

Oil Market Review in Japan No. 32/2018

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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 8-14 week moved within a range between \$55.69 per barrel and \$60.67/bbl.

On November 15, the EIA (Energy Information Administration) in its weekly report released one day behind usual schedule said that U.S. petroleum products inventories posted weekly drops although crude oil inventories increased by 10.3 million barrels against 3.2 million barrels as forecast by the market for the eighth straight weekly rise, leading the December contract to rise further, with market players viewing prices as affordable and expanding buybacks. The key contract closed at \$56.46/bbl, up \$0.21/bbl from the previous day.

On November 16, buying outpaced selling on speculations about a potential agreement to cut oil production at a joint meeting of OPEC (Organization of the Petroleum Exporting Countries) and non-OPEC oil producing countries in December. As Baker Hughes reported that the number of operating U.S. oil-drilling rigs increased by two from a week earlier to 888, the highest since March 2015, however, profit-taking selling grew, leading the December contract to end unchanged from the previous day at \$56.46/bbl.

On November 19, amid concerns about oil oversupply, Russian Energy Minister Alexander Novak indicated his potential agreement to cut oil production to reverse his earlier reluctance to do so, leading the key contract to increase. Another factor inducing buying was the French government's indication of the Iranian government's involvement in a plan for terrorist attacks on a rally of Iranian dissidents in a suburb of Paris. The December contract closed its final trading day at \$56.76/bbl, off \$0.30/bbl.

On November 20, the key contract suffered a substantial downturn as the U.S. stock market weakened, with President Donald Trump indicating that he would give priority to friendly relations with Saudi Arabia despite the country's suspected killing of a dissident Saudi journalist. The January contract, which became the front-month contract, plunged by \$3.77/bbl to \$53.43/bbl.

On November 21, the key contract rebounded on an EIA report including a weekly gasoline inventory decline despite crude oil inventories' ninth straight weekly increase, as well as expectations that Saudi Arabia would refrain from proposing any substantial oil production cut at the next OPEC meeting in consideration of the United States' attitude on the suspected killing of the Saudi journalist. The January contract gained \$1.20/bbl to \$54.63/bbl.

The Asian benchmark crude oil of Dubai for January delivery on the Tokyo market moved in a range between \$64.20/bbl and \$70.90/bbl in the November 8-14 week. It closed at \$65.30/bbl on November 15, at \$66.10/bbl on November 16, at \$66.20/bbl on November 19, at \$65.30/bbl on November 20 and at \$62.30/bbl on November 21.

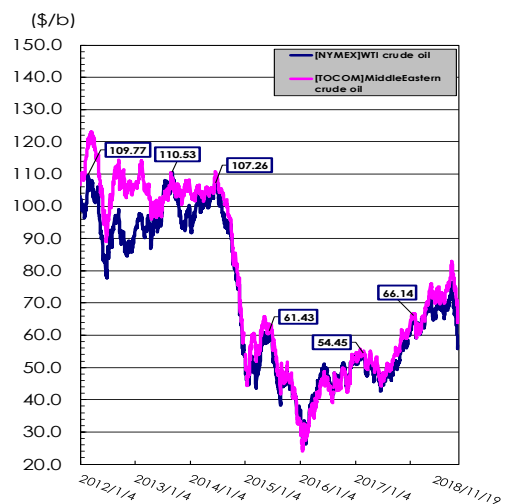
On the foreign exchange market in the November 8-14 week, the dollar moved within a range between 113.63 and 114.03 yen. It changed hands at 113.67 yen in late trading on November 15, at 113.65 yen on November 16, at 112.73 yen on November 19, at 112.67 yen on November 20 and at 112.91 yen on November 21.

According to preliminary 10-day trade statistics released by the Ministry of Finance on November 19, the average crude oil import CIF price in the October 21-31 period stood at 56,289 yen/kl (kiloliter), down 1,045 yen/kl from the previous 10-day period. In dollars, the price was \$79.59/bbl, down \$0.57/bbl. The average exchange rate was 112.45 yen to the dollar. According to preliminary monthly trade statistics released by the ministry on the same day, the average crude oil import CIF price in October stood at 56,222 yen/kl, up 3,086 yen/kl from the previous month. In dollars, the price was \$79.17/bbl, up \$3.15/bbl. The average exchange rate was 112.90 yen to the dollar.

