

Oil Market Review in Japan No. 20/2018

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Overview

The key WTI (West Texas Intermediate) crude oil futures contract on NYMEX (New York Mercantile Exchange) in the August 9-22 period moved within a range between \$65.01 per barrel and \$67.86/bbl.

On August 23, the October contract almost leveled off as expectations of a tighter supply-demand balance following a faster-than-expected weekly fall in U.S. crude oil inventories as reported by the EIA (Energy Information Administration) on the previous day countered concerns about an economic slowdown through the U.S.-China trade dispute. The key contract closed at \$67.83/bbl, down \$0.03/bbl from the previous day. A Reuters report on August 23 quoted industry sources as saying that Saudi Aramco had called off its initial public offering plan.

On August 24, the October contract rallied as dollar selling on a remark by Federal Reserve Chairman Jerome Powell made crude oil futures prices relatively lower. Also supporting the rally were media reports that some European companies were cutting Iranian crude oil imports and a Baker Hughes report that the number of operating U.S. oil-drilling rigs fell by nine from a week earlier to 860. The key contract gained \$0.89/bbl to \$68.72/bbl.

On August 27, the key contract rose further in the wake of a rally on the previous weekend. However, the rise was limited by a Genscape report that crude oil inventories at the WTI delivery point of Cushing increased by 760,000 barrels and an announcement by the Joint OPEC-Non-OPEC Ministerial Monitoring Committee that the rate of compliance with a joint production cut agreement between OPEC (Organization of the Petroleum Exporting Countries) and non-OPEC oil producing countries fell from 147% in June to 109% in July. The October contract gained \$0.15/bbl to \$68.87/bbl.

On August 28, the key contract opened higher on an economic outlook improvement through a U.S.-Mexico agreement to revise the North American Free Trade Agreement and on the dollar's depreciation that made crude oil futures prices relatively lower. Later, however, profit-taking selling grew, leading the October contract to finish lower for the first time in three trading days. The contract lost \$0.34/bbl to \$68.53/bbl.

On August 29, the key contract rebounded on a faster-than-forecast weekly decline of 2.6 million barrels in U.S. crude oil inventories in an EIA report, the dollar's depreciation and a Wall Street Journal report that National Iranian Oil Company's crude oil exports would decrease from 2.3 million barrels per day in June to 1.5 million bpd in September. The October contract gained \$0.98/bbl to \$69.51/bbl.

The Asian benchmark crude oil of Dubai for October delivery on the Tokyo market moved in a range between \$69.70/bbl and \$71.50/bbl in the August 9-22 period. It closed at \$73.20/bbl on August 23, at \$74.00/bbl on August 24, at \$74.40/bbl on August 27, at \$74.80/bbl on August 28 and at \$74.30/bbl on August 29.

On the foreign exchange market in the August 9-22 week, the dollar moved within a range between 109.90 and 111.40 yen. It changed hands at 110.78 yen in late trading on August 23, at 111.51 yen on August 24, at 111.20 yen on August 27, at 111.23 yen on August 28 and at 111.23 yen on August 29.

According to preliminary 10-day trade statistics released by the Ministry of Finance on August 30, the average crude oil import CIF price in the August 1-10 period stood at 54,307 yen/kl (kiloliter), up 186 yen/kl from the previous 10-day period. In dollars, the price was \$77.30/bbl, up \$0.29/bbl. The average exchange rate was 111.70 yen to the dollar.

Major Japanese Motouri (petroleum products wholesalers) cut their wholesale prices for the fourth week of August by 0.5-1.5 yen/l (litter) from the previous week for gasoline, diesel oil and kerosene (heating oil). Crude oil acquisition cost fell as crude oil price falls were combined with the yen's appreciation.

Japan's average retail price on August 27 dropped by 0.1 yen/l from a week earlier for gasoline, by 0.2 yen/l for diesel oil and by 1 yen for kerosene on an 18-liter tank basis. The gasoline, diesel and kerosene prices decreased for the second straight week. As crude oil cost decreased in the third week of August, Motouri companies cut their wholesale prices by 0.5 yen/l from the previous week or kept them unchanged for gasoline, diesel oil and kerosene.

