

Oil Market Review in Japan No. 16/2018

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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 12-18 week moved within a range between \$68.06 per barrel and \$71.01/bbl.

On July 19, the key contract rose for the third straight day on a senior Saudi Arabian official's remark indicating a cut of 100,000 barrels per day in Saudi crude oil shipments in August, Genscape's forecast of a drop in crude oil inventories at the WTI delivery point of Cushing and the dollar's depreciation triggered by U.S. President Donald Trump's statement against any interest rate hike. The August contract closed at \$69.46/bbl, up \$0.70/bbl from the previous day.

On July 20, the key contract extended its winning streak to four days as the previous day's bullish factors were combined with the dollar's further depreciation on U.S. President Trump's twitter message criticizing Europe and China for their alleged efforts to drive down their currencies, as well as a retreat of concerns over oversupply on a Baker Hughes report that the number of operating U.S. oil-drilling rigs decreased by five from a week earlier to 858. The August contract gained \$1.00/bbl to \$70.46/bbl.

On July 23, the key contract turned down for the first time in five trading days on concerns over the escalation of the U.S.-China trade war, the dollar's upturn in currency markets and speculated increases in oil production in Saudi Arabia and other oil producing countries, although strikes that started at three points of the British North Sea oilfield were coupled with growing geopolitical risks on U.S. President Trump's twitter message saying "Never, ever threaten the United States," after Iranian President Hassan Rouhani threatened to shut down international oil shipments in the strategic Strait of Hormuz. The September contract, which replaced the August contract as the key front-month crude oil futures contract, lost \$0.37/bbl to \$67.89/bbl.

On July 24, the key contract rallied as market participants grew secure on a retreat of concerns over oversupply amid forecasts of weekly drops in U.S. oil inventories and on China's announcement of a stable economic growth policy focusing on domestic infrastructure development. The September contract gained \$0.63/bbl to \$68.52/bbl.

On July 25, the key contract rose further as the EIA (Energy Information Administration) reported faster-than-forecast weekly drops in crude oil and gasoline inventories. The September contract gained \$0.78/bbl to \$69.30/bbl.

The Asian benchmark crude oil of Dubai for September delivery on the Tokyo market moved in a range between \$70.00/bbl and \$72.40/bbl in the July 12-18 week. It closed at \$70.70/bbl on July 19, at \$71.10/bbl on July 20, at \$71.30/bbl on July 23, at \$71.40/bbl on July 24 and at \$72.90/bbl on July 25.

On the foreign exchange market in the July 12-18 week, the dollar moved within a range between 112.18 and 113.01 yen. It changed hands at 112.76 yen in late trading on July 19, at 112.61 yen on July 20, at 110.96 yen on July 23, at 111.27 yen on July 24 and at 111.30 yen on July 25.

Major Japanese Motouri (petroleum products wholesalers) cut their wholesale prices for the fifth week of July by 1.0-1.5 yen/l (litter) from the previous week for gasoline, diesel oil and kerosene (heating oil). Crude oil acquisition cost fell sharply although steep crude oil price drops were partially offset by the yen's depreciation.

Japan's average retail price on July 23 remained unchanged from a week earlier for gasoline and diesel oil and declined by 1.0 yen for kerosene on an 18-liter tank basis. The gasoline and diesel prices ceased to rise for the first time in three weeks, while the kerosene price fell for the first time in 14 weeks on an 18-liter tank basis. As crude oil cost decreased slightly in the fourth week of July, Motouri companies lowered their wholesale prices by 0.5-1.0 yen/l from the previous week for gasoline, diesel oil and kerosene.

