

Oil Market Review in Japan No. 31/2018

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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 November 1-7 week moved within a range between \$61.67 per barrel and \$63.69/bbl.

On November 8, the December contract fell for the ninth straight trading day as concerns grew about oversupply on the seventh straight weekly rise in U.S. crude oil inventories as announced by the EIA (Energy Information Administration) on the previous day and new Iraqi Oil Minister Samir Al-Ghazban's announcement of a crude oil production expansion plan for 2019. The key contract closed at \$60.67/bbl, down \$1.00/bbl from the previous day.

On November 9, the key contract dropped for the 10th consecutive trading day on growing concerns about oversupply triggered by a U.S. measure to exempt some countries from its Iran oil embargo. A reported study by a Saudi government-affiliated think tank on the impact of the dissolution of OPEC (Organization of the Petroleum Exporting Countries) also exerted downward pressure on crude oil futures. Baker Hughes reported that the number of operating U.S. oil-drilling rigs increased by 12 from a week earlier to 886 for the first rise in two weeks. The December contract lost \$0.48/bbl to \$60.19/bbl.

On November 12, buying outpaced selling as OPEC and non-OPEC oil producing countries at their ministerial oil production monitoring committee meeting in Abu Dhabi on the previous day agreed that an oil production cut would have to be decided on at their conference in December. As U.S. President Donald Trump in his Twitter message said he would like Saudi Arabia or OPEC to avoid a production cut if possible, however, sellbacks came in, leading the key contract to drop for the 11th straight trading day and slip below the psychologically important barrier of \$60/bbl. *Saudi Arabian Energy Minister* Khalid al-Falih said his country would cut crude oil production in December by 500,000 barrels per day from the previous month and that global production in 2019 would have to be reduced by 1 million bpd from October 2018. The December contract lost \$0.26/bbl to \$59.93/bbl.

On November 13, the key contract extended its losing streak to 12 trading days, the longest in history, as lingering concerns about oversupply were coupled with an OPEC monthly report that revised downward a global oil demand projection for 2019 and gave OPEC oil production in October at 3.29 million bpd, up 127,000 bpd from the previous month. The December contract plunged by \$4.24/bbl to \$55.69/bbl.

On November 14, the key contract rebounded for the first time in 13 trading days on a media report that OPEC and non-OPEC oil producing countries would consider a production cut of up to 1.4 million bpd at their next meeting. However, the rise was restricted by a monthly IEA (International Energy Agency) report indicating oversupply throughout 2019. The December contract gained \$0.56/bbl to \$56.25/bbl.

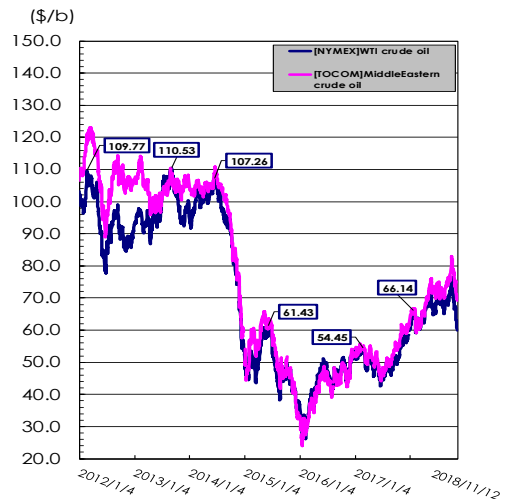
The Asian benchmark crude oil of Dubai for January delivery on the Tokyo market moved in a range between \$70.80/bbl and \$73.20/bbl in the November 1-7 week. It closed at \$70.90/bbl on November 8, at \$69.90/bbl on November 9, at \$70.50/bbl on November 12, at \$68.50/bbl on November 13 and at \$64.20/bbl on November 14.

On the foreign exchange market in the November 1-7 week, the dollar moved within a range between 112.79 and 113.23 yen. It changed hands at 113.63 yen in late trading on November 8, at 114.03 yen on November 9, at 113.94 yen on November 12, at 113.66 yen on November 13 and at 113.94 yen on November 14.

