

Oil Market Review in Japan No. 21/2018

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Overview

The key WTI (West Texas Intermediate) crude oil futures contract on NYMEX (New York Mercantile Exchange) in the August 23-29 week moved within a range between \$67.83 per barrel and \$69.51/bbl.

On August 30, the key contract rose above \$70/bbl for the first time in one month on a faster-than-forecast decline in U.S. crude oil inventories in the previous day's weekly EIA (Energy Information Administration) report as well as lingering concerns about a decrease in oil supply from Iran, despite a reported remark by the head of Iraq's State Oil Marketing Organization that OPEC (Organization of the Petroleum Exporting Countries) would consider making up for a decline in oil supply from Iran at its meeting in December. The October contract closed at \$70.25/bbl, up \$0.74/bbl from the previous day.

On August 31, the October contract turned down for the first time in three days on concerns about the U.S.-China trade war, profit-taking selling after the contract's rise above \$70/bbl and the previous day's monthly EIA report saying that U.S. oil production in June hit a record 10.67 million barrels per day. Baker Hughes reported that the number of operating U.S. oil-drilling rigs increased by two from a week earlier to 862. The key contract lost \$0.45/bbl to \$69.80/bbl.

On September 3, the market was closed for the Labor Day holiday.

On September 4 after a three-day weekend, the key contract rose above \$71/bbl briefly as buying was dominant on concerns about disruptions to oil supply amid reports about a hurricane hitting the Gulf of Mexico. Later, however, the gain shrank on a Genscape report that crude oil inventories increased by 750,000 barrels at the WTI delivery point of Cushing. The October contract gained \$0.07/bbl to \$69.87/bbl.

On September 5, the key contract turned down with a steep decline as concerns about disruptions to oil supply retreated on the hurricane's weakening and its deviation from a dangerous path, with profit-taking selling coming after the previous day's temporary surge. Supporting selling was OPEC Secretary-General Mohammad Barkindo's reported remark that global trade disputes would affect energy demand. The October contract lost \$1.15/bbl to \$68.72/bbl.

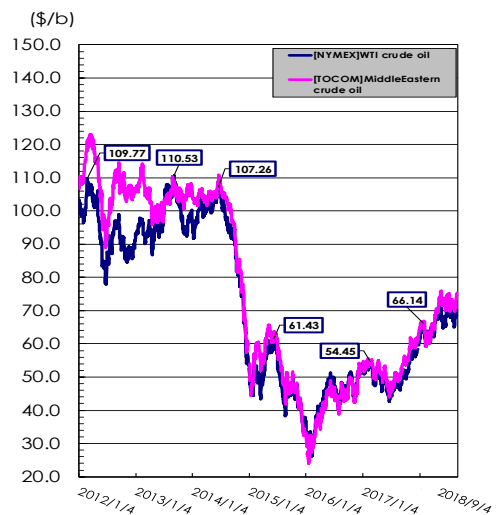
The Asian benchmark crude oil of Dubai for October delivery on the Tokyo market moved in a range between \$73.20/bbl and \$74.80/bbl in the August 23-29 week. It closed at \$75.70/bbl on August 30, at \$76.10/bbl on August 31, at \$75.60/bbl on September 3, at \$76.30/bbl on September 4 and at \$75.60/bbl on September 5.

On the foreign exchange market in the August 23-29 week, the dollar moved within a range between 110.78 and 111.51 yen. It changed hands at 111.76 yen in late trading on August 30, at 111.06 yen on August 31, at 110.99 yen on September 3, at 111.08 yen on September 4 and at 111.52 yen on September 5.

Major Japanese Motouri (petroleum products wholesalers) raised their wholesale prices for the first week of September by 2.0-2.5 yen/l (liter) from the previous week for gasoline, diesel oil and kerosene (heating oil). Crude oil acquisition cost rose as crude oil prices increased, with the yen leveling off against the dollar.

