

Oil Market Review in Japan No. 15/2018

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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 July 5-11 week moved within a range between \$70.38 per barrel and \$74.11/bbl.

On July 12, the key contract fell slightly on the previous day's report on Libya's resumption of crude oil exports and the dollar's appreciation. The decrease was restricted by a monthly IEA (International Energy Agency) report that surplus capacity to increase oil production was reaching a ceiling and a media report that crude oil inventories decreased at the WTI delivery point of Cushing. The August contract closed at \$70.33/bbl, down \$0.05/bbl from the previous day.

On July 13, the key contract rallied on the expansion of strikes at a Norwegian offshore oilfield and a sabotage at Iraqi ports as well as the dollar's downturn against the euro. Baker Hughes reported that the number of operating U.S. oil-drilling rigs remained unchanged from a week earlier at 863. The August contract gained \$0.68/bbl to \$71.01/bbl.

On July 16, the key contract turned down with a steep decline as concerns about a tighter supply-demand balance receded on the U.S. government's consideration of a plan to release strategic petroleum reserves to hold down crude oil prices as reported by the electronic edition of The Wall Street Journal, the Libyan National Oil Company's announcement to resume crude oil exports and the Chinese government's report that China's gross domestic product growth in the second quarter of 2018 slowed down to 6.7% for the first deceleration in three quarters. The August contract lost \$2.95/bbl to \$68.06/bbl, the lowest level since June 21.

On July 17, selling outpaced buying in the morning following the previous day's trend. As selling ran its course, however, buybacks grew dominant on forecasts that incoming weekly oil inventory reports would show a weekly crude oil inventory drop. The August contract gained \$0.02/bbl to \$68.08/bbl.

On July 18, the key contract rose further as the EIA (Energy Information Administration) reported that gasoline and middle distillate inventories posted weekly falls while crude oil inventories logged an increase against a market-forecast drop. Media reports on an attack on a refinery in the Saudi Arabian capital of Riyadh also contributed to the rise. The August contract gained \$0.68/bbl to \$68.76/bbl.

The Asian benchmark crude oil of Dubai for August delivery on the Tokyo market moved in a range between \$74.40/bbl and \$75.70/bbl in the July 5-11 week. It closed at \$72.40/bbl on July 12, at \$72.10/bbl on July 13, at \$70.00/bbl on July 17 and at \$70.00/bbl on July 18.

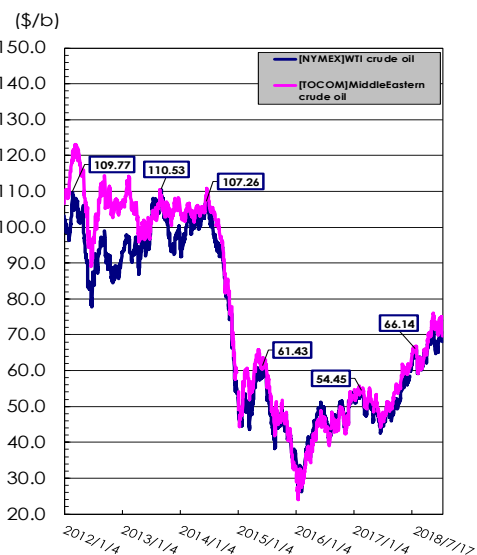
On the foreign exchange market in the July 5-11 week, the dollar moved within a range between 110.43 and 111.06 yen. It changed hands at 112.18 yen in late trading on July 12, at 112.76 yen on July 13, at 112.44 yen on July 17 and at 113.01 yen on July 18.

According to preliminary 10-day trade statistics released by the Ministry of Finance on July 19, the average crude oil import CIF price in the June 21-30 period stood at 53,391 yen/kl (kiloliter), up 619 yen/kl from the previous 10-day period. In dollars, the price was \$77.05/bbl, up \$0.27/bbl. The average exchange rate was 110.16 yen to the dollar. According to monthly trade statistics released by the ministry on the same day, the average crude oil import CIF price in June came to 52,731 yen/kl, up 4,276 yen/kl from the previous month. In dollars, the price was \$76.34/bbl, up \$5.73/bbl. The average exchange rate was 109.81 yen to the dollar.

