was slower than forecast in the market. The May contract gained \$1.95/bbl to \$68.47/bbl.

The Asian benchmark crude oil of Dubai for May delivery on the Tokyo market moved in a range between \$64.70/bbl and \$67.60/bbl in the April 5-11 week. It closed at \$69.20/bbl on April 12, at \$68.50/bbl on April 13, at \$68.50/bbl on April 16, at \$68.40/bbl on April 17 and at \$69.00/bbl on April 18. On the foreign exchange market in the April 5-11 week, the dollar moved within a range between 106.75 and 107.22 yen. It changed hands at 106.91 yen in late trading on April 12, at 107.41 yen on April 13, at 107.51 yen on April 16, at 107.08 yen on April 17 and at 107.20 yen on April 18.

According to preliminary 10-day trade statistics released by the Ministry of Finance on April 18, the average crude oil import CIF price in the March 21-31 period stood at 44,084 yen/kl (kiloliter), down 539 yen/kl from the previous 10-day period. In dollars, the price was \$66.00/bbl, down \$0.60/bbl. The average exchange rate was 106.20 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 March stood at 44,734 yen/kl, down 2,191 yen/kl from the previous month. In dollars, the price was \$66.74/bbl, down \$1.50/bbl. The average exchange rate was 106.56 yen to the dollar.

Wholesale prices that major Motouri (petroleum products wholesalers) applied to the fourth week of April were raised by 2.0 yen/l for gasoline, diesel oil and kerosene (heating oil) by all Motouri. Crude oil acquisition cost rose sharply as substantial crude oil price hikes coincided with the yen's depreciation against the dollar.

Japan's average retail price on April 16 remained unchanged from a week earlier for gasoline and diesel oil and fell by 1.0 yen/l for kerosene on an 18-liter tank basis. The kerosene price dropped for the first time in two weeks. While crude oil cost increased in the third week of April, all Motouri companies left their wholesale prices unchanged for gasoline and diesel oil. Some of them kept their kerosene prices unchanged while others lowered their prices by 0.5-1.0 yen/l.

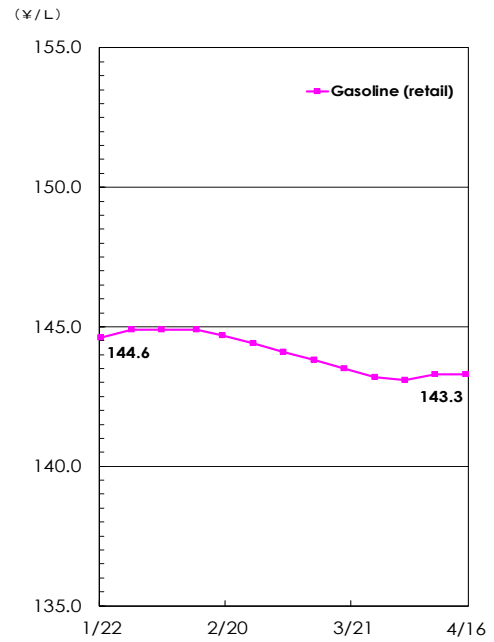
Crude oil			This week	From a week earlier	From a year earlier
Supply/Demand	Crude oil runs (1,000 kl)	4/8 ~ 4/14	3,650	▼ -27	▲ -
	Topper capacity utilization rate (%)	"	93.2	▼ -0.7	▲ -
	Crude oil inventories (1,000 kl)	4/14	12,755	▲ 679	▼ -
Prices	Middle Eastern crude oil (TOCOM) (\$/bbl)	4/16	67.81	▲ 3.47	▲ 13.6
	WTI crude oil (NYMEX) (\$/bbl)	4/16	66.22	▲ 2.80	▲ 13.6
	Crude oil import CIF price (\$/bbl)	Late Mar	66.00	▼ -0.60	▲ 9.88
	① Crude oil import CIF price (yen/kl)	"	44,084	▼ -539	▲ 3,925
	② Yen-dollar exchange rate (yen/dollar)	"	106.20	▲ 0.33	▲ 7.57
	TTS exchange rate (yen/dollar)	4/16	108.51	▼ -0.64	▲ 0.78



