

Oil Market Review in Japan No. 04/2018

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Overview

The key WTI (West Texas Intermediate) crude oil futures contract on NYMEX (New York Mercantile Exchange) in the April 12-18 week moved within a firm range between \$66.22 per barrel and \$68.47/bbl on Western countries' missile attacks on Syria.

On April 19, the May contract briefly rose close to \$70/bbl on a report that Saudi Arabia could raise its target crude oil price to \$80/bbl, before turning down for the first time in three days on profit-taking selling after its rise on the previous day. It closed at \$68.29/bbl, down \$0.18/bbl from the previous day.

On April 20, the key contract fell slightly on U.S. President Donald Trump's comment criticizing artificially high crude oil prices but rallied on buybacks later. Baker Hughes reported that the number of operating U.S. oil-drilling rigs increased by five from a week earlier to 820. The May contract finished its last trading day at \$68.38/bbl, up \$0.09/bbl. The June contract rose by \$0.07/bbl to \$68.40/bbl.

On April 23, the key contract posted a small gain on concerns about the United States' possible resumption of economic sanctions on Iran. The June contract, which became the front-month contract on the day, rose by \$0.24/bbl to \$68.64/bbl.

On April 24, the key contract turned down for the first time in three trading days as U.S. interest rate rises contributed to the risk-off attitude. The June contract fell by \$0.94/bbl to \$67.70/bbl.

On April 25, the key contract rebounded on concerns about U.S. President Trump's hardline attitude against Iran, although U.S. crude oil inventories in a weekly EIA (Energy Information Administration) report posted an increase against a market-forecast decline. The June contract gained \$0.35/bbl to \$68.05/bbl.

The Asian benchmark crude oil of Dubai for June delivery on the Tokyo market moved in a range between \$68.40/bbl and \$69.20/bbl in the April 12-18 week. It closed at \$70.20/bbl on April 19, at \$70.30/bbl on April 20, at \$70.50/bbl on April 23, at \$71.70/bbl on April 24 and at \$70.00/bbl on April 25.

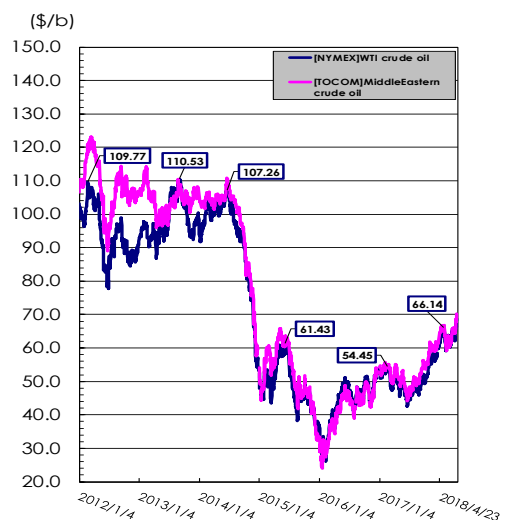
On the foreign exchange market in the April 12-18 week, the dollar moved within a range between 106.91 and 107.51 yen. It changed hands at 107.49 yen in late trading on April 19, at 107.48 yen on April 20, at 107.84 yen on April 23, at 108.76 yen on April 24 and at 108.88 yen on April 25.

According to preliminary 10-day trade statistics released by the Ministry of Finance on April 26, the average crude oil import CIF price in the April 1-10 period stood at 43,883 yen/kl (kiloliter), down 201 yen/kl from the previous 10-day period. In dollars, the price was \$66.01/bbl, up \$0.01/bbl. The average exchange rate was 105.68 yen to the dollar.

Wholesale prices that major Motouri (petroleum products wholesalers) applied to the first week of May were raised by 1.5-2.0 yen/l (liter) for gasoline and diesel oil and by 0.5-1.5 yen/l for 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 April 23 rose by 0.8 yen/l from a week earlier for gasoline, by 0.7 yen/l for diesel oil and by 2.0 yen/l for kerosene on an 18-liter tank basis. All these prices increased for the first time in two weeks. While crude oil cost increased in the fourth week of April, all Motouri companies raised their wholesale prices by 2.0 yen/l for gasoline and diesel oil. Kerosene prices were left unchanged by some Motouri and increased by 0.5 yen/l by others.