Major Japanese Motouri (petroleum products wholesalers) cut their wholesale prices for the fourth week of July by 0.5-1.0 yen/l (litter) from the previous week for gasoline, diesel oil and kerosene (heating oil). Crude oil acquisition cost fell slightly as crude oil price drops were mostly offset by the yen's depreciation.

Japan's average retail price on July 17 increased by 0.3 yen/l from a week earlier for gasoline, by 0.2 yen/l for diesel oil and by 4.0 yen for kerosene on an 18-liter tank basis. The gasoline, diesel and kerosene prices rose for the second straight week. While crude oil cost increased slightly in the third week of July, all major Motouri companies kept their wholesale prices unchanged from the previous week for gasoline, diesel oil and kerosene.

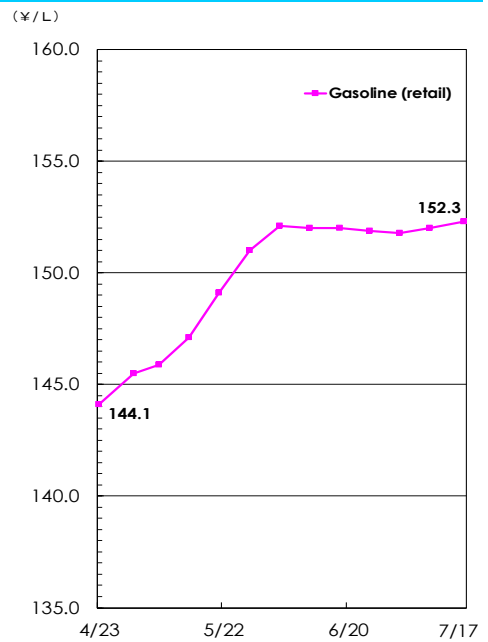
Crude oil			This week	From a week earlier	From a year earlier
Supply/Demand	Crude oil runs (1,000 kl)	7/8 ~ 7/14	3,332	▲ 201	▼ -
	Topper capacity utilization rate (%)	"	85.1	▲ 5.1	▼ -
	Crude oil inventories (1,000 kl)	7/14	13,118	▲ 231	▼ -
Prices	Middle Eastern crude oil (TOCOM) (\$/bbl)	7/17	69.65	▼ -4.46	▲ 22.4
	WTI crude oil (NYMEX) (\$/bbl)	7/16	68.06	▼ -5.79	▲ 22.0
	Crude oil import CIF price (\$/bbl)	Late Jun	77.05	▲ 0.27	▲ 24.92
	① Crude oil import CIF price (yen/kl)	"	53,391	▲ 619	▲ 17,033
	② Yen-dollar exchange rate (yen/dollar)	"	110.16	▼ -0.88	▲ 0.72
	TTS exchange rate (yen/dollar)	7/17	113.44	▼ -1.95	▼ -0.01



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

Gasoline		This week		From a week earlier	From a year earlier	
Supply/ Demand	Production	7/8 ~ 7/14	963	▲ 31	▼ -	
	Imports	"	n.a.	n.a.	n.a.	
	Shipments	"	881	▼ -149	▼ -	
	Exports	"	1	▼ -52	▼ -	
	Inventories	7/14	1,537	▲ 81	▼ -	
Prices	Gyoten (spot) [4-district average lorry rack price] (RIM)	7/10 ~ 7/16	68.2	▼ -0.6	▲ 18.2	
	Futures [front-month contract/closing price]	(TOCOM/ Tokyo Bay)	7/10 ~ 7/16	65.1	▲ 0.1	▲ 15.1
		(TOCOM/ Chubu)	7/13	65.1	▼ -0.4	▲ 14.7
	Retail prices [weekly trend] (published by ANRE)	7/17	152.3	▲ 0.3	▲ 21.4	

