

Oil Market Review in Japan No. 14/2018

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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 June 28-July 4 week moved within a firmer range between \$73.45 per barrel and \$74.15/bbl.

On July 5, the key contract declined as the EIA reported that U.S. crude oil and middle distillates inventories showed weekly increases against market-forecast decreases while U.S. President Donald Trump posted his third Twitter message criticizing OPEC (Organization of the Petroleum Exporting Countries). In its weekly report released one day behind usual schedule, the EIA said U.S. crude oil inventories logged an increase of 1.2 billion barrels from a week earlier against a market-forecast fall of 2.5 million barrels and middle distillates inventories a rise of 100,000 barrels against a market-forecast drop of 500,000 barrels. Profit-taking selling after the previous trading day's rebound exerted downward pressure on crude oil futures. The August contract closed at \$72.94/bbl, down \$1.20/bbl from the previous trading day.

On July 6, the key contract rallied as buybacks came on market players' reaffirmation of a tightening supply-demand balance and the dollar's depreciation against the euro after selling outpaced buying on a media report that Saudi Arabia expanded oil production in June by 460,000 barrels per day from the previous month, followed by an output increase in Russia. A Baker Hughes report that the number of operating U.S. oil-drilling rigs rose by five from a week earlier to 863 for the first weekly rise in three weeks had little impact on the crude futures market. The August contract gained \$0.86/bbl to \$73.80/bbl.

On July 9, the key contract eked out a small gain as buying came on concerns about a tighter supply-demand balance emerging from the expansion of U.S. economic sanctions on Iran after selling outpaced buying on a report that a Canadian oil sand production facility would resume oil supply. The August contract gained \$0.05/bbl to \$73.85/bbl.

On July 10, the key contract rose for the third straight day as concerns about a tighter supply-demand balance grew on a walkout at a Norwegian offshore oilfield and Royal Dutch Shell's announcement to suspend shipments from some oilfields. The gain was limited as U.S. Secretary of State Mike Pompeo indicated a positive attitude toward exceptions to sanctions on Iran. The August contract gained \$0.26/bbl to \$74.11/bbl.

On July 11, the key contract turned down on reports about Libya's resumption of crude exports and Saudi Arabia's production expansion in June. The August contract plunged \$3.73/bbl to \$70.38/bbl.

The Asian benchmark crude oil of Dubai for August delivery on the Tokyo market moved in a range between \$75.00/bbl and \$75.50/bbl in the June 28-July 4 week. It closed at \$74.80/bbl on July 5, at \$74.40/bbl on July 6, at \$74.70/bbl on July 9, at \$75.70/bbl on July 10 and at \$75.50/bbl on July 11.

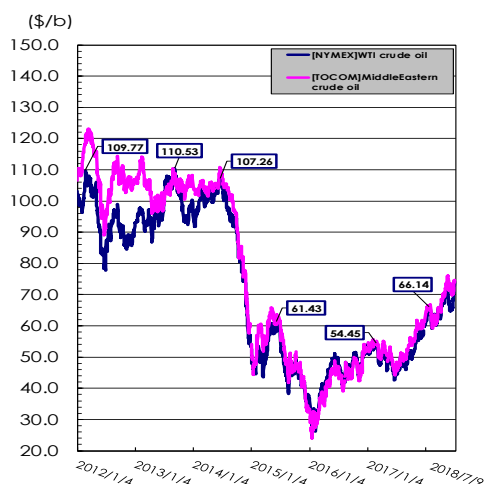
On the foreign exchange market in the June 28-July 4 week, the dollar moved within a range between 110.05 and 110.94 yen. It changed hands at 110.43 yen in late trading on July 5, at 110.73 yen on July 6, at 110.49 yen on July 9, at 111.06 yen on July 10 and at 110.93 yen on July 11.

According to preliminary 10-day trade statistics released by the Ministry of Finance on July 6, the average crude oil import CIF price in the June 11-20 period stood at 52,772 yen/kl (kiloliter), up 1,279 yen/kl from the previous 10-day period. In dollars, the price was \$76.78/bbl, up \$2.45/bbl. The average exchange rate was 109.28 yen to the dollar.