Major Japanese Motouri (petroleum products wholesalers) cut their wholesale prices by 1.5 yen/l (liter) for the second week of November for gasoline and by 1.0-1.5 yen/l for diesel oil and kerosene (heating oil). Crude oil acquisition cost declined sharply although steep crude oil price drops were partially offset by the yen's depreciation against the dollar.

Japan's average retail price on November 12 decreased by 1.2 yen/l from a week earlier for gasoline, by 1.0 yen/l for diesel oil and by 10 yen for kerosene on an 18-liter tank basis. These prices fell for the third straight week. As crude oil cost decreased in the first week of November, major Motouri companies lowered their wholesale prices by 2.0-2.5 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 kt)	11/4 ~ 11/10	3,445	▲ 341	▼ —
	Topper capacity utilization rate (%)	"	88.0	▲ 8.7	▼ —
	Crude oil inventories (1,000 kt)	11/10	13,121	▲ 448	▲ —
Prices	Middle Eastern crude oil (TOCOM) (\$/bbl)	11/12	70.10	▼ -0.58	▲ 8.9
	WTI crude oil (NYMEX) (\$/bbl)	11/12	59.93	▼ -3.17	▲ 3.2
	Crude oil import CIF price (\$/bbl)	Mid Oct	80.16	▲ 3.38	▲ 25.35
	① Crude oil import CIF price (yen/kt)	"	57,334	▲ 2,963	▲ 18,586
	② Yen-dollar exchange rate (yen/dollar)	"	113.71	▼ -1.11	▼ -1.31
	TTS exchange rate (yen/dollar)	11/12	114.94	▼ -0.71	▼ -0.26

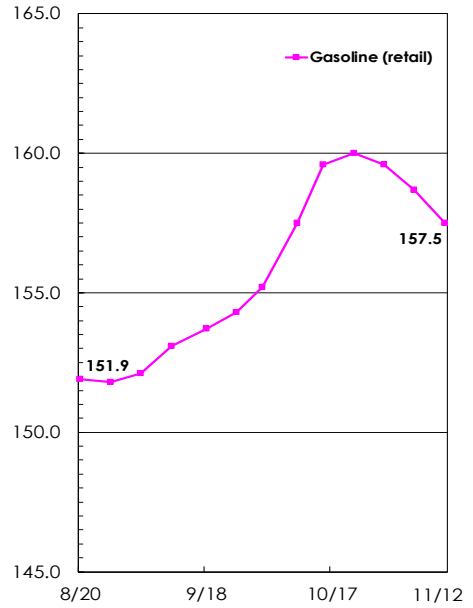


(Unit: 1,000 kl, yen/l)

Gasoline		This week	From a week earlier	From a year earlier	
Supply/ Demand	Production	11/4 ~ 11/10	975 ▲ 58	▼ -	
	Imports	"	n.d.	n.d.	
	Shipments	"	874 ▲ 28	▼ -	
	Exports	"	32 ▲ 32	▼ -	
	Inventories	11/10	1,788 ▲ 68	▲ -	
Prices	Gyoten (spot) [4-district average lorry rack price] (RIM)	11/6 ~ 11/12	66.7 ▼ -3.1	▲ 8.0	
	Futures [front-month contract/closing price]	(TOCOM/ Tokyo Bay)	11/6 ~ 11/12	62.2 ▼ -1.5	▲ 3.0
		(TOCOM/ Chubu)	11/12	62.9 ▼ -0.6	▲ 4.2
	Retail prices [weekly trend] (published by ANRE)	11/12	157.5 ▼ -1.2	▲ 19.2	

*Gyoten and futures prices are before tax

(¥/L)

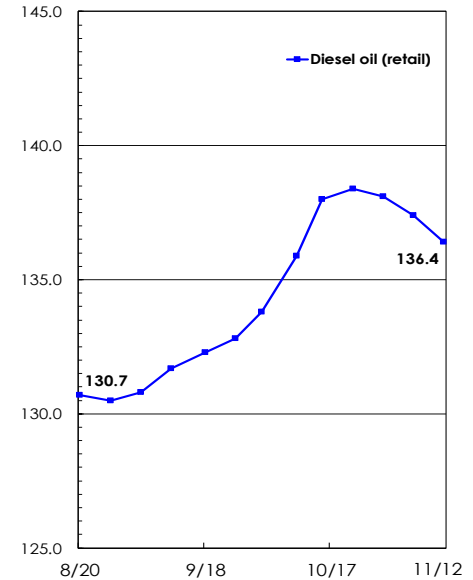


(Unit: 1,000 kl, yen/l)