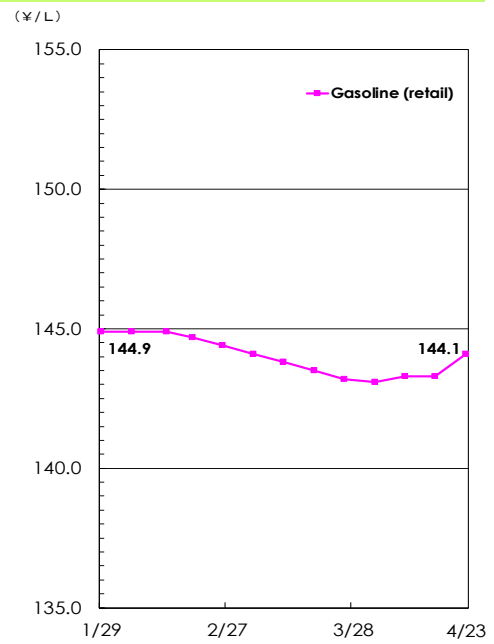
Crude oil			This week	From a week earlier	From a year earlier
Supply/ Demand	Crude oil runs (1,000 kl)	4/15 ~ 4/21	3,470	▼ -179	▼ -
	Topper capacity utilization rate (%)	"	88.6	▼ -4.6	▼ -
	Crude oil inventories (1,000 kl)	4/21	12,930	▲ 176	▼ -
Prices	Middle Eastern crude oil (TOCOM) (\$/bbl)	4/23	69.39	▲ 1.58	▲ 17.7
	WTI crude oil (NYMEX) (\$/bbl)	4/23	68.64	▲ 2.42	▲ 19.4
	Crude oil import CIF price (\$/bbl)	Early Apr	66.01	▲ 0.01	▲ 12.10
	①Crude oil import CIF price (yen/kl)	"	43,883	▼ -201	▲ 6,266
	②Yen-dollar exchange rate (yen/dollar)	"	105.68	▲ 0.52	▲ 5.26
	TTS exchange rate (yen/dollar)	4/23	108.84	▼ -0.33	▲ 2.12



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

Gasoline		This week		From a week earlier	From a year earlier	
Supply/ Demand	Production	4/15 ~ 4/21	920	▼ -79	▼ -	
	Imports	"	n.d.	n.d.	n.d.	
	Shipments	"	849	▼ -36	▼ -	
	Exports	"	121	▲ 49	▲ -	
	Inventories	4/21	1,693	▼ -49	▼ -	
Prices	Gyoten (spot) [4-district average lorry rack price] (RIM)	4/17 ~ 4/23	62.0	▲ 2.0	▲ 10.7	
	Futures [front-month contract/closing price]	(TOCOM/ Tokyo Bay)	4/17 ~ 4/23	62.2	▲ 2.3	▲ 12.3
		(TOCOM/ Chubu)	4/23	61.5	▲ 2.0	▲ 11.8
	Retail prices [weekly trend] (published by ANRE)	4/23	144.1	▲ 0.8	▲ 10.2	

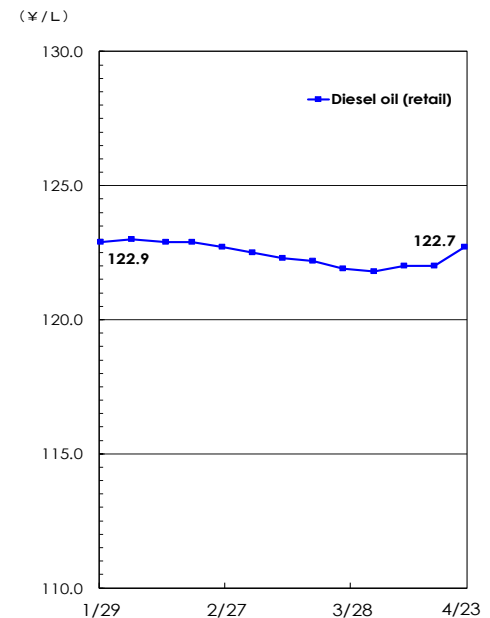
*Gyoten and futures prices are before tax



