

Oil Market Review in Japan No. 06/2018

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Overview

The key WTI (West Texas Intermediate) crude oil futures contract on NYMEX (New York Mercantile Exchange) in the April 26-May 9 period moved within a firm range between \$67.25 per barrel and \$71.14/bbl.

On May 10, the June contract rebounded on growing tensions following U.S. President Donald Trump's May 8 announcement to withdraw the United States from the Iran nuclear deal and resume sanctions on Iran, Israel's reported attack on an Iranian military base and the dollar's depreciation against the euro making oil futures prices relative lower, despite early profit-taking selling. The key contract closed at \$71.36/bbl, up \$0.22/bbl.

On May 11, the key contract turned down as concerns grew about U.S. oil oversupply on a Baker Hughes report that the number of operating oil rigs in the United States increased by 10 from a week earlier to 844 for the sixth straight weekly rise and a May 9 EIA (Energy Information Administration) report that U.S. oil production hit a record 10.70 million barrels per day. Profit-taking selling contributed to the downturn. The June contract lost \$0.66/bbl to \$70.70/bbl.

On May 14, the key contract rallied as Reuters reported an OPEC (Organization of the Petroleum Exporting Countries) view that global oil oversupply has been eliminated thanks to a coordinated production cut by OPEC and non-OPEC oil producing countries since last year, although a monthly OPEC report said the oil cartel's production in April almost leveled off from the previous month to 31.93 million bpd. The June contract rose by \$0.26/bbl to \$70.96/bbl.

On May 15, the key contract rose further on concerns about a fall in oil supply from Iran and a forecast U.S. oil inventory decline before an evening private sector inventory report and the next day's government sector report. However, the rise was restricted by the dollar's appreciation and the previous day's EIA report that U.S. shale oil production in April expanded to a record 7.18 million bpd. The June contract gained \$0.35/bbl to \$71.31/bbl.

On May 16, the key contract increased for the third straight trading day as concerns on U.S. oil oversupply receded on a weekly EIA report including drops in crude oil and petroleum product inventories. The June contract rose by \$0.18/bbl to \$71.49/bbl.

The Asian benchmark crude oil of Dubai for June delivery on the Tokyo market moved in a range between \$70.30/bbl and \$73.40/bbl in the April 26-May 9 period. It closed at \$74.70/bbl on May 10, at \$74.30/bbl on May 11, at \$73.80/bbl on May 14, at \$75.00/bbl on May 15 and at \$75.10/bbl on May 16.

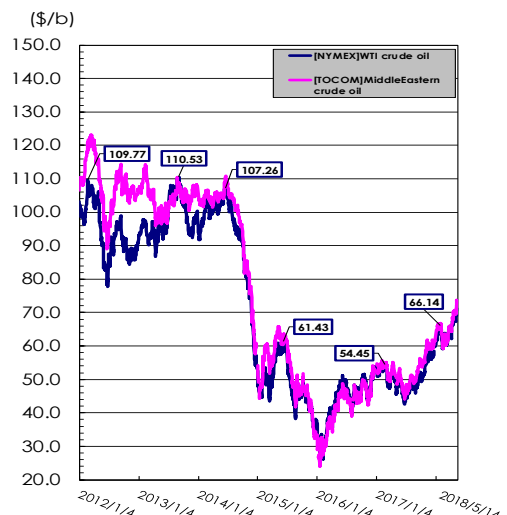
On the foreign exchange market in the April 26-May 9 period, the dollar moved within a range between 108.91 and 109.90 yen. It changed hands at 109.96 yen in late trading on May 10, at 109.49 yen on May 11, at 109.31 yen on May 14, at 109.74 yen on May 15 and at 110.33 yen on May 16.

Wholesale prices that major Motouri (petroleum products wholesalers) applied to the fourth week of May were raised by 2.0 yen/l (liter) for gasoline, diesel oil and kerosene (heating oil).

Crude oil acquisition cost rose as crude oil price hikes coincided with the yen's depreciation against the dollar.