Japan's average retail price on September 3 rose by 0.3 yen/l from a week earlier for gasoline, by 0.3 yen/l for diesel oil and by 3 yen for kerosene on an 18-liter tank basis. The price rose for the first time in seven weeks for gasoline, in four weeks for diesel oil and in three weeks for kerosene. As crude oil cost decreased in the fourth week of August, Motouri companies cut their wholesale prices by 0.5-1.5 yen/l from the previous week for gasoline, diesel oil and kerosene.

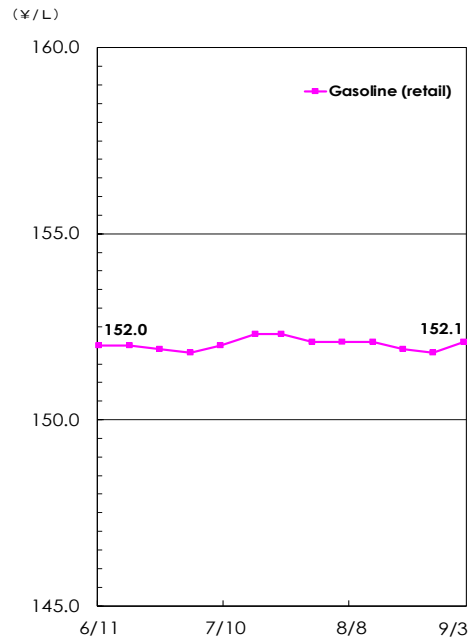
Crude oil			This week	From a week earlier	From a year earlier
Supply/ Demand	Crude oil runs (1,000 kl)	8/26 ~ 9/1	3,588	▼ -100	▲ -
	Topper capacity utilization rate (%)	"	91.6	▼ -2.6	▲ -
	Crude oil inventories (1,000 kl)	9/1	13,368	▲ 887	▲ -
Prices	Middle Eastern crude oil (TOCOM) (\$/bbl)	9/3	74.67	▲ 1.10	▲ 24.0
	WTI crude oil (NYMEX) (\$/bbl)	9/4	69.87	▲ 1.00	▲ 21.2
	Crude oil import CIF price (\$/bbl)	Early Aug	77.30	▲ 0.29	▲ 28.32
	①Crude oil import CIF price (yen/kl)	"	54,307	▲ 186	▲ 20,175
	②Yen-dollar exchange rate (yen/dollar)	"	111.70	▲ 0.03	▼ -0.92
	TTS exchange rate (yen/dollar)	9/3	111.99	▲ 0.21	▼ -1.16



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

Gasoline		This week	From a week earlier	From a year earlier	
Supply/ Demand	Production	8/26 ~ 9/1	1,039 ▲ 43	▼ —	
	Imports	"	n.a.	n.a.	
	Shipments	"	1,026 ▲ 94	▼ —	
	Exports	"	0 → 0	▼ —	
	Inventories	9/1	1,566 ▲ 12	▼ —	
Prices	Gyoten (spot) [4-district average lorry rack price] (RIM)	8/28 ~ 9/3	68.0 ▲ 1.5	▲ 18.2	
	Futures [front-month contract/closing price]	(TOCOM/ Tokyo Bay)	8/28 ~ 9/3	66.2 ▲ 1.7	▲ 16.6
		(TOCOM/ Chubu)	9/3	66.5 ▲ 1.2	▲ 17.0
	Retail prices [weekly trend] (published by ANRE)	9/3	152.1 ▲ 0.3	▲ 20.7	

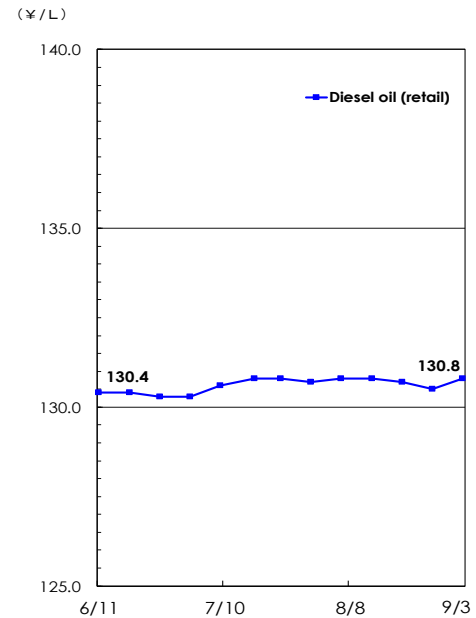
*Gyoten and futures prices are before tax