All major Japanese Motouri (petroleum products wholesalers) left their wholesale prices for the third week of July unchanged from the previous week for gasoline, diesel oil and kerosene (heating oil). Crude oil acquisition cost rose slightly as crude oil prices posted a small gain with the yen depreciating a little against the dollar.

Japan's average retail price on July 9 increased by 0.2 yen/l from a week earlier for gasoline, by 0.3 yen/l for diesel oil and by 2.0 yen for kerosene on an 18-liter tank basis. The gasoline and diesel prices rose for the first time in five weeks. The kerosene price went up for the first time in three weeks on an 18-liter tank basis. As crude oil cost increased in the second week of July, 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)	7/1 ~ 7/7	3,131 ▲ 313	▼ -
	Topper capacity utilization rate (%)	"	80.0 ▲ 8.0	▼ -
	Crude oil inventories (1,000 kl)	7/7	12,887 ▲ 206	▼ -
Prices	Middle Eastern crude oil (TOCOM) (\$/bbl)	7/9	74.11 ▼ -0.71	▲ 28.3
	WTI crude oil (NYMEX) (\$/bbl)	7/9	73.85 ▼ -0.09	▲ 29.5
	Crude oil import CIF price (\$/bbl)	Mid Jun	76.78 ▲ 2.45	▲ 24.65
	① Crude oil import CIF price (yen/kl)	"	52,772 ▲ 1,279	▲ 16,414
	② Yen-dollar exchange rate (yen/dollar)	"	109.28 ▲ 0.84	▲ 1.60
	TTS exchange rate (yen/dollar)	7/9	111.49 ▲ 0.38	▲ 3.68

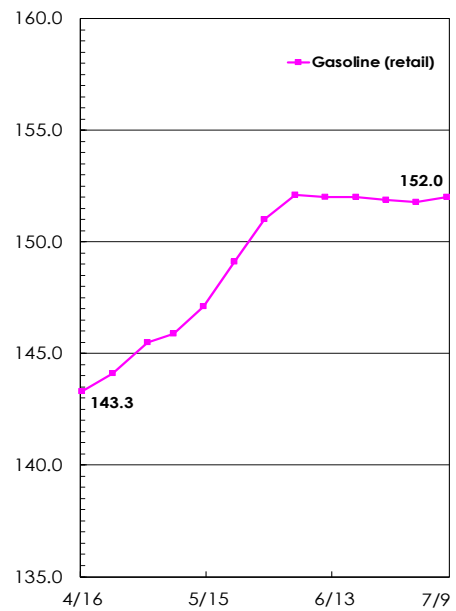


(Unit: 1,000 kl, yen/l)

Gasoline		This week		From a week earlier	From a year earlier	
Supply/ Demand	Production	7/1 ~ 7/7	931	▲ 69	▼ -	
	Imports	"	n.a.	n.a.	n.a.	
	Shipments	"	1,030	▲ 167	▲ -	
	Exports	"	52	▼ -14	▲ -	
	Inventories	7/7	1,456	▼ -151	▼ -	
Prices	Gyoten (spot) [4-district average lorry rack price] (RIM)	7/3 ~ 7/9	68.8	▲ 1.6	▲ 18.7	
	Futures [front-month contract/closing price]	(TOCOM/Tokyo Bay)	7/3 ~ 7/9	65.0	▲ 0.3	▲ 15.6
		(TOCOM/Chubu)	7/9	65.5	▼ -0.5	▲ 16.6
	Retail prices [weekly trend] (published by ANRE)	7/9	152.0	▲ 0.2	▲ 21.6	

*Gyoten and futures prices are before tax

(¥/L)