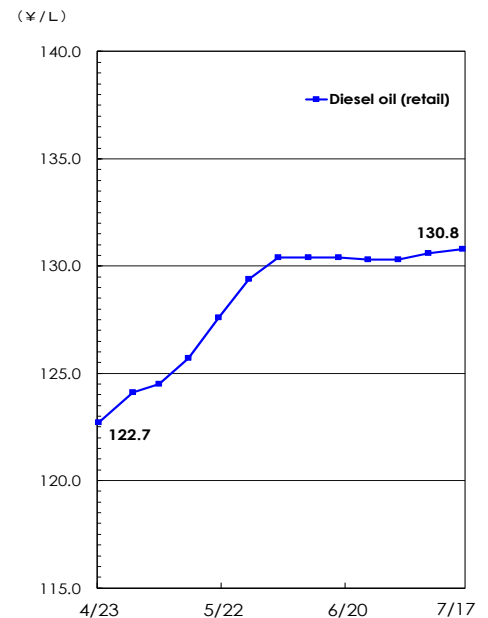
*Gyoten and futures prices are before tax



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

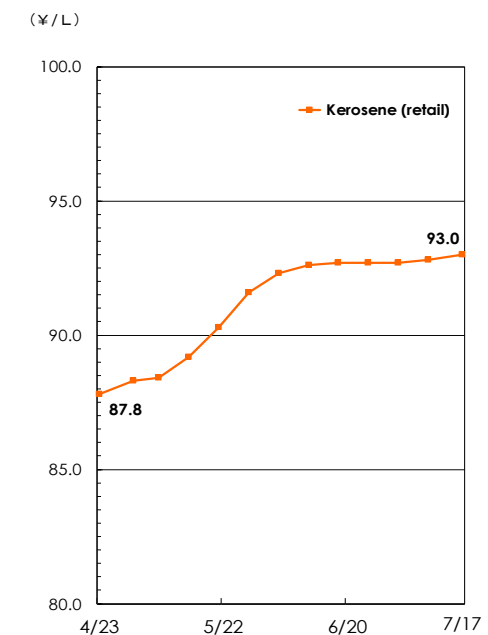
Diesel oil		This week		From a week earlier	From a year earlier	
Supply/ Demand	Production	7/8 ~ 7/14	834	▲ 125	▼ -	
	Imports	"	n.a.	n.a.	n.a.	
	Shipments	"	569	▼ -97	▼ -	
	Exports	"	223	▲ 179	▲ -	
	Inventories	7/14	1,455	▲ 41	▲ -	
Prices	Gyoten (spot) [4-district average lorry rack price] (RIM)	7/10 ~ 7/16	69.9	▲ 0.1	▲ 21.7	
	Futures [front-month contract/closing price]	(TOCOM/ Tokyo Bay)	7/10 ~ 7/16	71.0	▲ 1.0	▲ 23.0
		(TOCOM/ Chubu)	7/13	-	-	-
	Retail prices [weekly trend] (published by ANRE)	7/17	130.8	▲ 0.2	▲ 20.8	

*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	7/8 ~ 7/14	122	▲ 26	▼ -	
	Imports	"	n.a.	n.a.	n.a.	
	Shipments	"	61	▼ -62	▼ -	
	Exports	"	25	▲ 25	▲ -	
	Inventories	7/14	1,548	▲ 36	▼ -	
Prices	Gyoten (spot) [4-district average lorry rack price] (RIM)	7/10 ~ 7/16	69.2	▲ 0.1	▲ 21.8	
	Futures [front-month contract/closing price]	(TOCOM/ Tokyo Bay)	7/10 ~ 7/16	68.9	▲ 0.2	▲ 20.7
		(TOCOM/ Chubu)	7/13	68.2	▲ 0.2	▲ 20.2
	Retail prices [weekly trend] (published by ANRE)	7/17	93.0	▲ 0.2	▲ 16.8	



Relevant Information

1 Overseas crude oil prices

On July 18, selling outpaced buying in crude futures trading on NYMEX as the EIA reported that U.S. crude oil inventories posted a weekly increase of 5.8 million barrels against a market-forecast decrease of 3.6 million barrels and that U.S. crude oil production in the latest week topped 11 million barrels per day. Later, however, buybacks came in on a weekly U.S. gasoline inventory decline of 3.2 million barrels against a market-forecast leveling-off and a middle distillate inventory fall of 400,000 barrels against a market-forecast increase of 900,000 barrels in the EIA report and media reports on an attack on an oil refinery in the Saudi Arabian capital of Riyadh. The most actively traded August contract finished at \$68.76/bbl, up \$0.68/bbl from the previous day. The September contract lost \$0.59/bbl to \$67.75/bbl.