Major Japanese Motouri (petroleum products wholesalers) cut their wholesale prices by 1.0-3.0 yen/l for the third week of November for gasoline and by 1.0-2.0 yen/l for diesel oil and kerosene (heating oil). Crude oil acquisition cost fell sharply as steep crude oil price drops were partially offset by the yen's depreciation against the dollar.

Japan's average retail price on November 19 decreased by 1.6 yen/l from a week earlier for gasoline, by 1.2 yen/l for diesel oil and by 14 yen for kerosene on an 18-liter tank basis. These prices fell for the fourth straight week. As crude oil cost plunged in the second week of November, major Motouri companies lowered their wholesale prices by 1.5 yen/l from the previous week for gasoline and by 1.0-1.5 yen/l for diesel oil and kerosene.

Crude oil			This week	From a week earlier	From a year earlier
Supply/Demand	Crude oil runs (1,000 kl)	11/11 ~ 11/17	3,627	▲ 182	▼ —
	Topper capacity utilization rate (%)	"	92.6	▲ 4.6	▼ —
	Crude oil inventories (1,000 kl)	11/17	12,271	▼ -850	▼ —
Prices	Middle Eastern crude oil (TOCOM) (\$/bbl)	11/19	65.87	▼ -4.23	▲ 5.5
	WTI crude oil (NYMEX) (\$/bbl)	11/19	56.76	▼ -3.17	▲ 0.7
	Crude oil import CIF price (\$/bbl)	Late Oct	79.59	▼ -0.57	▲ 24.78
	① Crude oil import CIF price (yen/kl)	"	56,289	▼ -1,045	▲ 17,541
	② Yen-dollar exchange rate (yen/dollar)	"	112.45	▲ 1.26	▼ -0.05
	TTS exchange rate (yen/dollar)	11/19	113.73	▲ 1.21	▼ -0.54

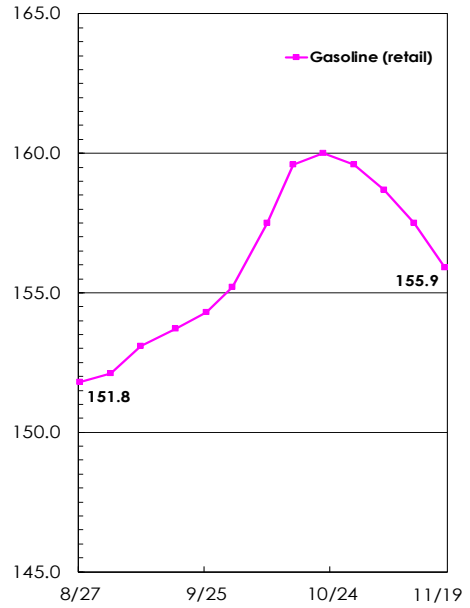


(Unit: 1,000 kl, yen/l)

Gasoline		This week	From a week earlier	From a year earlier	
Supply/ Demand	Production	11/11 ~ 11/17	983 ▲ 8	▼ -	
	Imports	"	n.a.	n.a.	
	Shipments	"	933 ▲ 59	▼ -	
	Exports	"	9 ▼ -23	▼ -	
	Inventories	11/17	1,829 ▲ 41	▲ -	
Prices	Gyoten (spot) [4-district average lorry rack price] (RIM)	11/13 ~ 11/19	64.8 ▼ -1.9	▲ 5.0	
	Futures [front-month contract/closing price]	(TOCOM/ Tokyo Bay)	11/13 ~ 11/19	57.2 ▼ -5.0	▼ -1.3
		(TOCOM/ Chubu)	11/19	59.8 ▼ -3.1	▼ -0.2
	Retail prices [weekly trend] (published by ANRE)	11/19	155.9 ▼ -1.6	▲ 15.8	

*Gyoten and futures prices are before tax

(¥/L)

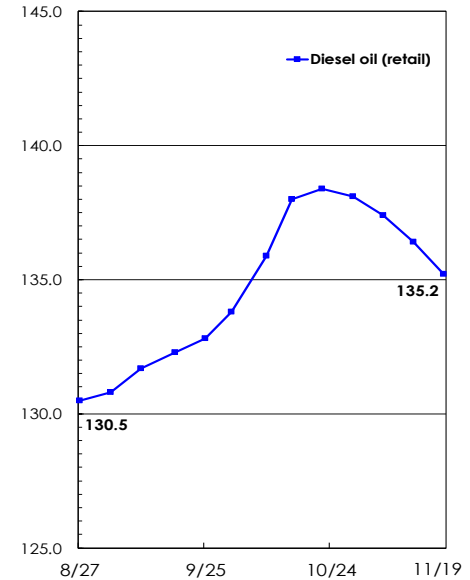


(Unit: 1,000 kl, yen/l)