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

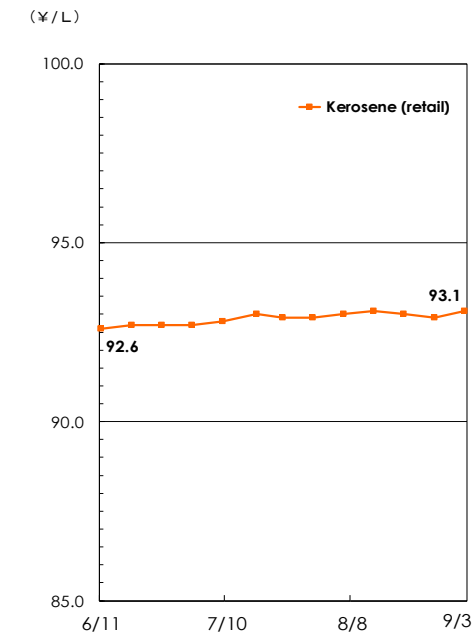
Diesel oil		This week	From a week earlier	From a year earlier	
Supply/ Demand	Production	8/26 ~ 9/1	880 ▼ -30	▲ —	
	Imports	"	n.a.	n.a.	
	Shipments	"	620 ▼ -74	▼ —	
	Exports	"	328 ▲ 134	▲ —	
	Inventories	9/1	1,574 ▼ -68	▲ —	
Prices	Gyoten (spot) [4-district average lorry rack price] (RIM)	8/28 ~ 9/3	68.6 ▲ 1.4	▲ 20.5	
	Futures [front-month contract/closing price]	(TOCOM/ Tokyo Bay)	8/28 ~ 9/3	68.8 ▲ 0.7	▲ 20.8
		(TOCOM/ Chubu)	9/3	—	—
	Retail prices [weekly trend] (published by ANRE)	9/3	130.8 ▲ 0.3	▲ 20.5	

*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	8/26 ~ 9/1	247 ▼ -5	▲ —	
	Imports	"	n.a.	n.a.	
	Shipments	"	145 ▲ 53	→ —	
	Exports	"	5 ▼ -14	▲ —	
	Inventories	9/1	2,217 ▲ 96	▼ —	
Prices	Gyoten (spot) [4-district average lorry rack price] (RIM)	8/28 ~ 9/3	68.5 ▲ 2.2	▲ 20.3	
	Futures [front-month contract/closing price]	(TOCOM/ Tokyo Bay)	8/28 ~ 9/3	69.5 ▲ 2.0	▲ 21.3
		(TOCOM/ Chubu)	9/3	70.0 ▲ 1.0	▲ 21.5
	Retail prices [weekly trend] (published by ANRE)	9/3	93.1 ▲ 0.2	▲ 17.0	



Relevant Information

1 Overseas crude oil prices

On September 5, the most frequently traded crude oil futures contract on NYMEX turned down with a heavy loss as concerns about disruptions to oil supply retreated on the approaching hurricane's weakening and deviation from a path to massive oil facilities. Profit-taking selling came after the contract's temporary upsurge on the previous day. Supporting selling was OPEC Secretary-General Barkindo's reported remark in South Africa that global trade disputes would affect energy demand through an economic slowdown. Market participants were seemingly shifting their interests to the EIA's weekly oil inventory report coming on the next day, one day behind usual schedule for the Labor Day holiday. The October contract finished at 68.72/bbl, down \$1.15/bbl from the previous day. The November contract lost \$1.14/bbl to \$68.42/bbl.