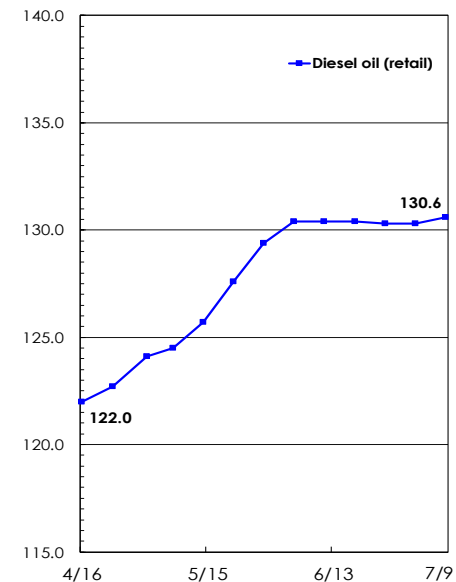


(Unit: 1,000 kl, yen/l)

Diesel oil		This week		From a week earlier	From a year earlier	
Supply/ Demand	Production	7/1 ~ 7/7	709	▲ 49	▼ -	
	Imports	"	n.a.	n.a.	n.a.	
	Shipments	"	666	▲ 74	▼ -	
	Exports	"	44	▼ -103	▼ -	
	Inventories	7/7	1,414	▼ -2	▼ -	
Prices	Gyoten (spot) [4-district average lorry rack price] (RIM)	7/3 ~ 7/9	69.8	▲ 1.4	▲ 21.5	
	Futures [front-month contract/closing price]	(TOCOM/Tokyo Bay)	7/3 ~ 7/9	70.0	▲ 2.3	▲ 22.0
		(TOCOM/Chubu)	7/9	-	-	-
	Retail prices [weekly trend] (published by ANRE)	7/9	130.6	▲ 0.3	▲ 20.9	

*Gyoten and futures prices are before tax

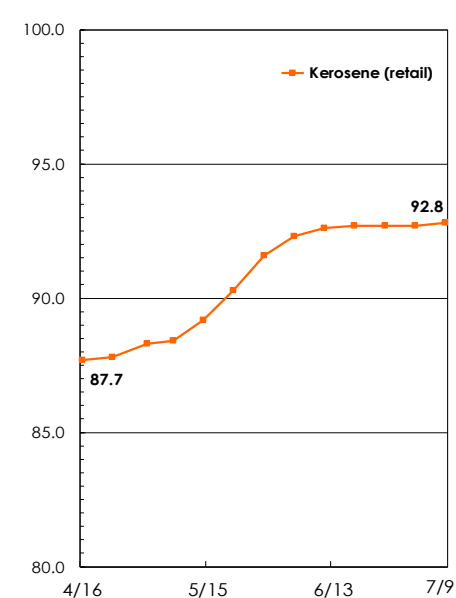
(¥/L)



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

Kerosene		This week		From a week earlier	From a year earlier	
Supply/ Demand	Production	7/1 ~ 7/7	96	▼ -8	▼ -	
	Imports	"	n.a.	n.a.	n.a.	
	Shipments	"	123	▲ 38	▲ -	
	Exports	"	0	➡ 0	➡ -	
	Inventories	7/7	1,512	▼ -28	▼ -	
Prices	Gyoten (spot) [4-district average lorry rack price] (RIM)	7/3 ~ 7/9	69.1	▲ 1.6	▲ 21.6	
	Futures [front-month contract/closing price]	(TOCOM/Tokyo Bay)	7/3 ~ 7/9	68.7	▲ 0.6	▲ 21.4
		(TOCOM/Chubu)	7/9	68.0	▼ -0.2	▲ 20.7
	Retail prices [weekly trend] (published by ANRE)	7/9	92.8	▲ 0.1	▲ 16.6	

(¥/L)



Relevant Information

1 Overseas crude oil prices

On July 11, the most frequently traded WTI crude futures contract on NYMEX turned down on the deterioration of investor confidence as media reports said that the Libyan National Oil Company would resume crude oil export that had been suspended under the force majeure clause and that a monthly OPEC (Organization of the Petroleum Exporting Countries) report pointed to a substantial oil production increase in Saudi Arabia in June. U.S. Secretary of State Pompeo's indication of exceptions to sanctions on Iran on the previous day still exerted downward pressure on crude oil futures prices. The August contract finished at \$70.38/bbl, down \$3.73/bbl from the previous day. The September contract lost \$3.70/bbl to \$68.86/bbl.