Japan's average retail price on May 14 rose by 1.2 yen/l from a week earlier for gasoline, by 1.2 yen/l for diesel oil and by 14.0 yen for kerosene on an 18-liter tank basis. All these prices increased for the fourth straight week. As crude oil cost increased in the third week of May, Motouri companies raised their wholesale prices by 1.5-2.0 yen/l for gasoline, diesel oil and kerosene.

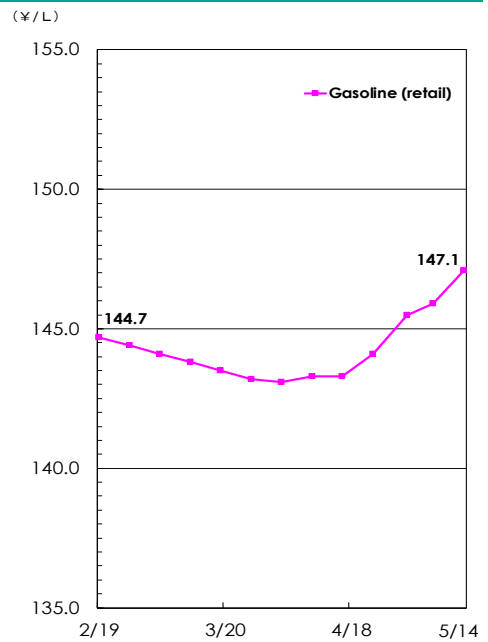
Crude oil			This week	From a week earlier	From a year earlier
Supply/ Demand	Crude oil runs (1,000 kl)	5/6 ~ 5/12	3,285	▼ -130	▼ -
	Topper capacity utilization rate (%)	"	83.9	▼ -3.3	▼ -
	Crude oil inventories (1,000 kl)	5/12	13,171	▲ 49	▲ -
Prices	Middle Eastern crude oil (TOCOM) (\$/bbl)	5/14	72.91	▲ 0.77	▲ 22.3
	WTI crude oil (NYMEX) (\$/bbl)	5/14	70.96	▲ 0.23	▲ 22.1
	Crude oil import CIF price (\$/bbl)	Mid Apr	66.04	▲ 0.03	▲ 12.13
	①Crude oil import CIF price (yen/kl)	"	44,139	▲ 256	▲ 6,522
	②Yen-dollar exchange rate (yen/dollar)	"	106.25	▼ -0.57	▲ 4.69
	TTS exchange rate (yen/dollar)	5/14	110.31	▼ -0.36	▲ 4.12



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

Gasoline		This week	From a week earlier	From a year earlier	
Supply/ Demand	Production	5/6 ~ 5/12	1,027 ▲ 10	▲ -	
	Imports	"	n.a.	n.a.	
	Shipments	"	902 ▼ -54	➡ -	
	Exports	"	67 ▼ -51	▲ -	
	Inventories	5/12	1,719 ▲ 58	▼ -	
Prices	Gyoten (spot) [4-district average lorry rack price] (RIM)	5/8 ~ 5/14	65.9 ▲ 1.7	▲ 17.6	
	Futures [front-month contract/closing price]	(TOCOM/ Tokyo Bay)	5/8 ~ 5/14	65.2 ▲ 1.7	▲ 16.4
		(TOCOM/ Chubu)	5/14	65.7 ▲ 1.7	▲ 17.5
	Retail prices [weekly trend] (published by ANRE)	5/14	147.1 ▲ 1.2	▲ 14.4	

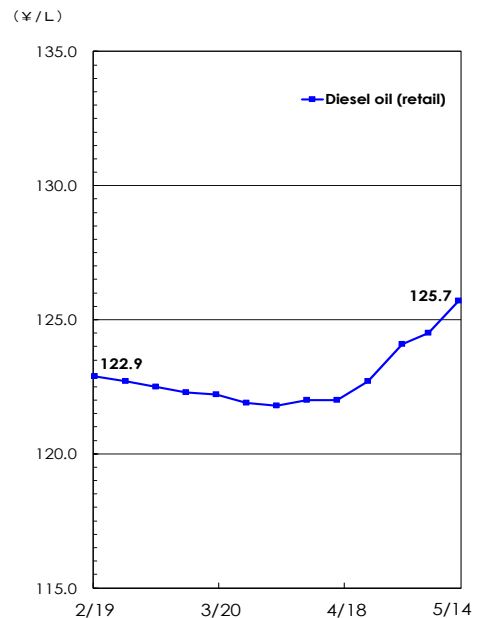
*Gyoten and futures prices are before tax