Diesel oil		This week	From a week earlier	From a year earlier	
Supply/ Demand	Production	11/4 ~ 11/10	729 ▲ 63	▼ -	
	Imports	"	n.d.	n.d.	
	Shipments	"	667 ▲ 44	▼ -	
	Exports	"	34 ▼ -14	▼ -	
	Inventories	11/10	1,483 ▲ 28	▲ -	
Prices	Gyoten (spot) [4-district average lorry rack price] (RIM)	11/6 ~ 11/12	69.9 ▼ -2.0	▲ 12.2	
	Futures [front-month contract/closing price]	(TOCOM/ Tokyo Bay)	11/6 ~ 11/12	71.2 ▼ -1.1	▲ 16.2
		(TOCOM/ Chubu)	11/12	-	-
	Retail prices [weekly trend] (published by ANRE)	11/12	136.4 ▼ -1.0	▲ 20.1	

*Gyoten and futures prices are before tax

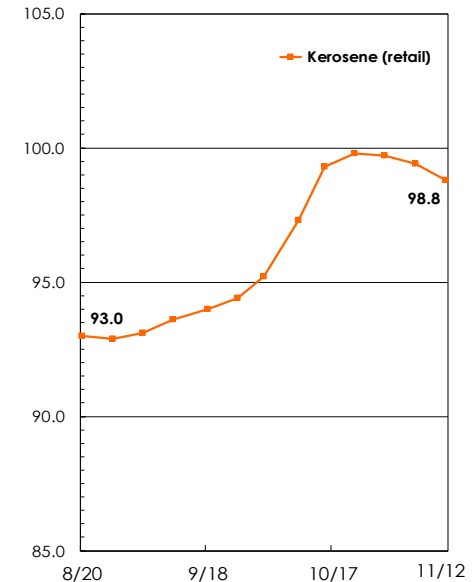
(¥/L)



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

Kerosene		This week	From a week earlier	From a year earlier	
Supply/ Demand	Production	11/4 ~ 11/10	348 ▲ 119	▲ -	
	Imports	"	n.d.	n.d.	
	Shipments	"	207 ▲ 69	▼ -	
	Exports	"	50 ▲ 50	▲ -	
	Inventories	11/10	2,805 ▲ 91	▲ -	
Prices	Gyoten (spot) [4-district average lorry rack price] (RIM)	11/6 ~ 11/12	68.9 ▼ -2.2	▲ 9.2	
	Futures [front-month contract/closing price]	(TOCOM/ Tokyo Bay)	11/6 ~ 11/12	67.4 ▼ -1.5	▲ 7.5
		(TOCOM/ Chubu)	11/12	68.5 ▲ 0.5	▲ 7.9
	Retail prices [weekly trend] (published by ANRE)	11/12	98.8 ▼ -0.6	▲ 17.9	

(¥/L)



Relevant Information

1 Overseas crude oil prices

On November 14, the most frequently traded crude oil futures contract on NYMEX rebounded for the first time in 13 trading days on a Reuters report that OPEC and non-OPEC oil producing countries would consider a production cut of up to 1.4 million bpd from October at their meeting in December. The dollar's depreciation against the euro, which made oil futures prices relatively lower, and the long losing streak through the previous day paved the way for buying. However, the rise was restricted by the IEA's monthly oil market report that indicated supply's excess over demand throughout 2019 while leaving its global oil demand projection unchanged for 2018-2019. The EIA's weekly oil inventory report was delayed until November 15 due to the Veterans Day holiday on November 12. The December contract gained \$0.56/bbl to \$56.25/bbl. The January contract rose by \$0.60/bbl to \$56.44/bbl.