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

Gasoline		This week	From a week earlier	From a year earlier	
Supply/ Demand	Production	4/8 ~ 4/14	1,000 ▼ -119	▼ -	
	Imports	"	n.d.	n.d.	
	Shipments	"	885 ▼ -100	▼ -	
	Exports	"	72 ▼ -7	▲ -	
	Inventories	4/14	1,742 ▲ 42	▼ -	
Prices	Gyoten (spot) [4-district average lorry rack price] (RIM)	4/10 ~ 4/16	60.0 ➡ 0.0	▲ 7.3	
	Futures [front-month contract/closing price]	(TOCOM/ Tokyo Bay)	4/10 ~ 4/16	59.9 ▲ 1.7	▲ 8.8
		(TOCOM/ Chubu)	4/16	59.5 ▲ 0.8	▲ 8.6
	Retail prices [weekly trend] (published by ANRE)	4/16	143.3 ➡ 0.0	▲ 9.3	

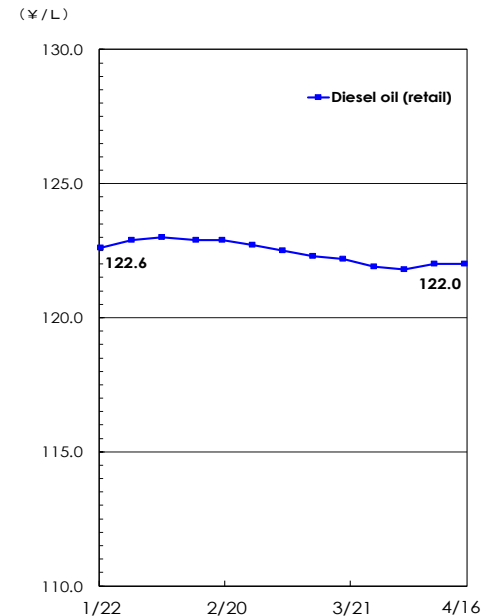
*Gyoten and futures prices are before tax



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

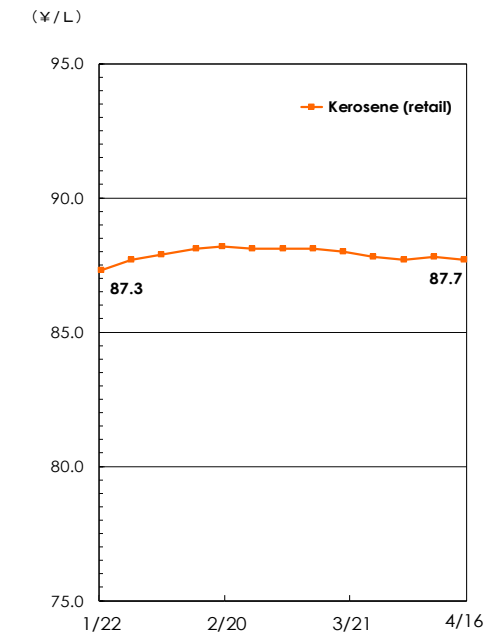
Diesel oil		This week	From a week earlier	From a year earlier	
Supply/ Demand	Production	4/8 ~ 4/14	780 ▼ -29	▲ -	
	Imports	"	n.d.	n.d.	
	Shipments	"	639 ▼ -2	▲ -	
	Exports	"	99 ▲ 6	▲ -	
	Inventories	4/14	1,365 ▲ 42	▼ -	
Prices	Gyoten (spot) [4-district average lorry rack price] (RIM)	4/10 ~ 4/16	61.3 ▲ 0.1	▲ 10.5	
	Futures [front-month contract/closing price]	(TOCOM/ Tokyo Bay)	4/10 ~ 4/16	61.0 ▲ 0.1	▲ 13.0
		(TOCOM/ Chubu)	4/16	-	-
	Retail prices [weekly trend] (published by ANRE)	4/16	122.0 ➡ 0.0	▲ 9.7	

*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	4/8 ~ 4/14	165 ▼ -40	▼ -	
	Imports	"	n.d.	n.d.	
	Shipments	"	272 ▲ 83	▲ -	
	Exports	"	0 ➡ 0	➡ -	
	Inventories	4/14	1,411 ▼ -107	▲ -	
Prices	Gyoten (spot) [4-district average lorry rack price] (RIM)	4/10 ~ 4/16	62.0 ▼ -0.6	▲ 12.5	
	Futures [front-month contract/closing price]	(TOCOM/ Tokyo Bay)	4/10 ~ 4/16	60.7 ▲ 1.5	▲ 13.8
		(TOCOM/ Chubu)	4/16	60.5 ▲ 0.5	▲ 13.3
	Retail prices [weekly trend] (published by ANRE)	4/16	87.7 ▼ -0.1	▲ 10.0	