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

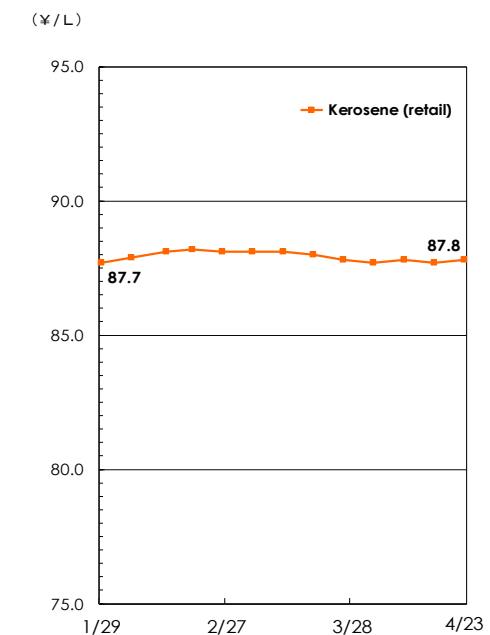
Diesel oil		This week		From a week earlier	From a year earlier	
Supply/ Demand	Production	4/15 ~ 4/21	888	▲ 108	▲ -	
	Imports	"	n.d.	n.d.	n.d.	
	Shipments	"	667	▲ 28	▲ -	
	Exports	"	134	▲ 35	▲ -	
	Inventories	4/21	1,453	▲ 88	▼ -	
Prices	Gyoten (spot) [4-district average lorry rack price] (RIM)	4/17 ~ 4/23	63.2	▲ 1.9	▲ 12.8	
	Futures [front-month contract/closing price]	(TOCOM/ Tokyo Bay)	4/17 ~ 4/23	62.3	▲ 1.3	▲ 14.3
		(TOCOM/ Chubu)	4/23	-	-	-
	Retail prices [weekly trend] (published by ANRE)	4/23	122.7	▲ 0.7	▲ 10.5	

*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	4/15 ~ 4/21	183	▲ 19	▼ -	
	Imports	"	n.d.	n.d.	n.d.	
	Shipments	"	218	▼ -54	▼ -	
	Exports	"	0	➡ 0	➡ -	
	Inventories	4/21	1,377	▼ -34	▲ -	
Prices	Gyoten (spot) [4-district average lorry rack price] (RIM)	4/17 ~ 4/23	63.1	▲ 1.1	▲ 13.7	
	Futures [front-month contract/closing price]	(TOCOM/ Tokyo Bay)	4/17 ~ 4/23	62.7	▲ 2.0	▲ 16.9
		(TOCOM/ Chubu)	4/23	60.5	➡ 0.0	▲ 14.5
	Retail prices [weekly trend] (published by ANRE)	4/23	87.8	▲ 0.1	▲ 10.2	



Relevant Information

1 Overseas crude oil prices

On April 25, the most frequently traded WTI crude futures contract on NYMEX fell briefly as the weekly EIA oil inventory report said that U.S. crude oil inventories posted an increase of 2.2 million barrels from a week earlier against a market-forecast decline of 2 million barrels, with gasoline inventories logging a rise of 800,000 barrels against a market-forecast drop of 600,000 barrels. However, they rose back later on concerns about U.S. President Trump's critical attitude against the Iran nuclear agreement and an afternoon stock market rise. The June contract rose by \$0.35/bbl from the previous day to \$68.05/bbl. The July contract increased by \$0.35/bbl to \$67.92/bbl.