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

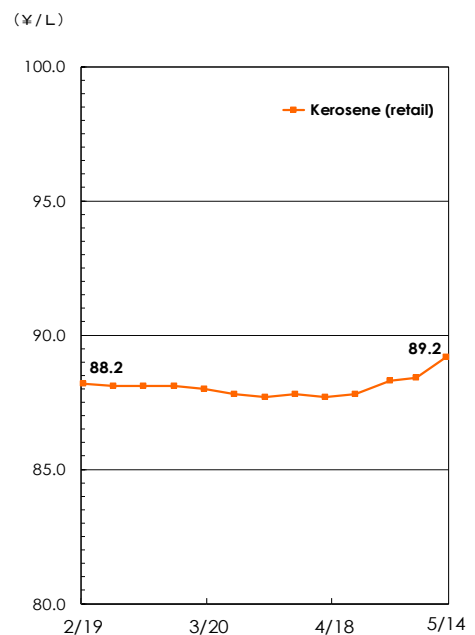
Diesel oil		This week	From a week earlier	From a year earlier	
Supply/ Demand	Production	5/6 ~ 5/12	697 ▼ -67	▲ -	
	Imports	"	n.a.	n.a.	
	Shipments	"	594 ▲ 157	▲ -	
	Exports	"	74 ▼ -161	▼ -	
	Inventories	5/12	1,555 ▲ 28	▼ -	
Prices	Gyoten (spot) [4-district average lorry rack price] (RIM)	5/8 ~ 5/14	66.4 ▲ 1.4	▲ 17.6	
	Futures [front-month contract/closing price]	(TOCOM/ Tokyo Bay)	5/8 ~ 5/14	65.8 ▲ 1.5	▲ 17.8
		(TOCOM/ Chubu)	5/14	-	-
	Retail prices [weekly trend] (published by ANRE)	5/14	125.7 ▲ 1.2	▲ 14.2	

*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	5/6 ~ 5/12	169 ▼ -11	▼ -	
	Imports	"	n.a.	n.a.	
	Shipments	"	147 ▲ 54	▲ -	
	Exports	"	0 ➡ 0	➡ -	
	Inventories	5/12	1,483 ▲ 22	▲ -	
Prices	Gyoten (spot) [4-district average lorry rack price] (RIM)	5/8 ~ 5/14	65.8 ▲ 1.3	▲ 18.3	
	Futures [front-month contract/closing price]	(TOCOM/ Tokyo Bay)	5/8 ~ 5/14	65.9 ▲ 1.5	▲ 20.2
		(TOCOM/ Chubu)	5/14	66.1 ▲ 2.4	▲ 19.5
	Retail prices [weekly trend] (published by ANRE)	5/14	89.2 ▲ 0.8	▲ 11.9	



Relevant Information

1 Overseas crude oil prices

On May 16, the most frequently traded WTI crude futures contract on NYMEX rose for the third straight trading day as the weekly EIA report said that inventories declined by 1.4 million barrels for crude oil, by 3.8 million barrels for gasoline and by 70,000 barrels for middle distillates. However, the rise was restricted by the dollar's appreciation and a monthly IEA (International Energy Agency) report that revised its global oil demand forecast for 2018 downward by 100,000 bpd. The June contract rose by \$0.18/bbl to \$71.49/bbl. The July contract increased by \$0.19/bbl to \$71.56/bbl.