Relevant Information

1 Overseas crude oil prices

On April 18, the most frequently traded WTI crude futures contract on NYMEX scored a steep gain as concerns on U.S. oil oversupply receded on drops in U.S. crude oil and petroleum products inventories as reported by the EIA, although a crude oil inventory fall of 1.1 million barrels was slower than a market-forecast drop of 1.4 million barrels. Inventories decreased by 3.1 million barrels for middle distillates and by 3.0 million barrels for gasoline. Also supporting crude oil futures prices were uncertainties over the Syrian situation, growing momentum for the extension of the coordinated production cut by OPEC and non-OPEC oil producing countries and Saudi Arabia's reported expectation of crude oil price hikes. The May contract rose by \$1.95/bbl from the previous day to \$68.47/bbl. The June contract increased by \$1.96/bbl to \$68.47/bbl.

According to the EIA, the average U.S. retail price of gasoline as of April 16 rose by 5.3 cents per gallon from a week earlier to \$2.747/gal (78.6 yen/l). The average diesel oil price increased by 6.1 cents/gal to \$3.104/gal (88.9 yen/l). The gasoline price increased for the first time in two weeks, while the diesel price went up for the fourth 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 8-14 week stood at 5,000 bpd, up 5,000 bpd from the previous week (total capacity remained at 3,519,000 bpd).

Crude oil throughput in the week decreased by 27,000 kl from the previous week to 3,650,000 kl. From a year earlier, it expanded by 122,000 kl. The topper capacity utilization rate stood at 93.2%, down 0.7 points from the previous week and up 3.1 points from a year earlier.

Output decreased from the previous week for all petroleum products. Output was down 10.6% for gasoline, down 14.9% for jet fuel, down 19.6% for kerosene, down 3.5% for diesel oil, down 20.5% for Fuel Oil A and down 3.9% for Fuel Oil C. Fuel Oil C imports in the week totaled 77,000 kl, up 77,000 kl from the previous week. Diesel oil exports aggregated 99,000 kl, up 6,000 kl.

Shipments (excluding imports) in the week decreased from the previous week for gasoline and diesel oil and increased for other petroleum products. From a year earlier, shipments decreased for gasoline, jet fuel and Fuel Oil C while increasing for others. Gasoline shipments decreased by 10.2% from the previous week to 885,000 kl. They decreased week on week and year on year for the first time in two weeks, remaining below 1 million kl for three weeks on end. Shipments totaled 89,000 kl for jet fuel (up 33.3% from the previous week), 272,000 kl for kerosene (up

43.8% from the previous week), 639,000 kl for diesel oil (down 0.4%), 227,000 kl for Fuel Oil A (up 10.2%) and 175,000 kl for Fuel Oil C (up 46.6%).

(Unit: 1,000 kl)

	This week (4/8 ~ 4/14)	Previous week (4/1 ~ 4/7)	From a week earlier
Gasoline	885	985	▼ -100 (-10%)
Jet fuel	89	66	▲ 23 (35%)
Kerosene (heating Oil)	272	189	▲ 83 (44%)
Diesel oil	639	641	▼ -2 (-0%)
Fuel oil A	227	206	▲ 21 (10%)
Fuel Oil C	175	119	▲ 56 (47%)
Total	2,287	2,206	▲ 81 (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 14 increased from a week earlier for gasoline, jet fuel, diesel oil and Fuel Oil C decreased for other petroleum products. From a year earlier, inventories increased for jet fuel, kerosene and Fuel Oil C and decreased for others.

Gasoline inventories totaled 1,742,000 kl, up 42,000 kl from a week earlier and down 33,000 kl from a year earlier.

Kerosene inventories totaled 1,411,000 kl, down 107,000 kl from a week earlier and up 439,000 kl from a year earlier.

Diesel oil inventories totaled 1,365,000 kl, up 42,000 kl from a week earlier and down 136,000 kl from a year earlier.

Fuel Oil A inventories totaled 713,000 kl, down 33,000 kl from a week earlier and down 79,000 kl from a year earlier.

Fuel Oil C inventories totaled 2,012,000 kl, up 77,000 kl from a week earlier and up 90,000 kl from a year earlier.

