

Oil Market Review in Japan No. 08/2018

June 8, 2018, Friday Released at 14:00 every Friday

Publisher: Oil Information Center, Institute of Energy Economics, Japan

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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 May 17-23 week moved within a firm range between \$71.28 per barrel and \$72.24/bbl.

On May 24, the July contract fell for the third straight day as Russian Energy Minister Alexander Novak indicated that OPEC (Organization of the Petroleum Exporting Countries) and non-OPEC oil producing countries could ease their joint production cut at their next meeting on June 22, while market players were concerned about a decline in oil supply from Iran and Venezuela under economic sanctions. The key contract closed at \$70.71/bbl, down \$1.13/bbl from the previous day.

On May 25, the key contract declined substantially as Saudi Arabian Energy Minister Khalid al-Falih and his Russian counterpart Novak after their meeting voiced their readiness to prudently ease the joint oil production cut by OPEC and non-OPEC oil producing countries and as Baker Hughes reported that the number of operating U.S. oil-drilling rigs rose by 15 from a week earlier to 859, the highest since March 2015. The July contract lost \$2.83/bbl to \$67.88/bbl.

On May 28, NYMEX was closed for Memorial Day.

On May 29 after a three-day weekend, the July contract dropped for the fifth straight trading day on speculations about the potential relaxation of the joint oil production cut by OPEC and non-OPEC oil producing countries as discussed at a meeting between the Saudi Arabian and Russian energy ministers in the previous week. The key contract fell by \$1.15/bbl to \$66.73/bbl, the lowest in about one month and a half since April 17.

On May 30, the July contract rallied for the first time in six trading days as a Saudi Arabian source vowed to continue the joint oil production cut until the end of this year and as weekly private and government sector oil inventory reports coming one day behind usual schedule were expected to post a crude oil inventory decline. The key contract gained \$1.48/bbl to \$68.21/bbl.

The Asian benchmark crude oil of Dubai for July delivery on the Tokyo market moved in a range between \$76.50/bbl and \$76.90/bbl in the May 17-23 week. It closed at \$77.00/bbl on May 24, at \$76.20/bbl on May 25, at \$73.50/bbl on May 28, at \$73.40/bbl on May 29 and at \$73.60/bbl on May 30.

On the foreign exchange market in the May 17-23 week, the dollar moved within a range between 110.33 and 111.09 yen. It changed hands at 109.69 yen in late trading on May 24, at 109.58 yen on May 25, at 109.53 yen on May 28, at 109.25 yen on May 29 and at 108.41 yen on May 30.

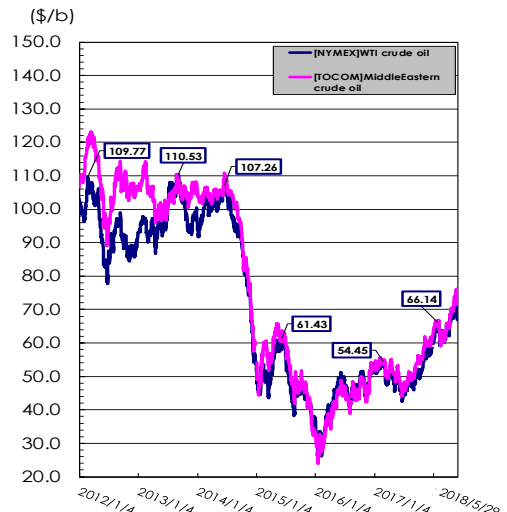
According to preliminary 10-day trade statistics released by the Ministry of Finance on May 30, the average crude oil import CIF price in the May 1-10 period stood at 46,587 yen/kl (kiloliter), up 1,944 yen/kl from the previous 10-day period. In dollars, the price was \$68.53/bbl, up \$2.19/bbl. The average exchange rate was 108.09 yen to the dollar.

Wholesale prices that major Motouri (petroleum products wholesalers) applied to the first week of June were left unchanged by some Motouri and lowered by 1.0 yen/l (liter) by others for gasoline, diesel oil and kerosene (heating oil).

Crude oil acquisition cost fell slightly as crude oil price hikes were partially offset by the yen's appreciation against the dollar.