According to the EIA, the average U.S. retail price of gasoline as of July 16 rose by 0.8 cents per gallon from a week earlier to \$2.865/gal (86.00 yen/l). The average diesel oil price decreased by 0.4 cents/gal to \$3.239/gal (97.2 yen/l). The gasoline price rose for the third straight week while the diesel price fell for the first time in three weeks.

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 8-14 week stood at 256,000 barrels per day, down 259,000 bpd from the previous week (total capacity remained at 3,519,000 bpd).

Crude oil throughput in the week increased by 201,000 kl from the previous week to 3,332,000 kl. From a year earlier, it declined by 129,000 kl. The topper capacity utilization rate stood at 85.1%, up 5.1 points from the previous week and down 3.3 points from a year earlier.

Production increased for all petroleum products.

Output was up 3.4% for gasoline, up 8.8% for jet fuel, up 27.5% for kerosene, up 17.6% for diesel oil, up 15.2% for Fuel Oil A and up 97.8% for Fuel Oil C. Fuel Oil C imports in the week totaled 27,000 kl, down 11,000 kl from the previous week. Diesel oil exports aggregated 223,000 kl, up 179,000 kl.

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

Gasoline shipments decreased by 14.5% from the previous week to 881,000 kl for the first fall in two weeks, slipping below 1 million kl for the first time in two weeks.

Shipments totaled 113,000 kl for jet fuel (up 5.6% from the previous week), 61,000 kl for kerosene (down 50.5%),

569,000 kl for diesel oil (down 14.5%), 195,000 kl for Fuel Oil A (down 0.9%) and 259,000 kl for Fuel Oil C (up 43.8%).

(Unit: 1,000 kl)

	This week (7/8 ~ 7/14)	Previous week (7/1 ~ 7/7)	From a week earlier
Gasoline	881	1,030	▼ -149 (-14%)
Jet fuel	113	107	▲ 6 (6%)
Kerosene (heating Oil)	61	123	▼ -62 (-50%)
Diesel oil	569	666	▼ -97 (-15%)
Fuel oil A	195	193	▲ 2 (1%)
Fuel Oil C	259	180	▲ 79 (44%)
Total	2,078	2,299	▼ -221 (-10%)

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 14 increased from a week earlier for all petroleum products. From a year earlier, inventories increased for diesel oil and decreased for other petroleum products.

Gasoline inventories totaled 1,537,000 kl, up 81,000 kl from a week earlier and down 191,000 kl from a year earlier.

Kerosene inventories totaled 1,548,000 kl, up 36,000 kl from a week earlier and down 121,000 kl from a year earlier.

Diesel oil inventories totaled 1,455,000 kl, up 41,000 kl from a week earlier and up 11,000 kl from a year earlier.

Fuel Oil A inventories totaled 728,000 kl, up 2,000 kl from a week earlier and down 74,000 kl from a year earlier.

Fuel Oil C inventories totaled 2,005,000 kl, up 29,000 kl from a week earlier and down 126,000 kl from a year earlier.

(Unit: 1,000 kl)

	This week (7/14)	Previous week (7/7)	From a week earlier
Gasoline	1,537	1,456	▲ 81 (6%)
Jet fuel	1,111	1,036	▲ 75 (7%)
Kerosene (heating Oil)	1,548	1,512	▲ 36 (2%)
Diesel oil	1,455	1,414	▲ 41 (3%)
Fuel oil A	728	726	▲ 2 (0%)
Fuel Oil C	2,005	1,976	▲ 29 (1%)
Total	8,384	8,120	▲ 264 (3.3%)

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

In the July 10-16 week, crude oil cost apparently posted a small fall from the previous week as crude oil price drops were mostly offset by the yen's depreciation against the dollar.

Onshore cargo spot prices between July 10 and 16 declined in a 121-123 yen/l range for gasoline and fell slightly in a 69-71 yen/l range for diesel oil and decreased a little in a 69-70 yen/l range for kerosene.