According to the EIA, the average U.S. retail price of gasoline as of April 23 rose by 5.1 cents per gallon from a week earlier to \$2.798/gal (80.4 yen/l). The average diesel oil price increased by 2.9 cents/gal to \$3.133/gal (90.0 yen/l). The gasoline price increased for the second straight week, while the diesel price went up for the fifth 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 15-21 week stood at 212,000 bpd, up 207,000 bpd from the previous week (total capacity remained at 3,519,000 bpd).

Crude oil throughput in the week decreased by 179,000 kl from the previous week to 3,470,000 kl. From a year earlier, it declined by 216,000 kl. The topper capacity utilization rate stood at 88.6%, down 4.6 points from the previous week and down 5.5 points from a year earlier.

Output decreased from the previous week for gasoline and increased for others. Output was down 7.9% for gasoline, up 3.6% for jet fuel, up 11.3% for kerosene, up 13.9% for diesel oil, up 15.3% for Fuel Oil A and up 1.5% for Fuel Oil C. Fuel Oil C imports in the week totaled 58,000 kl, down 19,000 kl from the previous week. Diesel oil exports aggregated 134,000 kl, up 35,000 kl.

Shipments (excluding imports) in the week increased from the previous week for diesel oil and Fuel Oil C and decreased for other petroleum products. From a year earlier, shipments increased for diesel oil and Fuel Oil A while decreasing for others.

Gasoline shipments decreased by 4.1% from the previous week to 849,000 kl. They decreased week on week and year on year for the second straight week, remaining below 1 million kl for four weeks on end. Shipments totaled 64,000 kl for

jet fuel (down 27.4% from the previous week), 218,000 kl for kerosene (down 20.0% from the previous week), 667,000 kl for diesel oil (up 4.4%), 206,000 kl for Fuel Oil A (down 9.4%) and 194,000 kl for Fuel Oil C (up 11.1%).

(Unit: 1,000 kl)

	This week (4/15 ~ 4/21)	Previous week (4/8 ~ 4/14)	From a week earlier
Gasoline	849	885	▼ -36 (-4%)
Jet fuel	64	89	▼ -25 (-28%)
Kerosene (heating Oil)	218	272	▼ -54 (-20%)
Diesel oil	667	639	▲ 28 (4%)
Fuel oil A	206	227	▼ -21 (-9%)
Fuel Oil C	194	175	▲ 19 (11%)
Total	2,198	2,287	▼ -89 (-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 21 increased from a week earlier for diesel oil and Fuel Oil A and 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 1,693,000 kl, down 49,000 kl from a week earlier and down 155,000 kl from a year earlier.

Kerosene inventories totaled 1,377,000 kl, down 34,000 kl from a week earlier and up 396,000 kl from a year earlier.

Diesel oil inventories totaled 1,453,000 kl, up 88,000 kl from a week earlier and down 163,000 kl from a year earlier.

Fuel Oil A inventories totaled 729,000 kl, down 16,000 kl from a week earlier and down 53,000 kl from a year earlier.

Fuel Oil C inventories totaled 1,998,000 kl, down 14,000 kl from a week earlier and up 66,000 kl from a year earlier.

(Unit: 1,000 kl)

	This week (4/21)	Previous week (4/14)	From a week earlier
Gasoline	1,693	1,742	▼ -49 (-3%)
Jet fuel	1,080	1,115	▼ -35 (-3%)
Kerosene (heating Oil)	1,377	1,411	▼ -34 (-2%)
Diesel oil	1,453	1,365	▲ 88 (6%)
Fuel oil A	729	713	▲ 16 (2%)
Fuel Oil C	1,998	2,012	▼ -14 (-1%)
Total	8,330	8,358	▼ -28 (-0.3%)

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

In the April 17-23 week, crude oil cost apparently increased from the previous week as crude oil price hikes coincided with the yen's depreciation against the dollar.

Onshore cargo spot prices between April 17 and 23 rose in a 114-117 yen/l range for gasoline, in a 61-64 yen/l range for diesel oil and in a 62-64 yen/l range for kerosene.

Offshore barge spot prices in the week rose in a 117-119 yen/l range for gasoline, in a 62-63 yen/l range for diesel oil and in a 60-63 yen/l range for kerosene.