Japan's average retail price on May 28 rose by 1.9 yen/l from a week earlier for gasoline, by 1.8 yen/l for diesel oil and by 23.0 yen for kerosene on an 18-liter tank basis. All these prices increased for the sixth straight week. As crude oil cost increased in the fifth week of May, Motouri companies raised their wholesale prices by 2.0 yen/l for gasoline, diesel oil and kerosene.

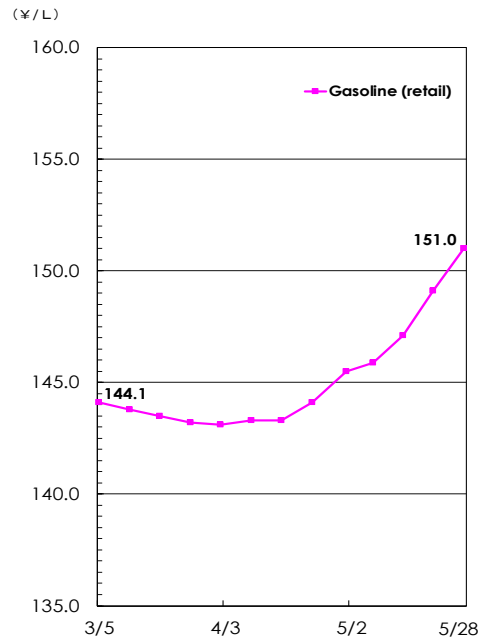
Crude oil			This week	From a week earlier	From a year earlier
Supply/ Demand	Crude oil runs (1,000 kl)	5/20 ~ 5/26	3,046	▲ 15	▼ -
	Topper capacity utilization rate (%)	"	77.8	▲ 0.4	▼ -
	Crude oil inventories (1,000 kl)	5/26	12,870	▼ -182	▲ -
Prices	Middle Eastern crude oil (TOCOM) (\$/bbl)	5/28	71.41	▼ -4.35	▲ 20.2
	WTI crude oil (NYMEX) (\$/bbl)	5/29	66.73	▼ -5.51	▲ 17.1
	Crude oil import CIF price (\$/bbl)	Early May	68.53	▲ 2.19	▲ 14.58
	① Crude oil import CIF price (yen/kl)	"	46,587	▲ 1,944	▲ 8,745
	② Yen-dollar exchange rate (yen/dollar)	"	108.09	▼ -1.09	▲ 3.43
	TTS exchange rate (yen/dollar)	5/28	110.53	▲ 1.56	▲ 1.81



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

Gasoline		This week		From a week earlier	From a year earlier	
Supply/ Demand	Production	5/20 ~ 5/26	922	▼ -12	▼ -	
	Imports	"	n.a.	n.a.	n.a.	
	Shipments	"	887	▲ 12	▼ -	
	Exports	"	48	▲ 48	▲ -	
	Inventories	5/26	1,765	▼ -13	▼ -	
Prices	Gyoten (spot) [4-district average lorry rack price] (RIM)	5/22 ~ 5/28	68.4	▲ 0.9	▲ 19.9	
	Futures [front-month contract/closing price]	(TOCOM/ Tokyo Bay)	5/22 ~ 5/28	65.9	▼ -1.0	▲ 15.4
		(TOCOM/ Chubu)	5/28	65.0	▼ -2.6	▲ 15.8
	Retail prices [weekly trend] (published by ANRE)	5/28	151.0	▲ 1.9	▲ 19.3	

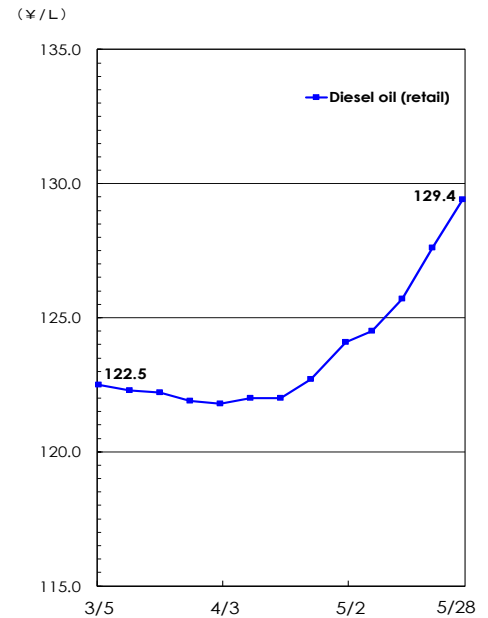
*Gyoten and futures prices are before tax