According to the EIA, the average U.S. retail price of gasoline as of May 14 rose by 2.8 cents per gallon from a week earlier to \$2.873/gal (83.6 yen/l). The average diesel oil price increased by 6.8 cents/gal to \$3.239/gal (94.3 yen/l). The gasoline price increased for the first time in two weeks, while the diesel price went up for the eighth 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 May 6-12 week stood at 410,000 bpd, up 73,000 bpd from the previous week (total capacity remained at 3,519,000 bpd). Crude oil throughput in the week decreased by 130,000 kl from the previous week to 3,285,000 kl. From a year earlier, it declined by 106,000 kl. The topper capacity utilization rate stood at 83.9%, down 3.3 points from the previous week and down 2.7 points from a year earlier.

Output increased from the previous week for gasoline and Fuel Oil A and decreased for others. Output was up 1.0% for gasoline, down 24.4% for jet fuel, down 5.9% for kerosene, down 8.8% for kerosene, up 27.3% for Fuel Oil A and down 19.9% for Fuel Oil C. Fuel Oil C imports in the week totaled 68,000 kl, up 7,000 kl from the previous week. Diesel oil exports aggregated 74,000 kl, down 161,000 kl.

Shipments (excluding imports) in the week decreased from the previous week for gasoline and increased for other petroleum products. From a year earlier, shipments increased for kerosene and diesel oil, leveled off for gasoline and decreased for others.

Gasoline shipments decreased by 5.6% from the previous week to 902,000 kl. They decreased week on week for the first time in three weeks, remaining below 1 million kl for seven weeks on end. Shipments totaled 86,000 kl for jet fuel (up 70.4% from the previous week), 147,000 kl for kerosene (up

58.0%), 594,000 kl for diesel oil (up 35.8%), 203,000 kl for Fuel Oil A (up 105.5%) and 167,000 kl for Fuel Oil C (up 46.5%).

(Unit: 1,000 kl)

	This week (5/6 ~ 5/12)	Previous week (4/29 ~ 5/5)	From a week earlier
Gasoline	902	956	▼ -54 (-6%)
Jet fuel	86	51	▲ 35 (69%)
Kerosene (heating Oil)	147	93	▲ 54 (58%)
Diesel oil	594	437	▲ 157 (36%)
Fuel oil A	203	99	▲ 104 (105%)
Fuel Oil C	167	114	▲ 53 (46%)
Total	2,099	1,750	▲ 349 (20%)

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 May 12 decreased from a week earlier for jet fuel and Fuel Oil A and increased for other petroleum products. From a year earlier, inventories increased for jet fuel and kerosene and decreased for others.

Gasoline inventories totaled 1,719,000 kl, up 58,000 kl from a week earlier and down 122,000 kl from a year earlier.

Kerosene inventories totaled 1,483,000 kl, up 22,000 kl from a week earlier and up 299,000 kl from a year earlier.

Diesel oil inventories totaled 1,555,000 kl, up 28,000 kl from a week earlier and down 119,000 kl from a year earlier.

Fuel Oil A inventories totaled 779,000 kl, down 10,000 kl from a week earlier and down 43,000 kl from a year earlier.

Fuel Oil C inventories totaled 2,035,000 kl, up 23,000 kl from a week earlier and down 46,000 kl from a year earlier.

(Unit: 1,000 kl)

	This week (5/12)	Previous week (5/5)	From a week earlier
Gasoline	1,719	1,661	▲ 58 (3%)
Jet fuel	1,124	1,133	▼ -9 (-1%)
Kerosene (heating Oil)	1,483	1,461	▲ 22 (2%)
Diesel oil	1,555	1,527	▲ 28 (2%)
Fuel oil A	779	789	▼ -10 (-1%)
Fuel Oil C	2,035	2,012	▲ 23 (1%)
Total	8,695	8,583	▲ 112 (1.3%)

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

In the May 8-14 week, crude oil cost apparently increased from the previous week as crude oil prices rose sharply, with the yen leveling off against the dollar.

Onshore cargo spot prices between May 8 and 14 rose in a 118-121 yen/l range for gasoline, rose and leveled off in a 65-67 yen/l range for diesel oil and increased in a 64-67 yen/l range for kerosene.