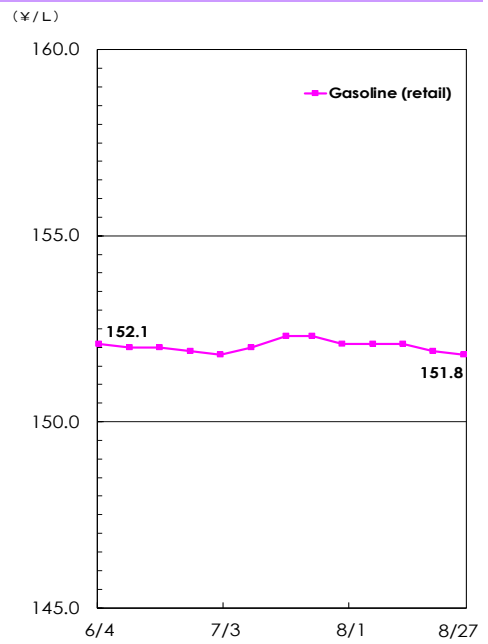
Crude oil			This week	From a week earlier	From a year earlier
Supply/ Demand	Crude oil runs (1,000 kl)	8/19 ~ 8/25	3,687	▼ -9	▼ -
	Topper capacity utilization rate (%)	"	94.2	▼ -0.2	▼ -
	Crude oil inventories (1,000 kl)	8/25	12,481	▲ 89	▼ -
Prices	Middle Eastern crude oil (TOCOM) (\$/bbl)	8/27	73.57	▲ 3.47	▲ 23.1
	WTI crude oil (NYMEX) (\$/bbl)	8/27	68.87	▲ 2.44	▲ 22.3
	Crude oil import CIF price (\$/bbl)	Early Aug	77.30	▲ 0.29	▲ 28.32
	① Crude oil import CIF price (yen/kl)	"	54,307	▲ 186	▲ 20,175
	② Yen-dollar exchange rate (yen/dollar)	"	111.70	▲ 0.03	▼ -0.92
	TTS exchange rate (yen/dollar)	8/27	112.20	▼ -0.64	▼ -2.09



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

Gasoline		This week	From a week earlier	From a year earlier	
Supply/ Demand	Production	8/19 ~ 8/25	996 ▼ -174	▼ -	
	Imports	"	n.a.	n.a.	
	Shipments	"	932 ▼ -168	▼ -	
	Exports	"	0 ▼ -32	▼ -	
	Inventories	8/25	1,554 ▲ 64	▼ -	
Prices	Gyoten (spot) [4-district average lorry rack price] (RIM)	8/21 ~ 8/27	66.5 ▲ 0.2	▲ 17.5	
	Futures [front-month contract/closing price]	(TOCOM/ Tokyo Bay)	8/21 ~ 8/27	64.5 ▲ 0.4	▲ 15.1
		(TOCOM/ Chubu)	8/27	65.3 ▲ 0.6	▲ 16.3
	Retail prices [weekly trend] (published by ANRE)	8/27	151.8 ▼ -0.1	▲ 20.4	

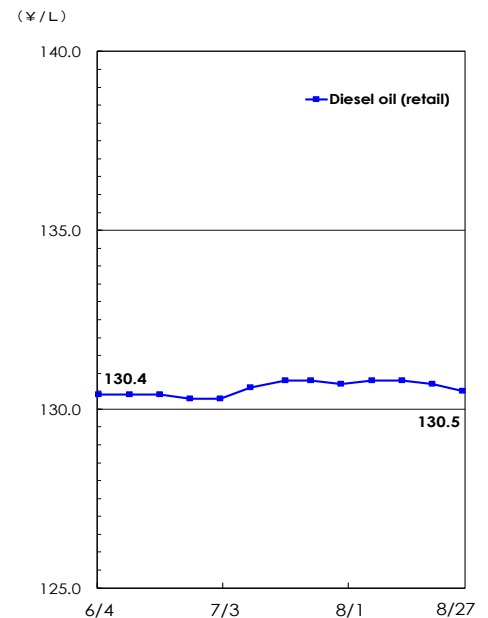
*Gyoten and futures prices are before tax