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

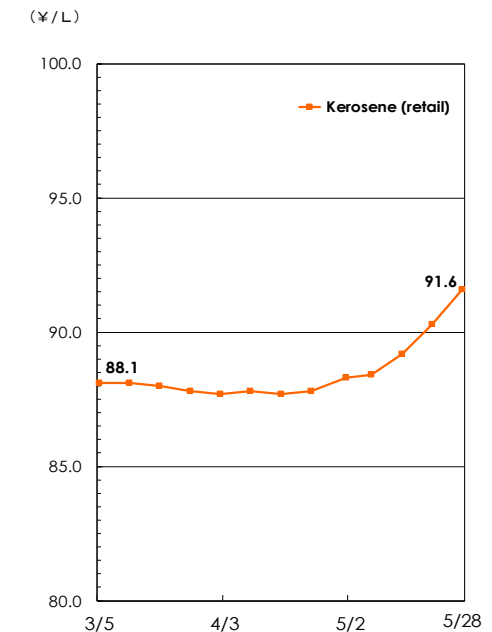
Diesel oil		This week		From a week earlier	From a year earlier	
Supply/ Demand	Production	5/20 ~ 5/26	728	▼ -40	▼ -	
	Imports	"	n.a.	n.a.	n.a.	
	Shipments	"	729	▲ 81	▲ -	
	Exports	"	90	▼ -33	▼ -	
	Inventories	5/26	1,463	▼ -90	▼ -	
Prices	Gyoten (spot) [4-district average lorry rack price] (RIM)	5/22 ~ 5/28	69.8	▲ 1.5	▲ 22.1	
	Futures [front-month contract/closing price]	(TOCOM/ Tokyo Bay)	5/22 ~ 5/28	68.1	▲ 0.7	▲ 20.1
		(TOCOM/ Chubu)	5/28	-	-	-
	Retail prices [weekly trend] (published by ANRE)	5/28	129.4	▲ 1.8	▲ 18.6	

*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	5/20 ~ 5/26	188	▲ 104	▼ -	
	Imports	"	n.a.	n.a.	n.a.	
	Shipments	"	135	▲ 26	▼ -	
	Exports	"	0	➡ 0	➡ -	
	Inventories	5/26	1,512	▲ 53	▲ -	
Prices	Gyoten (spot) [4-district average lorry rack price] (RIM)	5/22 ~ 5/28	68.9	▲ 1.3	▲ 21.8	
	Futures [front-month contract/closing price]	(TOCOM/ Tokyo Bay)	5/22 ~ 5/28	67.0	▼ -0.5	▲ 19.8
		(TOCOM/ Chubu)	5/28	66.0	▼ -1.5	▲ 18.5
	Retail prices [weekly trend] (published by ANRE)	5/28	91.6	▲ 1.3	▲ 14.7	



Relevant Information

1 Overseas crude oil prices

On May 30, the most frequently traded WTI crude futures contract on NYMEX rebounded for the first time in six trading days as a Reuters report quoted a Saudi Arabian source as saying that OPEC and non-OPEC oil producing countries would continue their joint oil production cut until the end of this year, or even into next year if necessary, and as media reports said the Russian central bank described weak oil prices as posing a risk to the Russian economy. Also contributing to the rebound was a forecast that crude oil inventories could post a weekly decline of 500,000 barrels in weekly API (American Petroleum Institute) and EIA (Energy Information Administration) reports coming out in the evening of the day and in the next morning, one day behind normal schedule after a three-day weekend. The July contract finished at \$68.21/bbl, up \$1.48/bbl from the previous day. The August contract gained \$1.46/bbl to \$68.08/bbl.