The key futures price in the week increased in a 114-117 yen/l range for gasoline, in a 61-64 yen/l range for diesel oil and in a 61-64 yen/l range for kerosene.

All Motouri companies raised their wholesale prices by 2.0 yen/l for gasoline and diesel oil. Kerosene prices were kept unchanged by some Motouri and increased by 0.5 yen/l by others.

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

Spot prices rose for all petroleum products.

The latest onshore cargo spot price (the average onshore rack price for four districts -- Chiba, Kawasaki, Chukyo and Hanshin -- for the April 17-23 week) that influences Motouri's wholesale prices applied to the first week of May (April 26-May 2) increased by 2.0 yen from the previous week for gasoline, by 1.1 yen/l for kerosene and by 1.9 yen/l for diesel oil. The average offshore barge spot price in Tokyo Bay rose by 1.2 yen/l for gasoline, by 2.3 yen/l for kerosene and by 0.1 yen/l for diesel oil. The key futures price rose by 2.3 yen/l for gasoline, by 2.0 yen/l for kerosene and by 1.3 yen/l for diesel oil. Crude oil cost increased as the yen's depreciation against the dollar coincided with crude oil price hikes.

For the first week of May, Motouri companies raised their wholesale prices by 1.5-2.0 yen/l for gasoline and diesel oil and by 0.5-1.5 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.

(RIM) [4-district average lorry rack price]		(Unit: yen/l)	
	This week (4/17 ~ 4/23)	Previous week (4/10 ~ 4/16)	From a week earlier
Spot Prices Regular	62.0	60.0	▲ 2.0
Kerosene	63.1	62.0	▲ 1.1
Diesel oil	63.2	61.3	▲ 1.9

(TOCOM) [Front-month contract/closing price]		(Unit: yen/l)	
[Average]	This week (4/17 ~ 4/23)	Previous week (4/10 ~ 4/16)	From a week earlier
Futures Price Regular	62.2	59.9	▲ 2.3
Kerosene	62.7	60.7	▲ 2.0
Diesel oil	62.3	61.0	▲ 1.3

Above prices are before tax.

Reference (April 17 - April 23 actual data)

Products	Spot	Futures	Average
Gasoline	▲ 2.0	▲ 2.3	▲ 2.1
Kerosene	▲ 1.1	▲ 2.0	▲ 1.5
Diesel oil	▲ 1.9	▲ 1.3	▲ 1.6
Fuel Oil A	▲ 1.8		

(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 23 went up by 0.8 yen/l from a week earlier to 144.1 yen/l for gasoline, by 0.7 yen/l to 122.7 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 2.0 yen to 1,581 yen). All these prices rose for the first time in two weeks. Gasoline prices increased in 41 of Japan's 47 prefectures, remained unchanged in two and decreased in four. The lowest gasoline price among the prefectures was 136.3 yen/l in Tokushima Prefecture (up 0.4 yen/l from a week earlier). The second lowest was 139.8 yen/l in Saitama (up 0.7 yen/l). The highest price was 151.8 yen/l in Nagasaki (up 1.2 yen/l). Posting the largest price hike of 2.6 yen/l was Aomori (142.6 yen/l). Logging the largest price drop of 0.1 yen/l were Shiga (144.6 yen/l) and three others.

As crude oil cost increased sharply in the previous week, Motouri companies increased their wholesale prices for the first week of May by 1.5-2.0 yen/l for gasoline and diesel oil and by 0.5-1.5 yen/l kerosene.