According to the EIA, the average U.S. retail price of gasoline as of September 3 fell by 0.3 cents per gallon from a week earlier to \$2.824/gal (83.4 yen/l). The average diesel oil price increased by 2.6 cents/gal to \$3.252/gal (96.1 yen/l). The gasoline price dropped for the first time in two weeks, while the diesel price increased 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 August 26-September 1 week stood at zero, unchanged from the previous week (total capacity remained at 3,519,000 bpd).

Crude oil throughput in the week decreased by 100,000 kl from the previous week to 3,588,000 kl. From a year earlier, it declined by 14,000 kl. The topper capacity utilization rate stood at 91.6%, down 2.6 points from the previous week and up 0.4 points from a year earlier.

Production decreased from the previous week for kerosene and diesel oil and increased for other petroleum products.

Output was up 4.3% for gasoline, up 27.8% for jet fuel, down 2.0% for kerosene, down 3.3% for diesel oil, up 19.3% for Fuel Oil A and up 7.6% for Fuel Oil C. Fuel Oil C imports in the week totaled 42,000 kl, down 25,000 kl from the previous week. Diesel oil exports aggregated 328,000 kl, up 134,000 kl.

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

Gasoline shipments increased by 10.1% from the previous week to 1,026,000 kl for the first rise in three weeks, exceeding 1 million kl for the first time in two weeks.

Shipments totaled 198,000 kl for jet fuel (up 178.9%

from the previous week), 145,000 kl for kerosene (up 57.7%), 620,000 kl for diesel oil (down 10.7%), 216,000 kl for Fuel Oil A (up 27.6%) and 245,000 kl for Fuel Oil C (up 56.5%).

(Unit: 1,000 kl)

	This week (8/26 ~ 9/1)	Previous week (8/19 ~ 8/25)	From a week earlier
Gasoline	1,026	932	▲ 94 (10%)
Jet fuel	198	71	▲ 127 (179%)
Kerosene (heating Oil)	145	92	▲ 53 (58%)
Diesel oil	620	694	▼ -74 (-11%)
Fuel oil A	216	170	▲ 46 (27%)
Fuel Oil C	245	156	▲ 89 (57%)
Total	2,450	2,115	▲ 335 (16%)

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 September 1 increased from a week earlier for gasoline and kerosene and decreased for others. From a year earlier, inventories increased for jet fuel and diesel oil and decreased for others.

Gasoline inventories totaled 1,566,000 kl, up 12,000 kl from a week earlier and down 82,000 kl from a year earlier.

Kerosene inventories totaled 2,217,000 kl, up 96,000 kl from a week earlier and down 139,000 kl from a year earlier.

Diesel oil inventories totaled 1,574,000 kl, down 68,000 kl from a week earlier and up 160,000 kl from a year earlier.

Fuel Oil A inventories totaled 736,000 kl, down 37,000 kl from a week earlier and down 49,000 kl from a year earlier.

Fuel Oil C inventories totaled 2,035,000 kl, down 1,000 kl from a week earlier and down 127,000 kl from a year earlier.

(Unit: 1,000 kl)

	This week (9/1)	Previous week (8/25)	From a week earlier
Gasoline	1,566	1,554	▲ 12 (1%)
Jet fuel	1,099	1,126	▼ -27 (-2%)
Kerosene (heating Oil)	2,217	2,121	▲ 96 (5%)
Diesel oil	1,574	1,642	▼ -68 (-4%)
Fuel oil A	736	773	▼ -37 (-5%)
Fuel Oil C	2,035	2,035	➡ 0 (0%)
Total	9,227	9,251	▼ -24 (-0.3%)

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

In the August 28-September 3 week, crude oil cost apparently rose from the previous week as crude oil prices increased, with the yen leveling off against the dollar.

Onshore cargo spot prices in the week rose sharply in a 120-123 yen/l range for gasoline, soared in a 67-70 yen/l range for diesel oil and shot up and leveled off in a 66-70 yen/l range for kerosene.

Offshore barge spot prices in the week leveled off and fell in a 122-124 yen/l range for gasoline, leveled off in a 70-71 yen/l range for diesel oil and rose and weakened slightly in a 69-71 yen/l range for kerosene.