(Unit: 1,000 kl)

	This week (4/14)	Previous week (4/7)	From a week earlier
Gasoline	1,742	1,700	▲ 42 (2%)
Jet fuel	1,115	1,082	▲ 33 (3%)
Kerosene (heating Oil)	1,411	1,518	▼ -107 (-7%)
Diesel oil	1,365	1,323	▲ 42 (3%)
Fuel oil A	713	746	▼ -33 (-4%)
Fuel Oil C	2,012	1,935	▲ 77 (4%)
Total	8,358	8,304	▲ 54 (0.7%)

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

In the April 10-16 week, crude oil cost apparently increased substantially from the previous week as sharp crude oil price hikes coincided with the yen's depreciation against the dollar.

Onshore cargo spot prices between April 10 and 16 rose in a 113-115 yen/l range for gasoline, leveled off in a 61-62 yen/l range for diesel oil, and fell and rose back slightly in a 61-63 yen/l range for kerosene.

Offshore barge spot prices in the week rose sharply and leveled off in a 115-118 yen/l range for gasoline, leveled off in a 62-63 yen/l range for diesel oil and soared in a 58-61 yen/l range for kerosene.

The key futures price in the week rose sharply and fell slightly in a 112-115 yen/l range for gasoline, fell and leveled off in a 60-62 yen/l range for diesel oil and rose in a 59-62 yen/l range for kerosene.

All Motouri companies raised their wholesale prices by 2.0 yen/l 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 prices for kerosene dropped, with onshore cargo prices for gasoline and offshore barge prices for diesel oil leveling off. Other spot prices increased.

The latest onshore cargo spot price (the average onshore rack price for four districts -- Chiba, Kawasaki, Chukyo and Hanshin -- for the April 10-16 week) that influences Motouri's wholesale prices applied to the fourth week of April (April 19-25) leveled off from the previous week for gasoline, fell by 0.6 yen/l for kerosene and increased by 0.1 yen/l for diesel oil. The average offshore barge spot price in Tokyo Bay rose by 1.1 yen/l for gasoline and by 0.3 yen/l for kerosene and leveled off for diesel oil. The key futures price rose by 1.7 yen/l for gasoline, by 1.5 yen/l for kerosene and by 0.1 yen/l for diesel oil. Crude oil cost sharply increased as the yen's depreciation against the dollar coincided with steep crude oil price hikes.

For the fourth week of April, all Motouri companies raised their wholesale prices by 2.0 yen/l 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 (4/10 ~ 4/16)	Previous week (4/3 ~ 4/9)	From a week earlier
Spot Prices	Regular	60.0	60.0 → 0.0
	Kerosene	62.0	62.6 ▼ -0.6
	Diesel oil	61.3	61.2 ▲ 0.1

(TOCOM) [Front-month contract/closing price]		(Unit: yen/l)	
[Average]	This week (4/10 ~ 4/16)	Previous week (4/3 ~ 4/9)	From a week earlier
Futures Price	Regular	59.9	58.2 ▲ 1.7
	Kerosene	60.7	59.2 ▲ 1.5
	Diesel oil	61.0	60.9 ▲ 0.1

Above prices are before tax.

Reference (April 10 - April 16 actual data)				(Unit: yen/l)
Products	Spot	Futures	Average	
Gasoline	→ 0.0	▲ 1.7	▲ 0.9	
Kerosene	▼ -0.6	▲ 1.5	▲ 0.5	
Diesel oil	▲ 0.1	▲ 0.1	▲ 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 April 16 leveled off from the previous week at 143.3 yen/l for gasoline and at 122.0 yen/l for diesel oil and fell by 0.1 yen/l to 87.7 yen/l for kerosene (on an 18-liter tank basis, the kerosene price rose by 1.0 yen to 1,579 yen). The kerosene price dropped for the first time in seven weeks. Gasoline prices increased in 16 of Japan's 47 prefectures, remained unchanged in 14 and decreased in 17. The lowest gasoline price among the prefectures was 135.9 yen/l in Tokushima Prefecture (up 0.2 yen/l from a week earlier). The second lowest was 139.1 yen/l in Saitama (up 0.1 yen/l). The highest price was 150.6 yen/l in Nagasaki (down 1.1 yen/l). Posting the largest price hike of 1.4 yen/l was Okayama (139.2 yen/l). Logging the largest price drop of 1.1 yen/l was Nagasaki (150.6 yen/l).