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

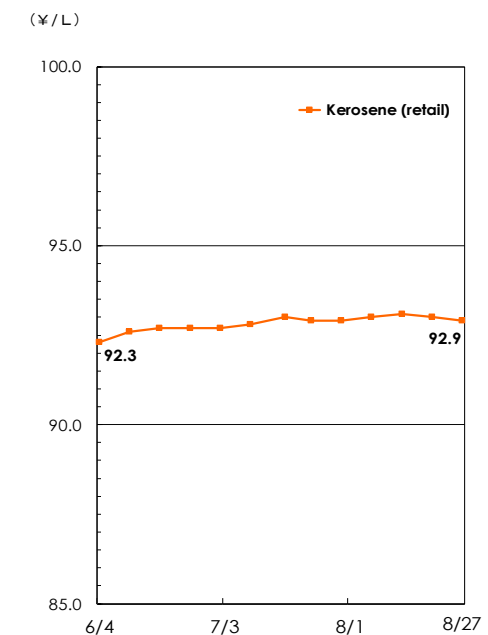
Diesel oil		This week	From a week earlier	From a year earlier	
Supply/ Demand	Production	8/19 ~ 8/25	910 ▲ 172	▲ -	
	Imports	"	n.a.	n.a.	
	Shipments	"	694 ▲ 351	▲ -	
	Exports	"	194 ▲ 5	▼ -	
	Inventories	8/25	1,642 ▲ 22	▲ -	
Prices	Gyoten (spot) [4-district average lorry rack price] (RIM)	8/21 ~ 8/27	67.2 ▼ -0.6	▲ 19.5	
	Futures [front-month contract/closing price]	(TOCOM/ Tokyo Bay)	8/21 ~ 8/27	68.1 ▼ -0.2	▲ 20.1
		(TOCOM/ Chubu)	8/27	-	-
	Retail prices [weekly trend] (published by ANRE)	8/27	130.5 ▼ -0.2	▲ 20.2	

*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	8/19 ~ 8/25	252 ▼ -5	▲ -	
	Imports	"	n.a.	n.a.	
	Shipments	"	92 ▲ 15	▼ -	
	Exports	"	19 ▼ -6	▲ -	
	Inventories	8/25	2,121 ▲ 141	▼ -	
Prices	Gyoten (spot) [4-district average lorry rack price] (RIM)	8/21 ~ 8/27	66.3 ▼ -0.4	▲ 18.9	
	Futures [front-month contract/closing price]	(TOCOM/ Tokyo Bay)	8/21 ~ 8/27	67.5 ▲ 2.2	▲ 19.4
		(TOCOM/ Chubu)	8/27	69.0 ▲ 3.0	▲ 21.1
	Retail prices [weekly trend] (published by ANRE)	8/27	92.9 ▼ -0.1	▲ 16.8	



Relevant Information

1 Overseas crude oil prices

On August 29, the most frequently traded crude oil futures contract on NYMEX rebounded on a faster-than-expected weekly fall in U.S. crude oil inventories in the EIA report, an expected decline in Iranian crude oil exports in a Wall Street Journal report and the dollar's depreciation against the euro that made crude oil future prices relatively lower. The EIA reported that crude oil inventories posted a decline of 2.6 million barrels from a week earlier, far faster than a market-forecast fall of 700,000 barrels, and that gasoline and middle distillate inventories decreased by 1.6 million barrels and by 800,000 barrels, respectively. The WSJ report stated that National Iranian Oil Company's crude oil exports would decrease from 2.3 million bpd in June to 1.5 million barrels in September. The October contract finished at 69.51/bbl, up \$0.98/bbl from the previous day. The November contract gained \$0.95/bbl to \$69.17/bbl.

According to the EIA, the average U.S. retail price of gasoline as of August 27 rose by 0.6 cents per gallon from a week earlier to \$2.827/gal (83.7 yen/l). The average diesel oil price increased by 1.9 cents/gal to \$3.226/gal (95.5 yen/l). The gasoline price rose for the first time in three weeks, while the diesel price increased for the first time in four 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 August 19-25 week stood at zero, down 9,000 bpd from the previous week (total capacity remained at 3,519,000 bpd).