According to the EIA, the average U.S. retail price of gasoline as of May 28 rose by 3.9 cents per gallon from a week earlier to \$2.962/gal (86.4 yen/l). The average diesel oil price increased by 1.1 cents/gal to \$3.288/gal (95.9 yen/l). The gasoline price increased for the third straight week, while the diesel price went up for the 10th 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 20-26 week stood at 736,000 bpd, up 116,000 bpd from the previous week (total capacity remained at 3,519,000 bpd).

Crude oil throughput in the week increased by 15,000 kl from the previous week to 3,046,000 kl. From a year earlier, it declined by 122,000 kl. The topper capacity utilization rate stood at 77.8%, up 0.4 points from the previous week and down 3.1 points from a year earlier.

Output increased from the previous week for jet fuel and kerosene and decreased for other petroleum products.

Output was down 1.3% for gasoline, up 39.6% for jet fuel, up 123.2% for kerosene, down 5.3% for diesel oil, down 15.5% for Fuel Oil A and down 25.2% for Fuel Oil C. Fuel Oil C imports in the week totaled 86,000 kl, up 86,000 kl from the previous week. Diesel oil exports aggregated 90,000 kl, down 33,000 kl.

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

Gasoline shipments increased by 1.4% from the previous week to 887,000 kl for the first rise in three weeks, remaining below 1 million kl for nine weeks on end.

Shipments totaled 87,000 kl for jet fuel (down 15.8%

from the previous week), 135,000 kl for kerosene (down 24.1%), 729,000 kl for diesel oil (up 12.5%), 205,000 kl for Fuel Oil A (up 5.8%) and 186,000 kl for Fuel Oil C (down 12.5%).

(Unit: 1,000 kl)

	This week (5/20 ~ 5/26)	Previous week (5/13 ~ 5/19)	From a week earlier
Gasoline	887	875	▲ 12 (1%)
Jet fuel	87	104	▼ -17 (-16%)
Kerosene (heating Oil)	135	109	▲ 26 (24%)
Diesel oil	729	648	▲ 81 (13%)
Fuel oil A	205	194	▲ 11 (6%)
Fuel Oil C	186	213	▼ -27 (-13%)
Total	2,229	2,143	▲ 86 (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 May 26 increased from a week earlier for kerosene and Fuel Oil C and decreased for other petroleum products. From a year earlier, inventories increased for kerosene and Fuel Oil C and decreased for others.

Gasoline inventories totaled 1,765,000 kl, down 13,000 kl from a week earlier and down 131,000 kl from a year earlier.

Kerosene inventories totaled 1,512,000 kl, up 53,000 kl from a week earlier and up 197,000 kl from a year earlier.

Diesel oil inventories totaled 1,463,000 kl, down 90,000 kl from a week earlier and down 119,000 kl from a year earlier.

Fuel Oil A inventories totaled 761,000 kl, down 25,000 kl from a week earlier and down 40,000 kl from a year earlier.

Fuel Oil C inventories totaled 2,091,000 kl, up 84,000 kl from a week earlier and up 19,000 kl from a year earlier.

(Unit: 1,000 kl)

	This week (5/26)	Previous week (5/19)	From a week earlier
Gasoline	1,765	1,778	▼ -13 (-1%)
Jet fuel	1,064	1,112	▼ -48 (-4%)
Kerosene (heating Oil)	1,512	1,459	▲ 53 (4%)
Diesel oil	1,463	1,553	▼ -90 (-6%)
Fuel oil A	761	786	▼ -25 (-3%)
Fuel Oil C	2,091	2,007	▲ 84 (4%)
Total	8,656	8,695	▼ -39 (-0.4%)

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

In the May 22-28 week, crude oil cost apparently decreased from the previous week as slight crude oil price hikes were more than offset by the yen's appreciation against the dollar.

Onshore cargo spot prices between May 22 and 28 rose and fell in a 121-123 yen/l range for gasoline, in a 68-71 yen/l range for diesel oil and in a 68-70 yen/l range for kerosene.

Offshore barge spot prices in the week leveled off and plunged in a 122-125 yen/l range for gasoline, increased and plunged in a 69-72 yen/l range for diesel oil and fluctuated and fell in a 66-68 yen/l range for kerosene.