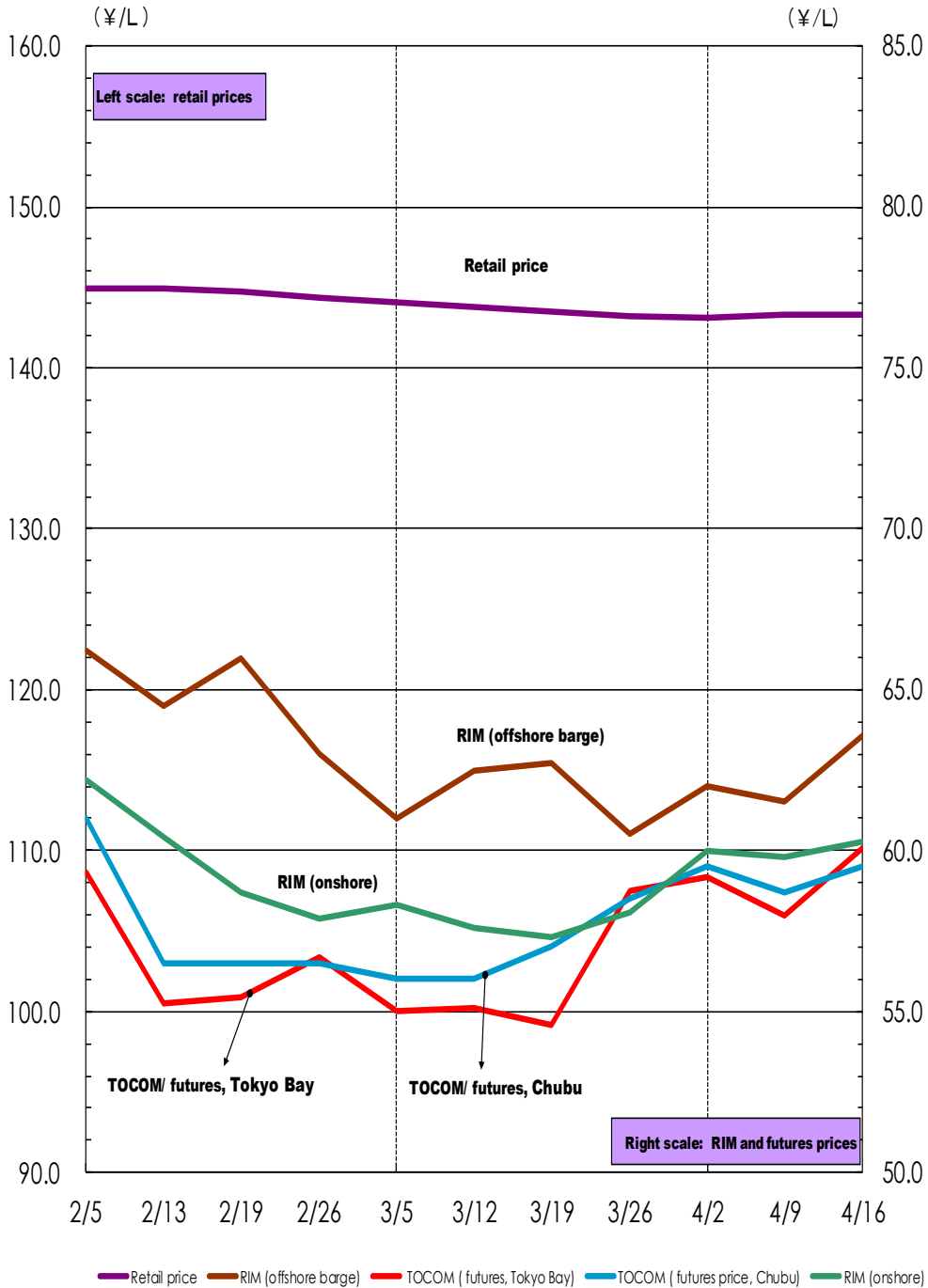
As crude oil cost increased sharply in the previous week, all Motouri companies increased their wholesale prices by 2.0 yen/l for gasoline, diesel oil and kerosene. This week, crude oil cost sharply increased as the yen's depreciation against the dollar coincided with steep crude oil price hikes. Retail gasoline prices are expected to rise next week (as of April 23).

(Published by ANRE)[Weekly trend]		(Unit: yen/l)				
	This week (4/16)	Previous week (4/9)	From a week earlier	Latest high		
Retail Price	Regular	143.3	143.3	→ 0.0	08/8/4	185.1
	Kerosene	87.7	87.8	▼ -0.1	08/8/11	132.1
	Diesel oil	122.0	122.0	→ 0.0	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

(2018/2/5 ~ 2018/4/16)



(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. 4 for 2018) will be announced at 14:00 on May 11.

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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).