Offshore barge spot prices in the week went down in a 124-126 yen/l range for gasoline, leveled off in a 71-72 yen/l range for diesel oil and fell in a 68-70 yen/l range for kerosene.

The key futures price in the week decreased in a 118-120 yen/l range for gasoline, leveled off in a 71-72 yen/l range for diesel oil and decreased in a 68-70 yen/l range for kerosene. Motouri companies lowered their wholesale prices by 0.5-1.0 yen/l for gasoline, diesel oil and kerosene.

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

Spot petroleum products prices excluding onshore cargo and offshore barge prices for gasoline increased slightly.

The latest onshore cargo spot price (the average onshore rack price for four districts -- Chiba, Kawasaki, Chukyo and Hanshin -- for the July 10-16 week) that influences Motouri's wholesale prices applied to the fourth week of July (July 19-25) fell by 0.6 yen/l for gasoline and rose by 0.1 yen/l for kerosene and diesel oil. The average offshore barge spot price in Tokyo Bay dropped by 0.3 yen/l for gasoline and rose by 0.6 yen/l for kerosene and by 0.3 yen/l for diesel oil. The key futures price increased by 0.1 yen/l for gasoline, by 0.2 yen/l for kerosene and by 1.0 yen/l for diesel oil. Crude oil cost decreased slightly as crude oil price falls were mostly offset by the yen's depreciation against the dollar.

For the fourth week of July, Motouri companies cut their wholesale prices by 0.5-1.0 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 (7/10 ~ 7/16)	Previous week (7/3 ~ 7/9)	From a week earlier
Spot Prices			
Regular	68.2	68.8	▼ -0.6
Kerosene	69.2	69.1	▲ 0.1
Diesel oil	69.9	69.8	▲ 0.1

(TOCOM) [Front-month contract/closing price]		(Unit: yen/l)	
	This week (7/10 ~ 7/16)	Previous week (7/3 ~ 7/9)	From a week earlier
Futures Price			
Average			
Regular	65.1	65.0	▲ 0.1
Kerosene	68.9	68.7	▲ 0.2
Diesel oil	71.0	70.0	▲ 1.0

Above prices are before tax.

Reference (July 10 - July 16 actual data)				(Unit: yen/l)	
Products	Spot	Futures	Average		
Gasoline	▼ -0.6	▲ 0.1	▼ -0.2		
Kerosene	▲ 0.1	▲ 0.2	▲ 0.2		
Diesel oil	▲ 0.1	▲ 1.0	▲ 0.6		
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 July 17 rose by 0.3 yen/l to 152.3 yen/l for gasoline, by 0.2 yen/l to 130.8 yen/l for diesel oil and by 0.2 yen/l to 93.0 yen/l for kerosene (on an 18-liter tank basis, the kerosene price increased by 4 yen to 1,674 yen). The gasoline price rose for the second straight week, remaining above 150 yen/l for eight weeks on end. The diesel and kerosene prices also went up for the second straight week. Gasoline prices increased in 33 of Japan's 47 prefectures, leveled off in five including Kochi and dropped in eight.

The lowest gasoline price among the prefectures was 145.9 yen/l in Tokushima Prefecture (up 0.5 yen/l from a week earlier). The second lowest was 148.2 yen/l in Saitama (up 0.8 yen/l). The highest price was 161.4 yen/l in Nagasaki (up 0.7 yen/l). Posting the largest price hike of 1.4 yen/l was Miyagi (151.0 yen/l). Logging the largest fall of 0.8 yen/l was Okinawa (157.4 yen/l).