According to the EIA, the average U.S. retail price of gasoline as of July 9 rose by 1.3 cents per gallon from a week earlier to \$2.857/gal (84.0 yen/l). The average diesel oil price increased by 0.7 cents/gal to \$3.243/gal (95.4 yen/l). The gasoline and diesel prices rose for the second straight 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 July 1-7 week stood at 515,000 barrels per day, down 193,000 bpd from the previous week (total capacity remained at 3,519,000 bpd).

Crude oil throughput in the week increased by 313,000 kl from the previous week to 3,131,000 kl. From a year earlier, it declined by 271,000 kl. The topper capacity utilization rate stood at 80.0%, up 8.0 points from the previous week and down 6.9 points from a year earlier.

Output increased from the previous week for gasoline, diesel oil and Fuel Oil A and decreased for other petroleum products.

Output was up 8.0% for gasoline, down 10.5% for jet fuel, down 7.4% for kerosene, up 7.4% for diesel oil, up 3.5% for Fuel Oil A and down 46.0% for Fuel Oil C. Fuel Oil C imports in the week totaled 38,000 kl, up 23,000 kl from the previous week. Diesel oil exports aggregated 44,000 kl, down 103,000 kl.

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

Gasoline shipments increased by 19.3% from the previous week to 1,030,000 kl for the first rise in two weeks, remaining below 1 million kl for 15 weeks on end.

Shipments totaled 107,000 kl for jet fuel (up 26.4% from the previous week), 123,000 kl for kerosene (up 46.0%), 666,000 kl for diesel oil (up 12.6%), 193,000 kl for Fuel Oil A (down 1.6%) and 180,000 kl for Fuel Oil C (down 29.9%).

(Unit: 1,000 kl)

	This week (7/1 ~ 7/7)	Previous week (6/24 ~ 6/30)	From a week earlier
Gasoline	1,030	863	▲ 167 (19%)
Jet fuel	107	84	▲ 23 (27%)
Kerosene (heating Oil)	123	85	▲ 38 (45%)
Diesel oil	666	592	▲ 74 (13%)
Fuel oil A	193	196	▼ -3 (-2%)
Fuel Oil C	180	257	▼ -77 (-30%)
Total	2,299	2,077	▲ 222 (11%)

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 July 7 increased from a week earlier for jet fuel and decreased for other petroleum products. From a year earlier, inventories decreased for all petroleum products.

Gasoline inventories totaled 1,456,000 kl, down 151,000 kl from a week earlier and down 316,000 kl from a year earlier.

Kerosene inventories totaled 1,512,000 kl, down 28,000 kl from a week earlier and down 93,000 kl from a year earlier.

Diesel oil inventories totaled 1,414,000 kl, down 2,000 kl from a week earlier and down 99,000 kl from a year earlier.

Fuel Oil A inventories totaled 726,000 kl, down 17,000 kl from a week earlier and down 70,000 kl from a year earlier.

Fuel Oil C inventories totaled 1,976,000 kl, down 51,000 kl from a week earlier and down 132,000 kl from a year earlier.

(Unit: 1,000 kl)

	This week (7/7)	Previous week (6/30)	From a week earlier
Gasoline	1,456	1,607	▼ -151 (-9%)
Jet fuel	1,036	946	▲ 90 (10%)
Kerosene (heating Oil)	1,512	1,540	▼ -28 (-2%)
Diesel oil	1,414	1,416	▼ -2 (-0%)
Fuel oil A	726	743	▼ -17 (-2%)
Fuel Oil C	1,976	2,027	▼ -51 (-3%)
Total	8,120	8,279	▼ -159 (-1.9%)

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

In the July 3-9 week, crude oil cost apparently posted a small rise from the previous week as crude oil prices rose slightly with the yen depreciating a little against the dollar.

Onshore cargo spot prices between July 3 and 9 rose sharply and fell back slightly in a 121-124 yen/l range for gasoline and in a 68-71 yen/l range for diesel oil and rose and leveled off in a 67-70 yen/l range for kerosene.