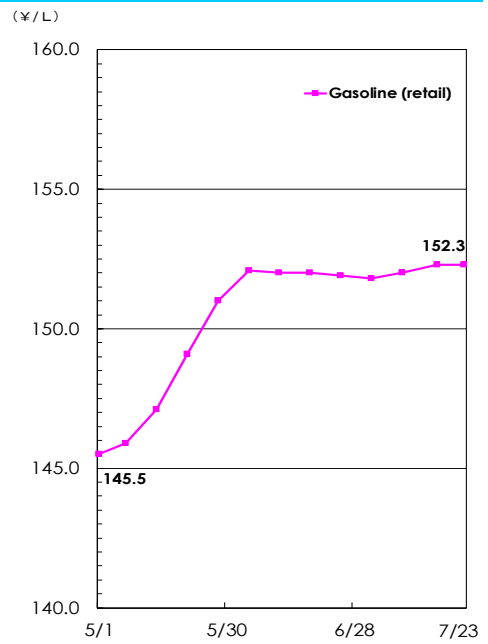
Crude oil			This week	From a week earlier	From a year earlier
Supply/Demand	Crude oil runs (1,000 kl)	7/15 ~ 7/21	3,458	▲ 125	▼ -
	Topper capacity utilization rate (%)	"	88.3	▲ 3.2	▼ -
	Crude oil inventories (1,000 kl)	7/21	13,225	▼ -286	▼ -
Prices	Middle Eastern crude oil (TOCOM) (\$/bbl)	7/23	70.65	▲ 1.00	▲ 23.4
	WTI crude oil (NYMEX) (\$/bbl)	7/23	67.89	▼ -0.17	▲ 21.6
	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)	7/23	111.96	▲ 1.48	▼ -0.08



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

Gasoline		This week	From a week earlier	From a year earlier	
Supply/ Demand	Production	7/15 ~ 7/21	1,077 ▲ 114	▼ -	
	Imports	"	n.a.	n.a.	
	Shipments	"	1,043 ▲ 162	▲ -	
	Exports	"	38 ▲ 37	▼ -	
	Inventories	7/21	1,533 ▼ -4	▼ -	
Prices	Gyoten (spot) [4-district average lorry rack price] (RIM)	7/17 ~ 7/23	66.8 ▼ -1.4	▲ 17.1	
	Futures [front-month contract/closing price]	(TOCOM/ Tokyo Bay)	7/17 ~ 7/23	63.6 ▼ -1.5	▲ 14.3
		(TOCOM/ Chubu)	7/23	63.0 ▼ -2.1	▲ 13.2
	Retail prices [weekly trend] (published by ANRE)	7/23	152.3 ➡ 0.0	▲ 21.2	

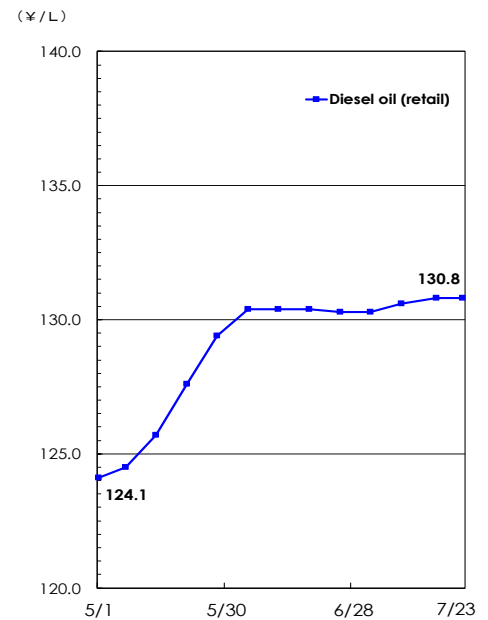
*Gyoten and futures prices are before tax