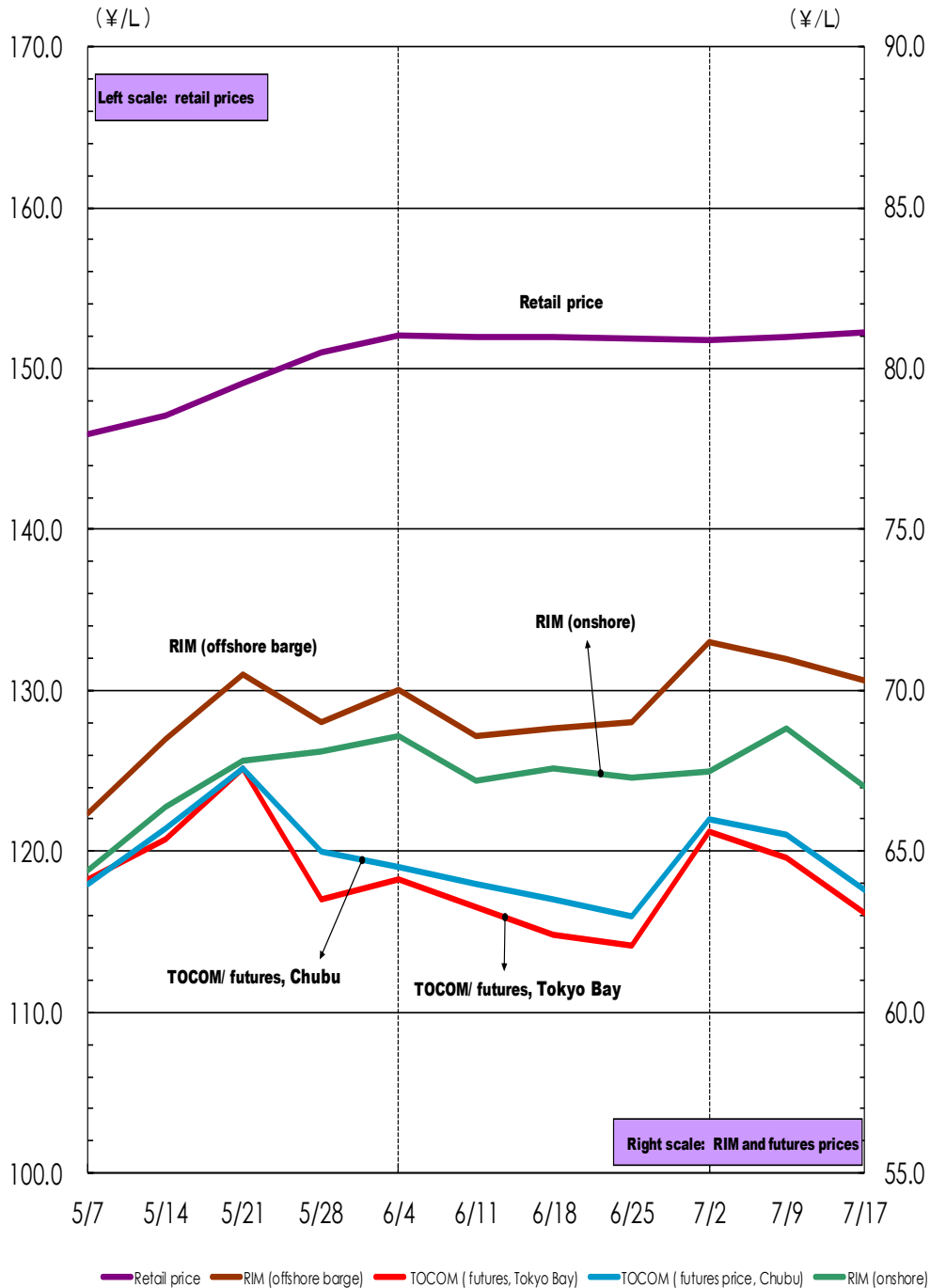
As crude oil cost soared last week, Motouri companies kept their wholesale prices unchanged from the previous week for gasoline, diesel oil and kerosene. Crude oil cost fell slightly this week as crude oil price drops were mostly offset by the yen's depreciation against the dollar. Retail gasoline prices are expected to rise slightly next week (as of July 23).

(Published by ANRE)[Weekly trend]		(Unit: yen/l)			
	This week (7/17)	Previous week (7/9)	From a week earlier	Latest high	
Retail Price					
Regular	152.3	152.0	▲ 0.3	08/8/4	185.1
Kerosene	93.0	92.8	▲ 0.2	08/8/11	132.1
Diesel oil	130.8	130.6	▲ 0.2	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

(2018/5/7 ~ 2018/7/17)



(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 (<https://eneken.ieej.or.jp/en/>).
The next issue (No. 16 for 2018) will be announced at 14:00 on August 3.

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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).