Offshore barge spot prices in the week leveled off in a 124-125 yen/l range for gasoline, rose sharply and leveled off in a 70-72 yen/l range for diesel oil and increased slightly and leveled off in a 68-69 yen/l range for kerosene.

The key futures price in the week fluctuated and decreased in a 118-120 yen/l range for gasoline, rose sharply in a 68-72 yen/l range for diesel oil and decreased slightly in a 68-70 yen/l range for kerosene. Motouri companies left their wholesale prices unchanged for gasoline, diesel oil and kerosene.

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

All spot petroleum products prices increased.

The latest onshore cargo spot price (the average onshore rack price for four districts -- Chiba, Kawasaki, Chukyo and Hanshin -- for the July 3-9 week) that influences Motouri's wholesale prices applied to the third week of July (July 12-18) rose by 1.6 yen/l for gasoline and kerosene and by 1.4 yen/l for diesel oil. The average offshore barge spot price in Tokyo Bay rose by 0.7 yen/l for gasoline, by 0.3 yen/l for kerosene and by 1.2 yen/l for diesel oil. The key futures price increased by 0.3 yen/l for gasoline, by 0.6 yen/l for kerosene and by 2.3 yen/l for diesel oil. Crude oil cost increased slightly as crude oil prices increased moderately with the yen depreciating a little against the dollar.

For the third week of July, all Motouri companies kept their wholesale prices unchanged 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 (7/3 ~ 7/9)	Previous week (6/26 ~ 7/2)	From a week earlier
Spot Prices	Regular	68.8	▲ 1.6
	Kerosene	69.1	▲ 1.6
	Diesel oil	69.8	▲ 1.4

(TOCOM) [Front-month contract/closing price]		(Unit: yen/l)	
[Average]	This week (7/3 ~ 7/9)	Previous week (6/26 ~ 7/2)	From a week earlier
Futures Price	Regular	65.0	▲ 0.3
	Kerosene	68.7	▲ 0.6
	Diesel oil	70.0	▲ 2.3

Above prices are before tax.

Reference (July 3 - July 9 actual data)

Products	Spot	Futures	Average
Gasoline	▲ 1.6	▲ 0.3	▲ 0.9
Kerosene	▲ 1.6	▲ 0.6	▲ 1.1
Diesel oil	▲ 1.4	▲ 2.3	▲ 1.8
Fuel Oil A	▲ 1.5		

(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 July 9 rose by 0.2 yen/l to 152.0 yen/l for gasoline, by 0.3 yen/l to 130.6 yen/l for diesel oil and by 0.1 yen/l to 92.8 yen/l for kerosene (on an 18-liter tank basis, the kerosene price increased by 2 yen to 1,670 yen). The gasoline price rose for the first time in five weeks, remaining above 150 yen/l for seven weeks on end. The diesel price also went up for the first time in five weeks. The kerosene price rose for the first time in three weeks. Gasoline prices increased in 31 of Japan's 47 prefectures, leveled off in seven including Hokkaido and dropped in nine.

The lowest gasoline price among the prefectures was 145.4 yen/l in Tokushima Prefecture (up 0.8 yen/l from a week earlier). The second lowest was 147.4 yen/l in Saitama (down 0.2 yen/l). The highest price was 160.7 yen/l in Nagasaki (down 0.1 yen/l). Posting the largest price hike of 1.3 yen/l were Fukui (153.5 yen/l), Gunma (151.3 yen/l) and Aichi (151.0 yen/l). Logging the largest fall of 0.5 yen/l was Osaka (151.1 yen/l).