According to the EIA, the average U.S. retail price of gasoline as of November 12 fell by 6.7 cents per gallon from a week earlier to \$2.686/gal (81.5 yen/l). The average diesel oil price decreased by 2.1 cents/gal to \$3.317/gal (100.6 yen/l). The gasoline price dropped for the fifth straight week, while the diesel price fell for the fourth consecutive 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 November 4-10 week stood at 213,000 bpd, down 211,000 bpd from the previous week (total capacity remained at 3,519,000 bpd).

Crude oil throughput in the week decreased by 341,000 kl from the previous week to 3,445,000 kl. From a year earlier, it increased by 71,000 kl. The topper capacity utilization rate stood at 88.0%, up 8.7 points from the previous week and down 1.8 points from a year earlier.

Production decreased from the previous week for jet fuel and Fuel Oil C and increased for other petroleum products. Output was up 6.4% for gasoline, down 29.9% for jet fuel, up 52.1% for kerosene, up 9.5% for diesel oil, up 11.0% for Fuel Oil A and down 16.5% for Fuel Oil C. Fuel Oil C imports in the week totaled 41,000 kl, up 39,000 kl from the previous week. Diesel oil exports aggregated 34,000 kl, down 14,000 kl.

Shipments (excluding imports) in the week decreased from the previous week for jet fuel and increased for other petroleum products. From a year earlier, shipments decreased for all products. Gasoline shipments increased by 3.3% from the previous week to 874,000 kl for the first rise in two weeks, remaining below 1 million kl for 10 weeks on end. Shipments totaled 23,000 kl for jet fuel (down 71.5% from the previous week), 207,000 kl for kerosene (up 49.3%), 667,000 kl for diesel oil (up 7.0%), 203,000 kl for Fuel Oil A (up 2.5%) and 190,000 kl for Fuel Oil C (up 23.3%).

(Unit: 1,000 kl)

	This week (11/4 ~ 11/10)	Previous week (10/28 ~ 11/3)	From a week earlier
Gasoline	874	846	▲ 28 (3%)
Jet fuel	23	80	▼ -57 (-71%)
Kerosene (heating Oil)	207	138	▲ 69 (50%)
Diesel oil	667	623	▲ 44 (7%)
Fuel oil A	203	198	▲ 5 (3%)
Fuel Oil C	190	154	▲ 36 (23%)
Total	2,164	2,039	▲ 125 (6%)

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 November 10 decreased from a week earlier for Fuel Oil C and increased for others. From a year earlier, inventories decreased for jet fuel and Fuel Oil C and increased for others.

Gasoline inventories totaled 1,788,000 kl, up 68,000 kl from a week earlier and up 147,000 kl from a year earlier.

Kerosene inventories totaled 2,805,000 kl, up 91,000 kl from a week earlier and up 286,000 kl from a year earlier.

Diesel oil inventories totaled 1,483,000 kl, up 28,000 kl from a week earlier and up 122,000 kl from a year earlier.

Fuel Oil A inventories totaled 799,000 kl, up 39,000 kl from a week earlier and up 131,000 kl from a year earlier.

Fuel Oil C inventories totaled 2,001,000 kl, down 12,000 kl from a week earlier and down 19,000 kl from a year earlier.

(Unit: 1,000 kl)

	This week (11/10)	Previous week (11/3)	From a week earlier
Gasoline	1,788	1,720	▲ 68 (4%)
Jet fuel	897	892	▲ 5 (1%)
Kerosene (heating Oil)	2,805	2,714	▲ 91 (3%)
Diesel oil	1,483	1,455	▲ 28 (2%)
Fuel oil A	799	760	▲ 39 (5%)
Fuel Oil C	2,001	2,013	▼ -12 (-1%)
Total	9,773	9,554	▲ 219 (2.3%)

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

In the November 6-12 week, crude oil cost apparently posted a sharp fall from the previous week as crude oil prices plunged, though with the yen depreciating against the dollar.

Onshore cargo spot prices in the week fell in a 120-122 yen/l range for gasoline and dropped and leveled off in a 69-71 yen/l range for diesel oil and in a 68-70 yen/l range for kerosene.

Offshore barge spot prices in the week plunged in a 122-126 yen/l range for gasoline, fell sharply in a 71-74 yen/l range for diesel oil and declined in a 65-67 yen/l range for kerosene.