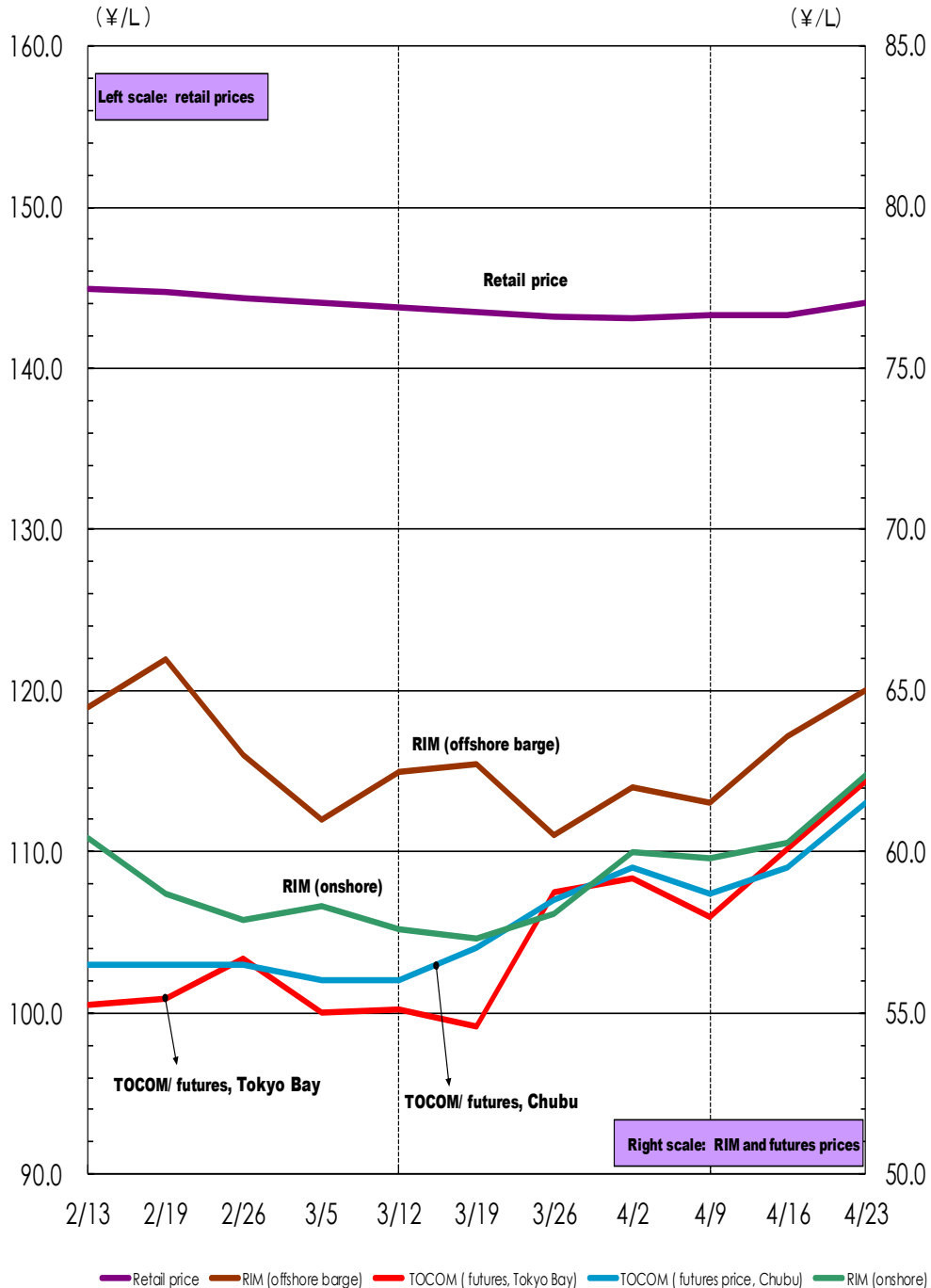
Retail gasoline prices are expected to rise next week (as of May 1).

(Published by ANRE)[Weekly trend]		(Unit: yen/l)			
	This week (4/23)	Previous week (4/16)	From a week earlier	Latest high	
Retail Price Regular	144.1	143.3	▲ 0.8	08/8/4	185.1
Kerosene	87.8	87.7	▲ 0.1	08/8/11	132.1
Diesel oil	122.7	122.0	▲ 0.7	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

(2018/2/13 ~ 2018/4/23)



(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. 5 for 2018) will be announced at 14:00 on May 18.

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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).