Crude oil throughput in the week decreased by 9,000 kl from the previous week to 3,687,000 kl. From a year earlier, it declined by 49,000 kl. The topper capacity utilization rate stood at 94.2%, down 0.2 points from the previous week and down 1.2 points from a year earlier.

Production increased from the previous week for diesel oil and Fuel Oil C and decreased for other petroleum products.

Output was down 14.9% for gasoline, down 9.8% for jet fuel, down 1.9% for kerosene, up 23.3% for diesel oil, down 16.6% for Fuel Oil A and up 23.6% for Fuel Oil C. Fuel Oil C imports in the week totaled 67,000 kl, down 131,000 kl from the previous week. Diesel oil exports aggregated 194,000 kl, up 5,000 kl.

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

Gasoline shipments decreased by 15.2% from the previous week to 932,000 kl for the second straight weekly fall, slipping below 1 million kl for the first time in six weeks.

Shipments totaled 71,000 kl for jet fuel (down 33.4%

from the previous week), 92,000 kl for kerosene (up 19.5%), 694,000 kl for diesel oil (up 102.2%), 170,000 kl for Fuel Oil A (up 68.7%) and 156,000 kl for Fuel Oil C (down 30.0%).

	(Unit: 1,000 kl)		
	This week (8/19 ~ 8/25)	Previous week (8/12 ~ 8/18)	From a week earlier
Gasoline	932	1,100	▼ -168 (-15%)
Jet fuel	71	106	▼ -35 (-33%)
Kerosene (heating Oil)	92	77	▲ 15 (19%)
Diesel oil	694	343	▲ 351 (102%)
Fuel oil A	170	101	▲ 69 (68%)
Fuel Oil C	156	223	▼ -67 (-30%)
Total	2,115	1,950	▲ 165 (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 August 25 decreased from a week earlier for Fuel Oil A and increased for others. From a year earlier, inventories increased for jet fuel and diesel oil and decreased for others.

Gasoline inventories totaled 1,554,000 kl, up 64,000 kl from a week earlier and down 149,000 kl from a year earlier.

Kerosene inventories totaled 2,121,000 kl, up 141,000 kl from a week earlier and down 161,000 kl from a year earlier.

Diesel oil inventories totaled 1,642,000 kl, up 22,000 kl from a week earlier and up 46,000 kl from a year earlier.

Fuel Oil A inventories totaled 773,000 kl, down 7,000 kl from a week earlier and down 32,000 kl from a year earlier.

Fuel Oil C inventories totaled 2,035,000 kl, up 147,000 kl from a week earlier and down 87,000 kl from a year earlier.

	(Unit: 1,000 kl)		
	This week (8/25)	Previous week (8/18)	From a week earlier
Gasoline	1,554	1,490	▲ 64 (4%)
Jet fuel	1,126	1,082	▲ 44 (4%)
Kerosene (heating Oil)	2,121	1,980	▲ 141 (7%)
Diesel oil	1,642	1,620	▲ 22 (1%)
Fuel oil A	773	780	▼ -7 (-1%)
Fuel Oil C	2,035	1,888	▲ 147 (8%)
Total	9,251	8,840	▲ 411 (4.6%)

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

In the August 21-27 week, crude oil cost apparently rose from the previous week despite the yen's slight appreciation against the dollar, as crude oil prices increased.

Onshore cargo spot prices in the week rose slightly in a 120-121 yen/l range for gasoline, fell and leveled off in a 67-68 yen/l range for diesel oil and decreased slightly and leveled off in a 66-67 yen/l range for kerosene.

Offshore barge spot prices in the week fell and shot up in a 121-124 yen/l range for gasoline, leveled off and rose in a 69-71 yen/l range for diesel oil and soared in a 65-69 yen/l range for kerosene.

The key futures price in the week fell in a 117-120 yen/l range for gasoline, decreased slightly and leveled off in a 68-69 yen/l range for diesel oil and shot up in a 65-69 yen/l range for kerosene.