The key futures price in the week increased and plunged in a 117-122 yen/l range for gasoline, rose and leveled off in a 67-69 yen/l range for diesel oil and plunged in a 65-69 yen/l range for kerosene.

Some Motouri companies left their wholesale prices unchanged for gasoline, diesel oil and kerosene, while others raised their prices by 1.0 yen/l.

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

Among spot petroleum products prices, onshore cargo spot prices increased for gasoline, diesel oil and kerosene. Offshore barge spot and futures prices rose, leveled off or fell.

The latest onshore cargo spot price (the average onshore rack price for four districts -- Chiba, Kawasaki, Chukyo and Hanshin -- for the May 22-28 week) that influences Motouri's wholesale prices applied to the first week of June (May 31-June 6) increased by 0.9 yen/l from the previous week for gasoline, by 1.3 yen/l for kerosene and by 1.5 yen/l for diesel oil. The average offshore barge spot price in Tokyo Bay leveled off for gasoline, fell by 0.8 yen/l for kerosene and rose by 0.7 yen/l for diesel oil. The key futures price fell by 1.0 yen/l for gasoline and by 0.5 yen/l for kerosene and rose by 0.7 yen/l for diesel oil. Crude oil cost increased slightly as small crude oil price hikes were more than offset by the yen's appreciation against the dollar.

For the first week of June, some Motouri companies left their wholesale prices unchanged for gasoline, diesel oil and kerosene, while others cut their prices by 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 (5/22 ~ 5/28)	Previous week (5/15 ~ 5/21)	From a week earlier
Spot Prices	Regular	68.4	67.5 ▲ 0.9
	Kerosene	68.9	67.6 ▲ 1.3
	Diesel oil	69.8	68.3 ▲ 1.5

(TOCOM) [Front-month contract/closing price]		(Unit: yen/l)	
[Average]	This week (5/22 ~ 5/28)	Previous week (5/15 ~ 5/21)	From a week earlier
Futures Price	Regular	65.9	66.9 ▼ -1.0
	Kerosene	67.0	67.5 ▼ -0.5
	Diesel oil	68.1	67.4 ▲ 0.7

Above prices are before tax.

Reference (May 22 - May 28 actual data)

Products	Spot	Futures	Average
Gasoline	▲ 0.9	▼ -1.0	➡ 0.0
Kerosene	▲ 1.3	▼ -0.5	▲ 0.4
Diesel oil	▲ 1.5	▲ 0.7	▲ 1.1
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 28 went up by 1.9 yen/l from a week earlier to 151.0 yen/l for gasoline, by 1.8 yen/l to 129.4 yen/l for diesel oil and by 1.3 yen/l to 91.6 yen/l for kerosene (on an 18-liter tank basis, the kerosene price rose by 23 yen to 1,649 yen). All these prices rose for the sixth straight week. Gasoline prices increased in 46 of Japan's 47 prefectures and dropped in one (Okinawa). The lowest gasoline price among the prefectures was 143.7 yen/l in Tokushima Prefecture (up 1.8 yen/l from a week earlier). The second lowest was 146.3 yen/l in Saitama (up 1.6 yen/l). The highest price was 158.6 yen/l in Nagasaki (up 2.0 yen/l). Posting the largest price hike of 3.7 yen/l was Tottori (151.2 yen/l).