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

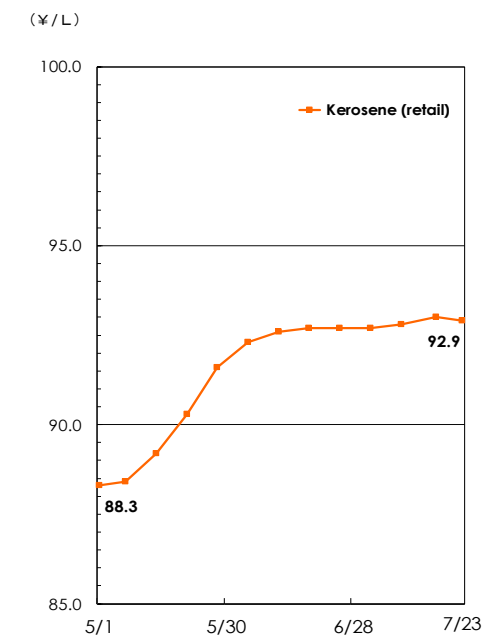
Diesel oil		This week	From a week earlier	From a year earlier	
Supply/ Demand	Production	7/15 ~ 7/21	751 ▼ -83	▼ -	
	Imports	"	n.a.	n.a.	
	Shipments	"	571 ▲ 2	▼ -	
	Exports	"	189 ▼ -34	▼ -	
	Inventories	7/21	1,446 ▼ -9	▲ -	
Prices	Gyoten (spot) [4-district average lorry rack price] (RIM)	7/17 ~ 7/23	69.2 ▼ -0.7	▲ 21.2	
	Futures [front-month contract/closing price]	(TOCOM/ Tokyo Bay)	7/17 ~ 7/23	70.2 ▼ -0.8	▲ 22.2
		(TOCOM/ Chubu)	7/23	-	-
	Retail prices [weekly trend] (published by ANRE)	7/23	130.8 ➡ 0.0	▲ 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	7/15 ~ 7/21	153 ▲ 31	▲ -	
	Imports	"	n.a.	n.a.	
	Shipments	"	75 ▲ 14	▲ -	
	Exports	"	5 ▼ -20	▲ -	
	Inventories	7/21	1,620 ▲ 72	▼ -	
Prices	Gyoten (spot) [4-district average lorry rack price] (RIM)	7/17 ~ 7/23	68.3 ▼ -0.9	▲ 20.8	
	Futures [front-month contract/closing price]	(TOCOM/ Tokyo Bay)	7/17 ~ 7/23	66.5 ▼ -2.4	▲ 18.5
		(TOCOM/ Chubu)	7/23	69.0 ▲ 0.8	▲ 21.6
	Retail prices [weekly trend] (published by ANRE)	7/23	92.9 ▼ -0.1	▲ 16.8	



Relevant Information

1 Overseas crude oil prices

On July 25, the most frequently traded crude oil futures contract on NYMEX rose further as the EIA reported faster-than-forecast weekly drops in crude oil and gasoline inventories. A weekly EIA report said that U.S. crude oil inventories posted a drop of 6.1 million barrels from a week earlier against a market-forecast drop of 2.3 million barrels to 404.9 million barrels, the lowest level since February 2015, and that gasoline inventories logged a weekly decline of 2.3 million barrels against a market-forecast decrease of 700,000 barrels as the summer driving season started. The September contract finished at \$69.30/bbl, up \$0.78/bbl from the previous day. The October contract gained \$0.82/bbl to \$68.01/bbl.

According to the EIA, the average U.S. retail price of gasoline as of July 23 fell by 3.4 cents per gallon from a week earlier to \$2.831/gal (83.6 yen/l). The average diesel oil price decreased by 1.9 cents/gal to \$3.220/gal (95.1 yen/l). The gasoline price fell for the first time in four weeks, while the diesel price dropped 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 15-21 week stood at 238,000 barrels per day, down 18,000 bpd from the previous week (total capacity remained at 3,519,000 bpd).

Crude oil throughput in the week increased by 125,000 kl from the previous week to 3,458,000 kl. From a year earlier, it declined by 102,000 kl. The topper capacity utilization rate stood at 88.3%, up 3.2 points from the previous week and down 2.6 points from a year earlier.