The key futures price in the week rose and weakened slightly in a 119-121 yen/l range for gasoline, rose and leveled off in a 68-70 yen/l range for diesel oil and fluctuated and rose slightly in a 68-70 yen/l range for kerosene.

All major Motouri companies raised their wholesale prices by 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 rose.

The latest onshore cargo spot price (the average onshore rack price for four districts -- Chiba, Kawasaki, Chukyo and Hanshin -- for the August 28-September 3 week) that influences Motouri's wholesale prices applied to the second week of September (September 6-12) rose by 1.5 yen/l for gasoline, by 2.2 yen/l for kerosene and by 1.4 yen/l for diesel oil.

The average offshore barge spot price in Tokyo Bay increased by 1.2 yen/l for gasoline, by 2.6 yen/l for kerosene and by 0.4 yen/l for diesel oil.

The key futures price rose by 1.7 yen/l for gasoline, by 2.0 yen/l for kerosene and by 0.7 yen/l for diesel oil.

Crude oil cost increased as crude oil price hikes coincided with the yen's slight depreciation against the dollar.

For the second week of September, major Motouri companies raised their wholesale prices by 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.

(RIM) [4-district average lorry rack price]		(Unit: yen/l)	
	This week (8/28 ~ 9/3)	Previous week (8/21 ~ 8/27)	From a week earlier
Spot Prices	Regular	68.0	▲ 1.5
	Kerosene	68.5	▲ 2.2
	Diesel oil	68.6	▲ 1.4

(TOCOM) [Front-month contract/closing price]		(Unit: yen/l)	
[Average]	This week (8/28 ~ 9/3)	Previous week (8/21 ~ 8/27)	From a week earlier
Futures Price	Regular	66.2	▲ 1.7
	Kerosene	69.5	▲ 2.0
	Diesel oil	68.8	▲ 0.7

Above prices are before tax.

Reference (August 28 - September 3 actual data)

Products	Spot	Futures	Average
Gasoline	▲ 1.5	▲ 1.7	▲ 1.6
Kerosene	▲ 2.2	▲ 2.0	▲ 2.1
Diesel oil	▲ 1.4	▲ 0.7	▲ 1.0
Fuel Oil A	▲ 1.7		

(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 September 3 rose by 0.3 yen/l from a week earlier to 152.1 yen/l for gasoline, by 0.3 yen/l to 130.8 yen for diesel oil and by 0.2 yen/l to 93.1 yen/l for kerosene (on an 18-liter tank basis, the kerosene price increased by 3 yen to 1,676 yen). The price rose for the first time in seven weeks for gasoline, in four weeks for diesel oil and in three weeks for kerosene. The gasoline price remained above 150 yen/l for 15 months on end. Gasoline prices increased in 33 of Japan's 47 prefectures, leveled off in 10 and dropped in four. The lowest gasoline price among the prefectures was 147.6 yen/l in Saitama Prefecture (up 0.5 yen/l from a week earlier). The second lowest was 148.0 yen/l in Tokushima (up 1.7 yen/l). The highest price was 161.7 yen/l in Nagasaki (down 0.4 yen/l). Posting the largest price hike of 1.7 yen/l was Tokushima (148.0 yen/l). Logging the largest fall of 0.8 yen/l was Okayama (149.0 yen/l).