Major Motouri companies raised their wholesale prices by 2.0-2.5 yen/l for gasoline, diesel oil and kerosene.

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

While spot petroleum products prices rose, leveled off or fell depending on the product and market, offshore barge and futures prices for kerosene posted remarkable hikes even in summer.

The latest onshore cargo spot price (the average onshore rack price for four districts -- Chiba, Kawasaki, Chukyo and Hanshin -- for the August 21-27 week) that influences Motouri's wholesale prices applied to the first week of September (August 30-September 5) rose by 0.2 yen/l for gasoline, fell by 0.4 yen/l for kerosene and dropped by 0.6 yen/l for diesel oil.

The average offshore barge spot price in Tokyo Bay decreased by 0.8 yen/l for gasoline, increased by 1.6 yen/l for kerosene and leveled off for diesel oil.

The key futures price rose by 0.4 yen/l for gasoline and by 2.2 yen/l for kerosene and dropped by 0.2 yen/l for diesel oil.

Crude oil cost increased despite the yen's slight appreciation as crude oil prices rose.

For the first week of August, major Motouri companies raised their wholesale prices by 2.0-2.5 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.

(RIM) [4-district average lorry rack price]		(Unit: yen/l)	
	This week (8/21 ~ 8/27)	Previous week (8/14 ~ 8/20)	From a week earlier
Spot Prices	Regular	66.5	66.3 ▲ 0.2
	Kerosene	66.3	66.7 ▼ -0.4
	Diesel oil	67.2	67.8 ▼ -0.6

(TOCOM) [Front-month contract/closing price] [Average]		(Unit: yen/l)	
	This week (8/21 ~ 8/27)	Previous week (8/14 ~ 8/20)	From a week earlier
Futures Price	Regular	64.5	64.1 ▲ 0.4
	Kerosene	67.5	65.3 ▲ 2.2
	Diesel oil	68.1	68.3 ▼ -0.2

Above prices are before tax.

Reference (August 21 - August 27 actual data)

Products	Spot	Futures	Average
Gasoline	▲ 0.2	▲ 0.4	▲ 0.3
Kerosene	▼ -0.4	▲ 2.2	▲ 0.9
Diesel oil	▼ -0.6	▼ -0.2	▼ -0.4
Fuel Oil A	▼ -0.6		

(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 August 27 fell by 0.1 yen/l from a week earlier to 151.8 yen/l for gasoline, by 0.2 yen/l to 130.5 yen for diesel oil and by 0.1 yen/l to 92.9 yen/l for kerosene (on an 18-liter tank basis, the kerosene price dropped by 1 yen to 1,673 yen). The gasoline, diesel and kerosene prices fell for the second straight week. The gasoline price remained above 150 yen/l for 14 months on end. Gasoline prices increased in seven of Japan's 47 prefectures, leveled off in six and dropped in 34. The lowest gasoline price among the prefectures was 146.3 yen/l in Tokushima Prefecture (down 0.1 yen/l from a week earlier). The second lowest was 147.1 yen/l in Saitama (down 0.7 yen/l). The highest price was 162.1 yen/l in Nagasaki (up 0.5 yen/l). Posting the largest price hike of 0.8 yen/l was Okayama (149.8 yen/l). Logging the largest fall of 1.0 yen/l was Fukui (151.7 yen/l).