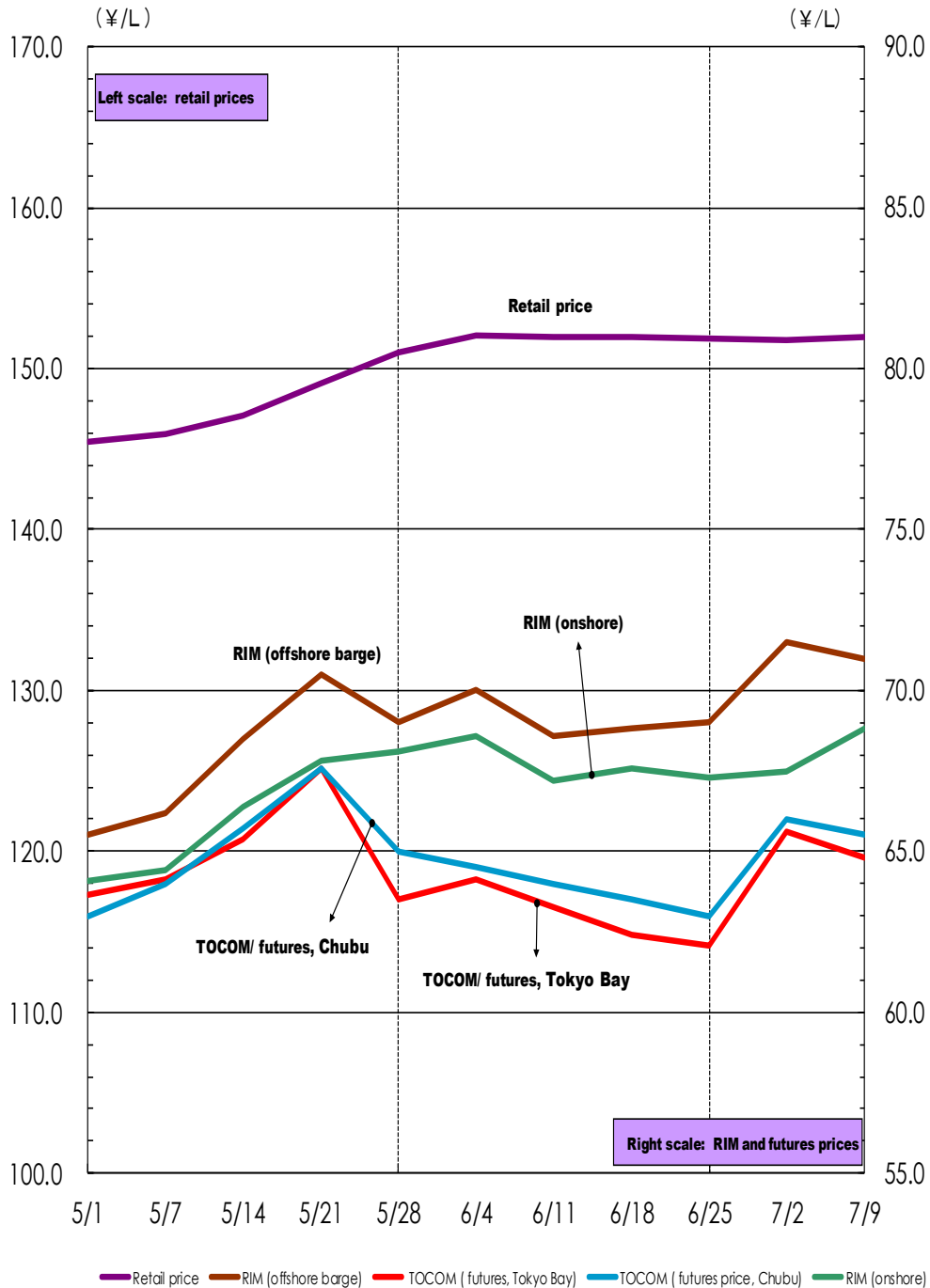
As crude oil cost soared last week, Motouri companies raised their wholesale prices by 2.0 yen/l for gasoline, diesel oil and kerosene. Crude oil cost rose slightly this week as crude oil prices crept up with the yen depreciating against the dollar. Retail gasoline prices are expected to rise slightly next week (as of July 17).

(Published by ANRE)[Weekly trend]		(Unit: yen/l)				
	This week (7/9)	Previous week (7/2)	From a week earlier	Latest high		
Retail Price	Regular	152.0	151.8	▲ 0.2	08/8/4	185.1
	Kerosene	92.8	92.7	▲ 0.1	08/8/11	132.1
	Diesel oil	130.6	130.3	▲ 0.3	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

(2018/5/1 ~ 2018/7/9)



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