Diesel oil		This week	From a week earlier	From a year earlier	
Supply/ Demand	Production	11/11 ~ 11/17	836 ▲ 107	▼ -	
	Imports	"	n.a.	n.a.	
	Shipments	"	654 ▼ -13	▲ -	
	Exports	"	93 ▲ 59	▼ -	
	Inventories	11/17	1,572 ▲ 89	▲ -	
Prices	Gyoten (spot) [4-district average lorry rack price] (RIM)	11/13 ~ 11/19	68.9 ▼ -1.0	▲ 9.6	
	Futures [front-month contract/closing price]	(TOCOM/ Tokyo Bay)	11/13 ~ 11/19	68.6 ▼ -2.6	▲ 13.6
		(TOCOM/ Chubu)	11/19	-	-
	Retail prices [weekly trend] (published by ANRE)	11/19	135.2 ▼ -1.2	▲ 17.1	

*Gyoten and futures prices are before tax

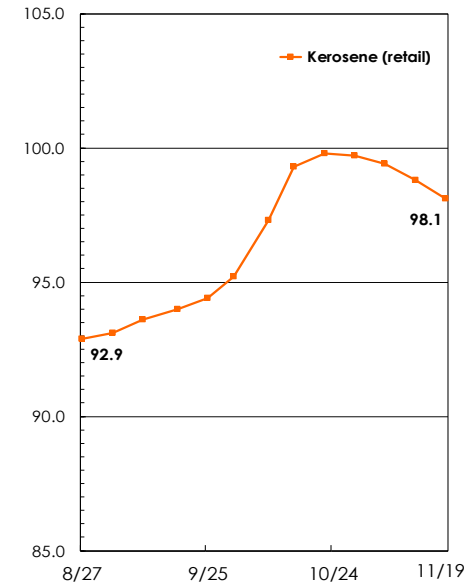
(¥/L)



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

Kerosene		This week	From a week earlier	From a year earlier	
Supply/ Demand	Production	11/11 ~ 11/17	253 ▼ -95	▼ -	
	Imports	"	n.a.	n.a.	
	Shipments	"	201 ▼ -6	▲ -	
	Exports	"	0 ▼ -50	➡ -	
	Inventories	11/17	2,857 ▲ 52	▲ -	
Prices	Gyoten (spot) [4-district average lorry rack price] (RIM)	11/13 ~ 11/19	67.6 ▼ -1.3	▲ 6.7	
	Futures [front-month contract/closing price]	(TOCOM/ Tokyo Bay)	11/13 ~ 11/19	64.2 ▼ -3.2	▲ 4.9
		(TOCOM/ Chubu)	11/19	65.2 ▼ -3.3	▲ 4.2
	Retail prices [weekly trend] (published by ANRE)	11/19	98.1 ▼ -0.7	▲ 15.7	

(¥/L)



Relevant Information

1 Overseas crude oil prices

On November 21, the most frequently traded crude oil futures contract on NYMEX rallied on a weekly U.S. gasoline inventory decline as reported by the EIA and a Genscape report that crude oil inventories at the WTI delivery point of Cushing declined by 116,000 barrels from a week earlier for the first fall in nine weeks. The EIA reported that U.S. gasoline inventories decreased by 1.3 million barrels to the lowest level since December 2017, although crude oil inventories increased by 4.9 million barrels against 2.9 million barrels as forecast in the market for the ninth straight weekly expansion. Another factor supporting crude oil futures was expectations that Saudi Arabia would refrain from proposing any substantial oil production cut at the next OPEC meeting in consideration of U.S. President Trump's policy giving priority to the United States' friendly relations with Saudi Arabia rather than the oil kingdom's suspected killing of the dissident journalist. The January contract gained \$1.20/bbl to \$54.63/bbl. The February contract increased by \$1.23/bbl to \$54.80/bbl.