Production increased from the previous week for gasoline, jet fuel and kerosene and decreased for other petroleum products.

Output was up 11.8% for gasoline, up 5.0% for jet fuel, up 25.6% for kerosene, down 9.9% for diesel oil, down 7.5% for Fuel Oil A and down 1.7% for Fuel Oil C. Fuel Oil C imports in the week totaled 19,000 kl, down 8,000 kl from the previous week. Diesel oil exports aggregated 189,000 kl, down 34,000 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 18.4% from the previous week to 1,043,000 kl for the first rise in two weeks, exceeding 1 million kl for the first time in two weeks.

Shipments totaled 139,000 kl for jet fuel (up 23.7% from the previous week), 75,000 kl for kerosene (up 23.6%), 571,000 kl for diesel oil (up 0.2%), 179,000 kl for Fuel Oil A (down 8.2%) and 242,000 kl for Fuel Oil C (up 6.8%).

(Unit: 1,000 kl)

	This week (7/15 ~ 7/21)	Previous week (7/8 ~ 7/14)	From a week earlier
Gasoline	1,043	881	▲ 162 (18%)
Jet fuel	139	113	▲ 26 (23%)
Kerosene (heating Oil)	75	61	▲ 14 (23%)
Diesel oil	571	569	▲ 2 (0%)
Fuel oil A	179	195	▼ -16 (-8%)
Fuel Oil C	242	259	▼ -17 (-7%)
Total	2,249	2,078	▲ 171 (8%)

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 21 increased from a week earlier for kerosene and Fuel Oil A and decreased for other petroleum products. From a year earlier, inventories expanded for diesel oil and dropped for other petroleum products.

Gasoline inventories totaled 1,533,000 kl, down 4,000 kl from a week earlier and down 191,000 kl from a year earlier.

Kerosene inventories totaled 1,620,000 kl, up 72,000 kl from a week earlier and down 116,000 kl from a year earlier.

Diesel oil inventories totaled 1,446,000 kl, down 9,000 kl from a week earlier and up 24,000 kl from a year earlier.

Fuel Oil A inventories totaled 742,000 kl, up 14,000 kl from a week earlier and down 33,000 kl from a year earlier.

Fuel Oil C inventories totaled 1,957,000 kl, down 48,000 kl from a week earlier and down 66,000 kl from a year earlier.

(Unit: 1,000 kl)

	This week (7/21)	Previous week (7/14)	From a week earlier
Gasoline	1,533	1,537	▼ -4 (-0%)
Jet fuel	1,058	1,111	▼ -53 (-5%)
Kerosene (heating Oil)	1,620	1,548	▲ 72 (5%)
Diesel oil	1,446	1,455	▼ -9 (-1%)
Fuel oil A	742	728	▲ 14 (2%)
Fuel Oil C	1,957	2,005	▼ -48 (-2%)
Total	8,356	8,384	▼ -28 (-0.3%)

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

In the July 17-23 week, crude oil cost apparently posted a large fall from the previous week although sharp crude oil price drops were slightly offset by the yen's depreciation against the dollar.

Onshore cargo spot prices between July 17 and 23 fell slightly in a 120-121 yen/l range for gasoline, fluctuated and fell slightly in a 68-70 yen/l range for diesel oil and decreased a little in a 68-69 yen/l range for kerosene.

Offshore barge spot prices in the week fluctuated and rose in a 123-125 yen/l range for gasoline, fell in a 70-72 yen/l range for diesel oil and dropped in a 67-69 yen/l range for kerosene.

The key futures price in the week plunged in a 116-119 yen/l range for gasoline, dropped sharply in a 69-72 yen/l range for diesel oil and decreased in a 65-67 yen/l range for kerosene. Motouri companies lowered their wholesale prices by 1.0-1.5 yen/l 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 dropped.