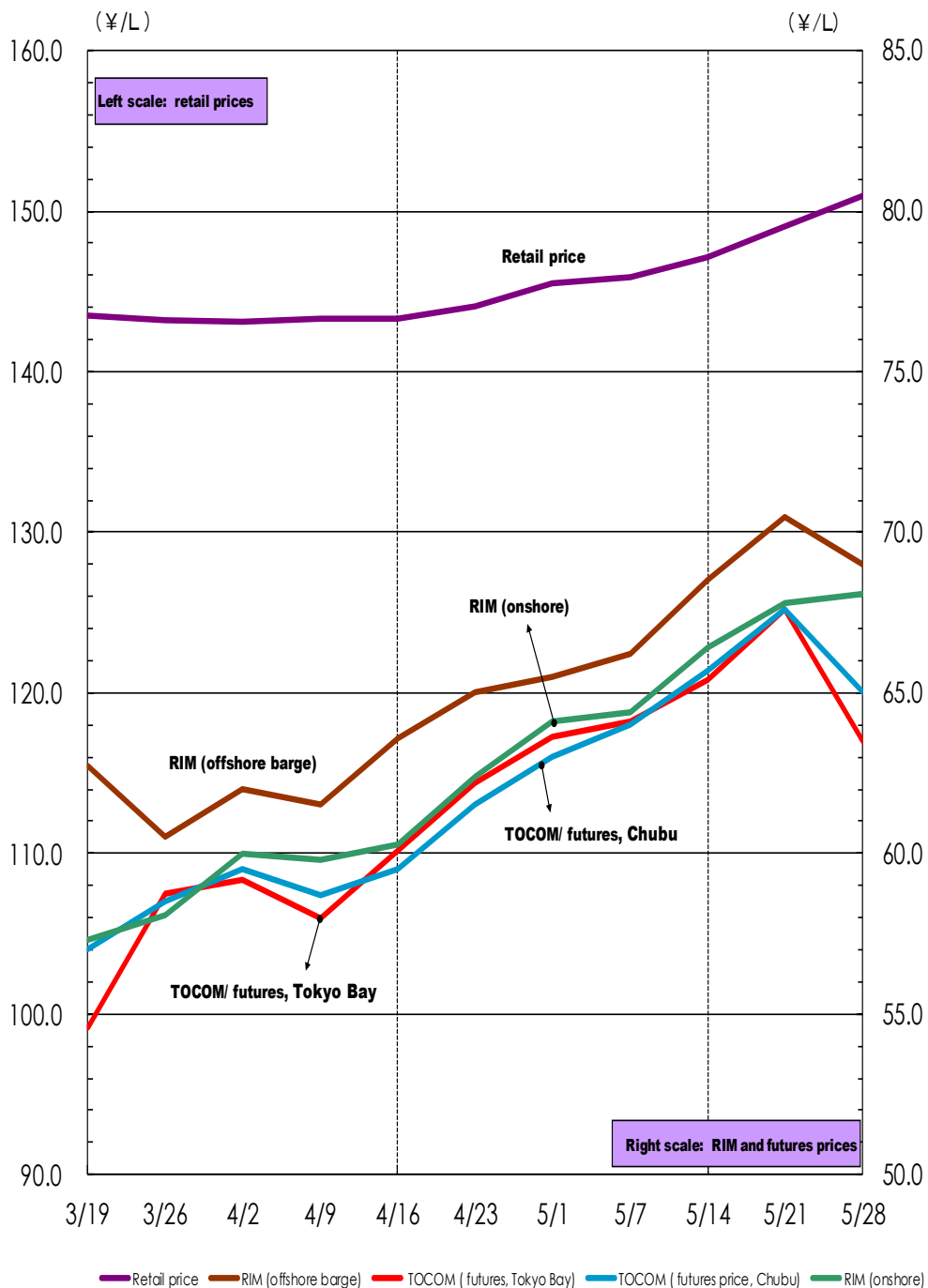
While crude oil cost fell slightly last week, some Motouri companies left their wholesale prices unchanged for gasoline, diesel oil and kerosene. Others lowered their prices by 1.0 yen/l. Retail gasoline prices rose for the sixth straight week. Crude oil cost decreased slightly this week as crude oil price hikes were more than offset by the yen's appreciation against the dollar. Retail gasoline prices are expected to rise next week (as of June 4).

(Published by ANRE)[Weekly trend]		(Unit: yen/l)			
	This week (5/28)	Previous week (5/21)	From a week earlier	Latest high	
Retail Price	Regular	151.0	149.1	▲ 1.9	08/8/4 185.1
	Kerosene	91.6	90.3	▲ 1.3	08/8/11 132.1
	Diesel oil	129.4	127.6	▲ 1.8	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

(2018/3/19 ~ 2018/5/28)



(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. 9 for 2018) will be announced at 14:00 on June 15.

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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).