The key futures price in the week plunged in a 115-118 yen/l range for gasoline, dropped in a 70-72 yen/l range for diesel oil and decreased in a 66-68 yen/l range for kerosene.

Major Motouri companies cut their wholesale prices by 1.0-3.0 yen/l for gasoline and by 1.0-2.0 yen for diesel oil and kerosene.

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

Spot petroleum products prices plunged in all markets, as seen in the previous week.

The latest onshore cargo spot price (the average onshore rack price for four districts -- Chiba, Kawasaki, Chukyo and Hanshin -- for the November 6-12 week) that influences Motouri's wholesale prices applied to the third week of November (November 15-21) dropped by 3.1 yen/l for gasoline, by 2.2 yen/l for kerosene and by 2.0 yen/l for diesel oil.

The average offshore barge spot price in Tokyo Bay decreased by 1.8 yen/l for gasoline, by 2.2 yen/l for kerosene and by 1.3 yen/l for diesel oil.

The key futures price dropped by 1.5 yen/l for gasoline, by 1.5 yen/l for kerosene and by 1.1 yen/l for diesel oil.

Crude oil cost fell sharply as crude oil prices plunged, though with the yen depreciating against the dollar.

For the third week of November, major Motouri companies cut their wholesale prices by 1.0-3.0 yen/l for gasoline and by 1.0-2.0 yen/l for 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 (11/6 ~ 11/12)	Previous week (10/30 ~ 11/5)	From a week earlier
Spot Prices			
Regular	66.7	69.8	▼ -3.1
Kerosene	68.9	71.1	▼ -2.2
Diesel oil	69.9	71.9	▼ -2.0

(TOCOM) [Front-month contract/closing price] [Average]		(Unit: yen/l)	
	This week (11/6 ~ 11/12)	Previous week (10/30 ~ 11/5)	From a week earlier
Futures Price			
Regular	62.2	63.7	▼ -1.5
Kerosene	67.4	68.9	▼ -1.5
Diesel oil	71.2	72.3	▼ -1.1

Above prices are before tax.

Reference (November 6 - November 12 actual data)

Products	Spot	Futures	Average
Gasoline	▼ -3.1	▼ -1.5	▼ -2.3
Kerosene	▼ -2.2	▼ -1.5	▼ -1.8
Diesel oil	▼ -2.0	▼ -1.1	▼ -1.5
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 November 12 dropped by 1.2 yen/l from a week earlier to 157.5 yen/l for gasoline, by 1.0 yen/l to 136.4 yen/l for diesel oil and by 0.6 yen/l to 98.8 yen/l for kerosene (on an 18-liter tank basis, the kerosene price decreased by 10 yen to 1,779 yen). These prices fell for the third straight week. Gasoline prices increased in one of Japan's 47 prefectures, remained unchanged in three and decreased in 43. The lowest gasoline price among the prefectures was 152.5 yen/l in Aichi Prefecture (down 2.2 yen/l from a week earlier). The second lowest was 153.2 yen/l in Saitama (down 0.8 yen/l). The highest price was 168.2 yen/l in Nagasaki (down 1.2 yen/l). Posting the largest price hike of 0.2 yen/l was Kochi (162.0 yen/l). The price leveled off in Ehime, Kagawa and Shiga. Logging the sharpest price cut of 2.4 yen was Kanagawa (153.6 yen/l).