Offshore barge spot prices in the week fell and rose sharply in a 120-123 yen/l range for gasoline, increased sharply in a 66-69 yen/l range for diesel oil and rose and fell back slightly in a 65-67 yen/l range for kerosene.

The key futures price in the week increased and fell back slightly in a 117-120 yen/l range for gasoline, rose in a 65-67 yen/l range for diesel oil and increased and fell back slightly in a 64-67 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

Offshore barge, onshore cargo and futures prices for petroleum products increased by 1 yen/l or more.

The latest onshore cargo spot price (the average onshore rack price for four districts -- Chiba, Kawasaki, Chukyo and Hanshin -- for the May 8-14 week) that influences Motouri's wholesale prices applied to the fourth week of May (May 17-23) increased by 1.7 yen/l from the previous week for gasoline, by 1.3 yen/l for kerosene and by 1.4 yen/l for diesel oil. The average offshore barge spot price in Tokyo Bay rose by 1.7 yen/l for gasoline, by 1.4 yen/l for kerosene and by 1.5 yen/l for diesel oil. The key futures price rose by 1.7 yen/l for gasoline, by 1.5 yen/l for kerosene and by 1.5 yen/l for diesel oil. Crude oil cost increased as crude oil prices rose, with the yen leveling off against the dollar.

For the fourth week of May, 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 (5/8 ~ 5/14)	Previous week (5/1 ~ 5/7)	From a week earlier
Spot Prices Regular	65.9	64.2	▲ 1.7
Kerosene	65.8	64.5	▲ 1.3
Diesel oil	66.4	65.0	▲ 1.4

(TOCOM) [Front-month contract/closing price]		(Unit: yen/l)	
[Average]	This week (5/8 ~ 5/14)	Previous week (5/1 ~ 5/7)	From a week earlier
Futures Price Regular	65.2	63.5	▲ 1.7
Kerosene	65.9	64.4	▲ 1.5
Diesel oil	65.8	64.3	▲ 1.5

Above prices are before tax.

Reference (May 8 - May 14 actual data)

Products	Spot	Futures	Average
Gasoline	▲ 1.7	▲ 1.7	▲ 1.7
Kerosene	▲ 1.3	▲ 1.5	▲ 1.4
Diesel oil	▲ 1.4	▲ 1.5	▲ 1.4
Fuel Oil A	▲ 1.4		

(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 May 14 went up by 1.2 yen/l from a week earlier to 147.1 yen/l for gasoline, by 1.2 yen/l to 125.7 yen/l for diesel oil and by 0.8 yen/l to 89.2 yen/l for kerosene (on an 18-liter tank basis, the kerosene price rose by 14 yen to 1,606 yen). All these prices rose for the fourth straight week. Gasoline prices increased in 45 of Japan's 47 prefectures and decreased in two. The lowest gasoline price among the prefectures was 139.6 yen/l in Tokushima Prefecture (up 0.8 yen/l from a week earlier). The second lowest was 143.0 yen/l in Saitama (up 1.4 yen/l). The highest price was 154.4 yen/l in Nagasaki (up 0.6 yen/l). Posting the largest price hike of 2.9 yen/l was Gunma (148.5 yen/l). Logging the largest fall of 0.4 yen was Osaka (146.5 yen).