The latest onshore cargo spot price (the average onshore rack price for four districts -- Chiba, Kawasaki, Chukyo and Hanshin -- for the July 17-23 week) that influences Motouri's wholesale prices applied to the fifth week of July (July 26-August 1) fell by 1.4 yen/l for gasoline, by 0.9 yen/l for kerosene and by 0.7 yen/l for diesel oil. The average offshore barge spot price in Tokyo Bay dropped by 0.1 yen/l for gasoline, by 1.5 yen/l for kerosene and by 0.8 yen/l for diesel oil. The key futures price decreased by 1.5 yen/l for gasoline, by 2.4 yen/l for kerosene and by 0.8 yen/l for diesel oil. Crude oil cost decreased sharply although steep crude oil price falls were partially offset by the yen's depreciation against the dollar.

For the fifth week of July, Motouri companies cut their wholesale prices by 1.0-1.5 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.

	(Unit: yen/l)		
	This week (7/17 ~ 7/23)	Previous week (7/10 ~ 7/16)	From a week earlier
Spot Prices Regular	66.8	68.2	▼ -1.4
Kerosene	68.3	69.2	▼ -0.9
Diesel oil	69.2	69.9	▼ -0.7

	(Unit: yen/l)		
	This week (7/17 ~ 7/23)	Previous week (7/10 ~ 7/16)	From a week earlier
Futures Price Regular	63.6	65.1	▼ -1.5
Kerosene	66.5	68.9	▼ -2.4
Diesel oil	70.2	71.0	▼ -0.8

Above prices are before tax.

Reference (July 17 - July 23 actual data)

Products	Spot	Futures	Average
Gasoline	▼ -1.4	▼ -1.5	▼ -1.5
Kerosene	▼ -0.9	▼ -2.4	▼ -1.7
Diesel oil	▼ -0.7	▼ -0.8	▼ -0.8
Fuel Oil A	▼ -0.7		

(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 23 remained unchanged from a week earlier at 152.3 yen/l for gasoline and 130.8 yen/l for diesel oil and dropped by 0.1 yen/l to 92.9 yen/l for kerosene (on an 18-liter tank basis, the kerosene price decreased by 1 yen to 1,673 yen). The gasoline price ceased rising for the first time in three weeks, remaining above 150 yen/l for nine weeks on end. The diesel price ceased increasing for the first time in three weeks, while the kerosene price dropped for the first time in 14 weeks. Gasoline prices increased in 13 of Japan's 47 prefectures, leveled off in 12 including Kyoto and dropped in 22.

The lowest gasoline price among the prefectures was 145.9 yen/l in Tokushima Prefecture (unchanged from a week earlier). The second lowest was 148.2 yen/l in Saitama (unchanged). The highest price was 160.9 yen/l in Nagasaki (down 0.5 yen/l). Posting the largest price hike of 2.0 yen/l was Osaka (153.0 yen/l). Logging the largest fall of 0.6 yen/l were Aomori (149.9 yen/l) and Fukui (152.9 yen/l).