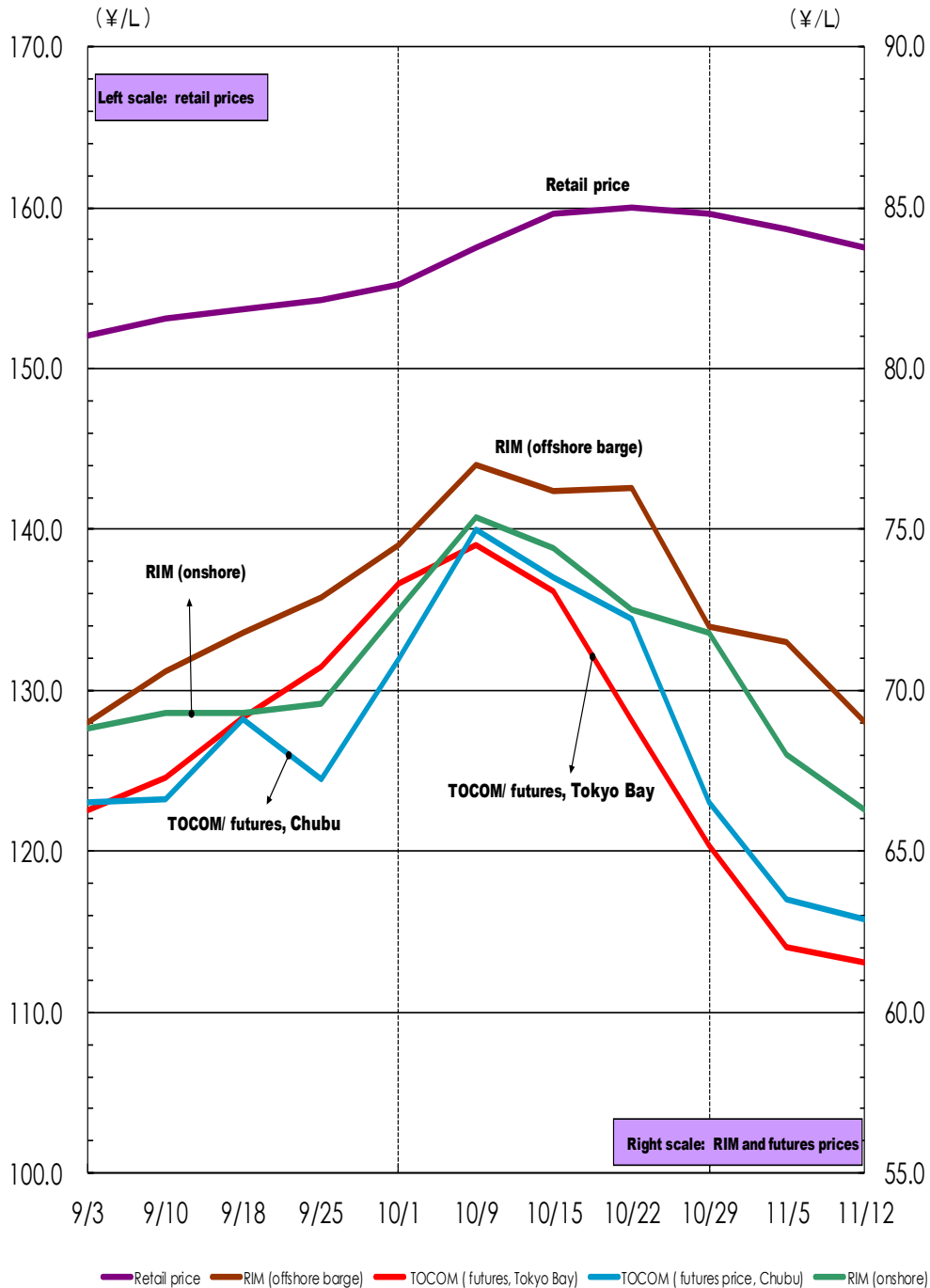
As crude oil cost declined substantially last week, major Motouri companies cut their wholesale prices by 1.0-3.0 yen/l from the previous week for gasoline and by 1.0-2.0 yen/l for diesel oil and kerosene. Crude oil cost dropped steeply this week as crude oil prices plunged, though with the yen depreciating against the dollar. Retail gasoline and kerosene prices are expected to fall next week (as of November 19).

(Published by ANRE)[Weekly trend]		(Unit: yen/l)		
	This week (11/12)	Previous week (11/5)	From a week earlier	Latest high
Retail Price				
Regular	157.5	158.7	▼ -1.2	08/8/4 185.1
Kerosene	98.8	99.4	▼ -0.6	08/8/11 132.1
Diesel oil	136.4	137.4	▼ -1.0	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

(2018/9/3 ~ 2018/11/12)



(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. 32 for 2018) will be announced at 14:00 on November 30.

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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).