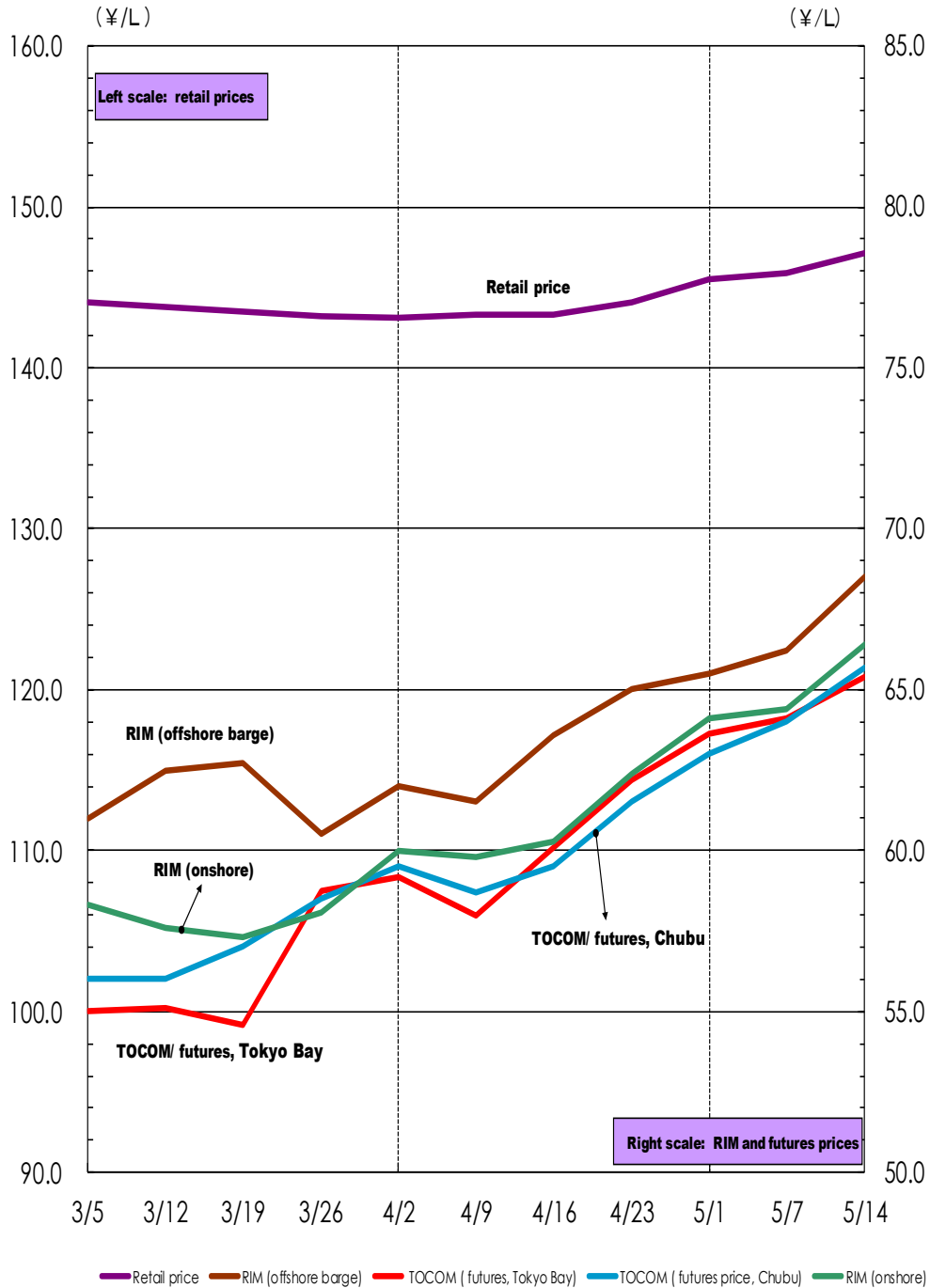
As crude oil cost increased last week, Motouri companies raised their wholesale prices by 1.5-2.0 yen/l for gasoline, diesel oil and kerosene. Retail gasoline prices rose for the fourth straight week. Crude oil cost increased this week as crude oil prices went up, with the yen leveling off against the dollar. Retail gasoline prices are expected to rise next week (as of May 21).

(Published by ANRE)[Weekly trend]		(Unit: yen/l)			
	This week (5/14)	Previous week (5/7)	From a week earlier	Latest high	
Retail Price Regular	147.1	145.9	▲ 1.2	08/8/4	185.1
Kerosene	89.2	88.4	▲ 0.8	08/8/11	132.1
Diesel oil	125.7	124.5	▲ 1.2	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

(2018/3/5 ~ 2018/5/14)



(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. 7 for 2018) will be announced at 14:00 on June 1.

On use of this report

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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).