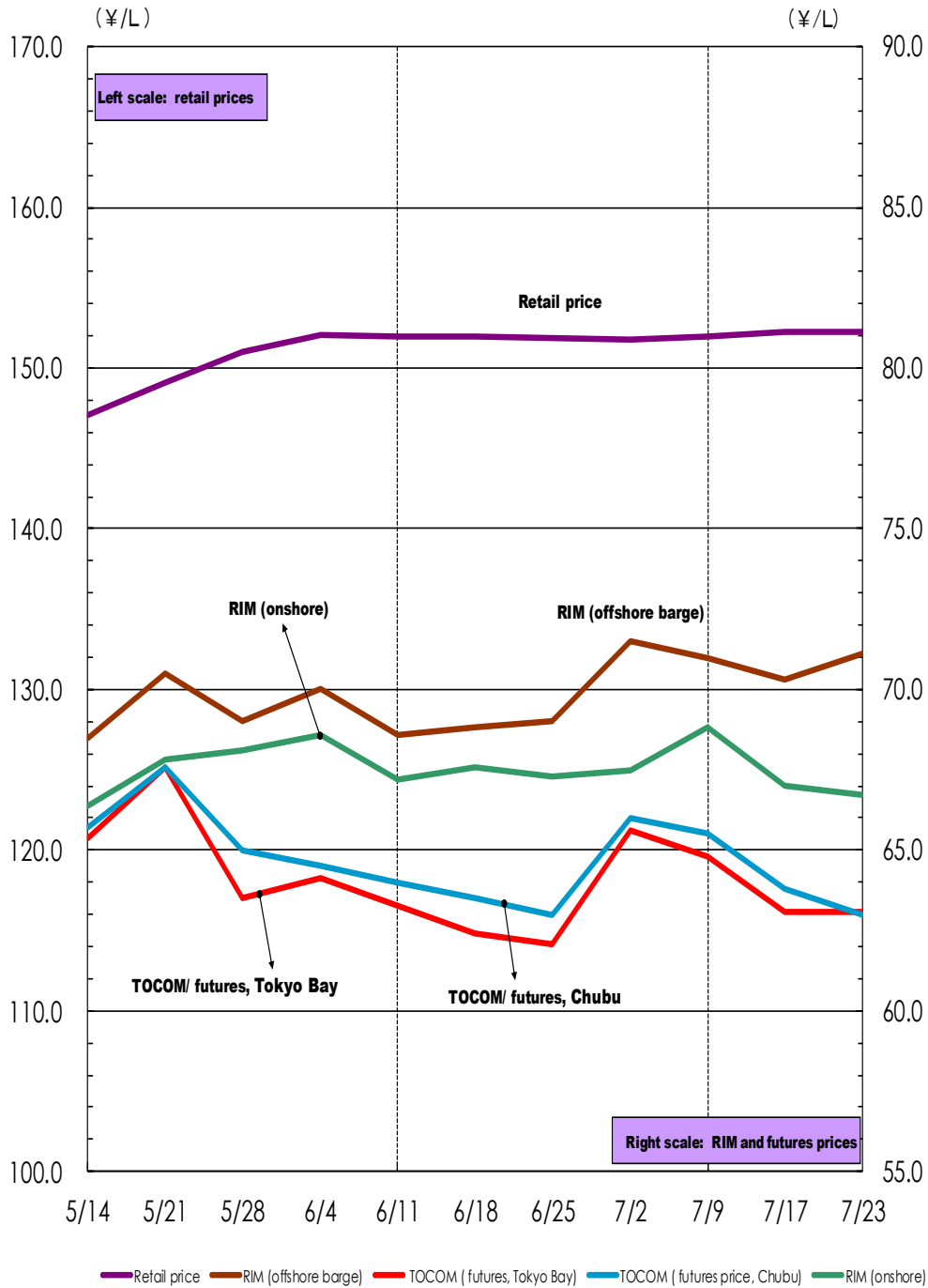
As crude oil cost fell slightly, Motouri companies cut their wholesale prices by 0.5-1.0 yen/l from the previous week for gasoline, diesel oil and kerosene. Crude oil cost fell sharply this week although steep crude oil price drops were partially offset by the yen's depreciation against the dollar. Retail gasoline prices are expected to rise next week (as of July 30).

	(Unit: yen/l)			
	This week (7/23)	Previous week (7/17)	From a week earlier	Latest high
Retail Price Regular	152.3	152.3	➡ 0.0	08/8/4 185.1
Kerosene	92.9	93.0	▼ -0.1	08/8/11 132.1
Diesel oil	130.8	130.8	➡ 0.0	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

(2018/5/14 ~ 2018/7/23)



(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 (<https://eneken.ieej.or.jp/en/>).
The next issue (No. 17 for 2018) will be announced at 14:00 on August 10.

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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).