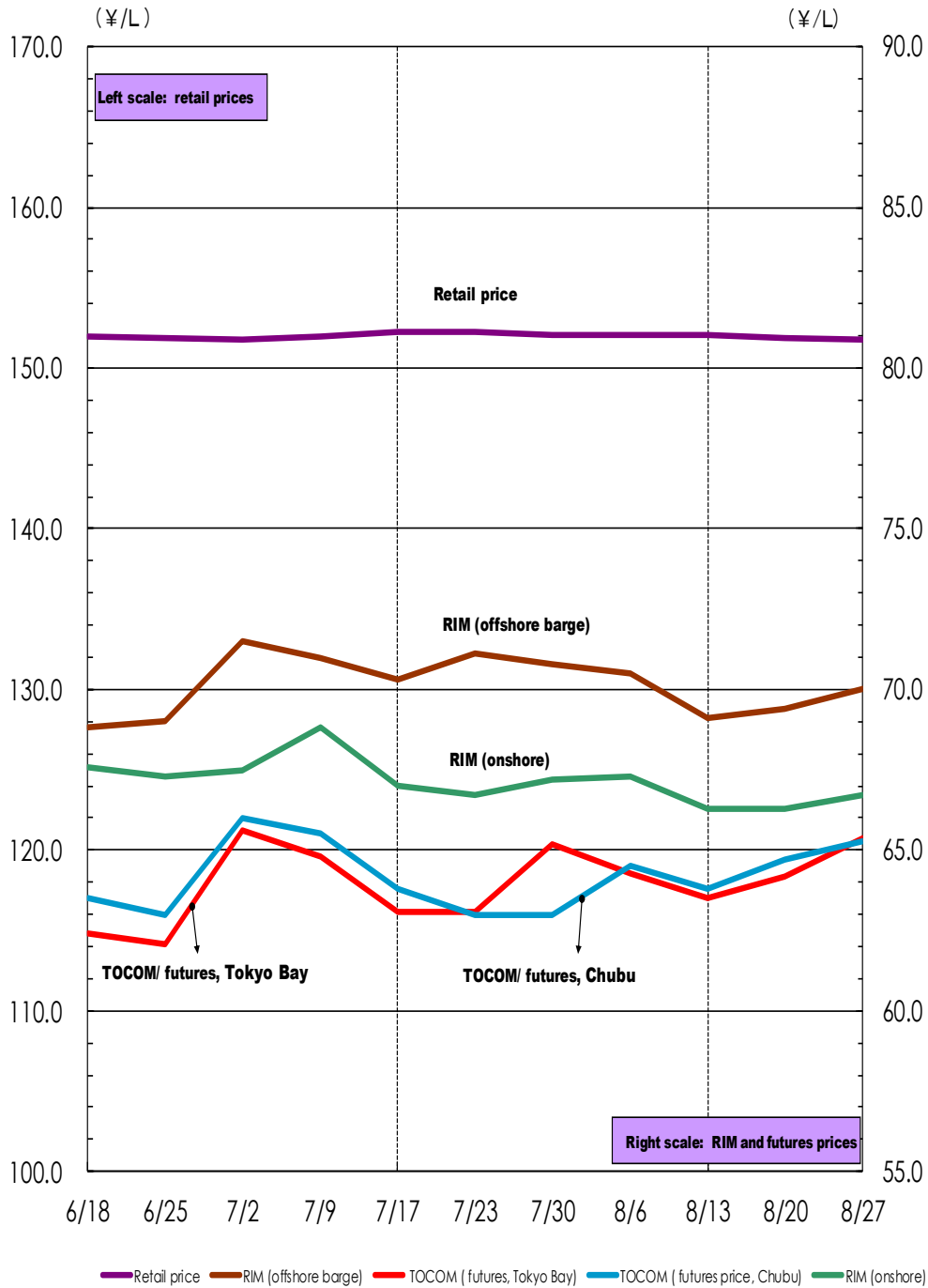
As crude oil cost rose in the previous week, Motouri companies raised their wholesale prices by 2.0-2.5 yen/l from the previous week for gasoline, diesel oil and kerosene. Crude oil cost rose this week despite the yen's slight appreciation as crude oil prices increased. Retail gasoline prices are expected to rise slightly next week (as of September 3).

(Published by ANRE)[Weekly trend]		(Unit: yen/l)		
	This week (8/27)	Previous week (8/20)	From a week earlier	Latest high
Retail Price	Regular	151.8	151.9 ▼ -0.1	08/8/4 185.1
	Kerosene	92.9	93.0 ▼ -0.1	08/8/11 132.1
	Diesel oil	130.5	130.7 ▼ -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

(2018/6/18 ~ 2018/8/27)



(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. 21 for 2018) will be announced at 14:00 on September 14.

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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).