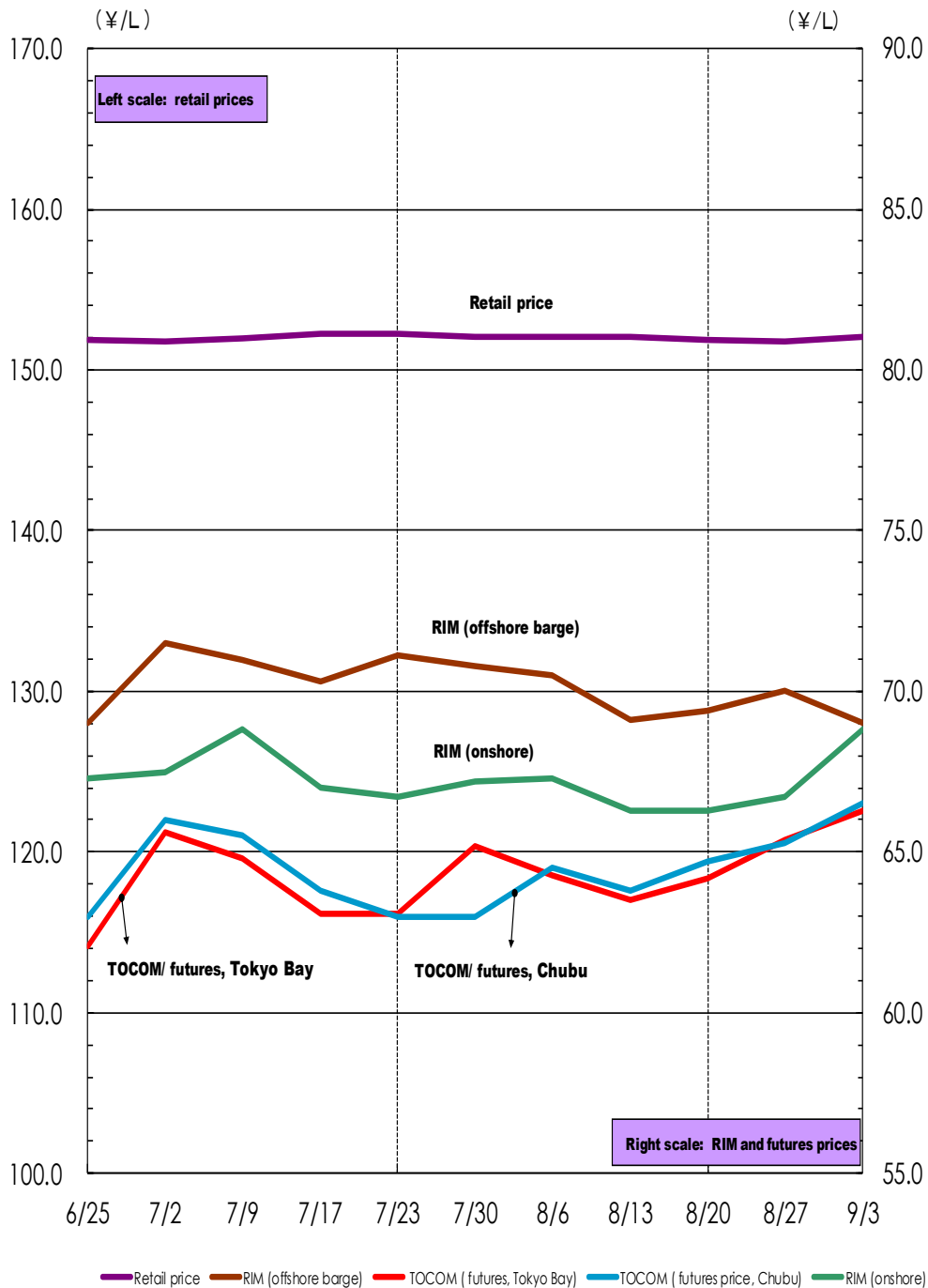
As crude oil cost rose in the previous week, all major Motouri companies raised their wholesale prices by 1.5 yen/l from the previous week for gasoline, diesel oil and kerosene. Crude oil cost rose this week as sharp crude oil price hikes coincided with the yen's slight depreciation against the dollar. Retail gasoline prices are expected to rise next week (as of September 10).

(Published by ANRE)[Weekly trend]		(Unit: yen/l)				
	This week (9/3)	Previous week (8/27)	From a week earlier	Latest high		
Retail Price	Regular	152.1	151.8	▲ 0.3	08/8/4	185.1
	Kerosene	93.1	92.9	▲ 0.2	08/8/11	132.1
	Diesel oil	130.8	130.5	▲ 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

(2018/6/25 ~ 2018/9/3)



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

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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).