According to the EIA, the average U.S. retail price of gasoline as of November 19 fell by 7.5 cents per gallon from a week earlier to \$2.611/gal (78.4 yen/l). The average diesel oil price decreased by 3.5 cents/gal to \$3.282/gal (98.5 yen/l). The gasoline price dropped for the sixth straight week, while the diesel price fell for the fifth 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 11-17 week stood at 133,000 barrels per day, down 80,000 bpd from the previous week (total capacity remained at 3,519,000 bpd).

Crude oil throughput in the week increased by 182,000 kl from the previous week to 3,627,000 kl. From a year earlier, it declined by 10,000 kl. The topper capacity utilization rate stood at 92.6%, up 4.6 points from the previous week and down 0.3 points from a year earlier.

Production decreased from the previous week for kerosene and Fuel Oil A and increased for other petroleum products. Output was up 0.8% for gasoline, up 129.2% for jet fuel, down 27.4% for kerosene, up 14.7% for diesel oil, down 0.1% for Fuel Oil A and up 36.1% for Fuel Oil C. Fuel Oil C imports in the week totaled 50,000 kl, up 9,000 kl from the previous week. Diesel oil exports aggregated 93,000 kl, up 59,000 kl.

Shipments (excluding imports) in the week increased from the previous week for gasoline and jet fuel and decreased for other petroleum products. From a year earlier, shipments decreased for gasoline, and Fuel Oil A and C and increased for others. Gasoline shipments increased by 6.7% from the previous week to 933,000 kl for the second straight week of rise, remaining below 1 million kl for 11 weeks on end. Shipments totaled 80,000 kl for jet fuel (up 253.6% from the previous week), 201,000 kl for

kerosene (down 2.9%), 654,000 kl for diesel oil (down 2.0%), 193,000 kl for Fuel Oil A (down 4.8%) and 136,000 kl for Fuel Oil C (down 28.4%).

(Unit: 1,000 kl)

	This week (11/11 ~ 11/17)	Previous week (11/4 ~ 11/10)	From a week earlier
Gasoline	933	874	▲ 59 (7%)
Jet fuel	80	23	▲ 57 (248%)
Kerosene (heating Oil)	201	207	▼ -6 (-3%)
Diesel oil	654	667	▼ -13 (-2%)
Fuel oil A	193	203	▼ -10 (-5%)
Fuel Oil C	136	190	▼ -54 (-28%)
Total	2,197	2,164	▲ 33 (2%)

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 17 increased from a week earlier for all petroleum products. From a year earlier, inventories decreased for jet fuel and increased for others.

Gasoline inventories totaled 1,829,000 kl, up 41,000 kl from a week earlier and up 130,000 kl from a year earlier.

Kerosene inventories totaled 2,857,000 kl, up 52,000 kl from a week earlier and up 195,000 kl from a year earlier.

Diesel oil inventories totaled 1,572,000 kl, up 89,000 kl from a week earlier and up 183,000 kl from a year earlier.

Fuel Oil A inventories totaled 857,000 kl, up 58,000 kl from a week earlier and up 185,000 kl from a year earlier.

Fuel Oil C inventories totaled 2,079,000 kl, up 78,000 kl from a week earlier and up 98,000 kl from a year earlier.

(Unit: 1,000 kl)

	This week (11/17)	Previous week (11/10)	From a week earlier
Gasoline	1,829	1,788	▲ 41 (2%)
Jet fuel	990	897	▲ 93 (10%)
Kerosene (heating Oil)	2,857	2,805	▲ 52 (2%)
Diesel oil	1,572	1,483	▲ 89 (6%)
Fuel oil A	857	799	▲ 58 (7%)
Fuel Oil C	2,079	2,001	▲ 78 (4%)
Total	10,184	9,773	▲ 411 (4.2%)

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

In the November 13-19 week, crude oil cost apparently posted a sharp fall from the previous week as crude oil prices plunged, with the yen leveling off against the dollar.

Onshore cargo spot prices in the week plunged in a 118-121 yen/l range for gasoline and dropped in a 68-70 yen/l range for diesel oil and in a 67-69 yen/l range for kerosene.

Offshore barge spot prices in the week plunged in a 119-123 yen/l range for gasoline, fell sharply and rose back slightly in a 69-71 yen/l range for diesel oil and wildly fluctuated and fell in a 62-66 yen/l range for kerosene.

The key futures price in the week plunged in a 110-115 yen/l range for gasoline, in a 68-70 yen/l range for diesel oil and decreased in a 63-67 yen/l range for kerosene.

Major Motouri companies cut their wholesale prices by 3.0-4.5 yen/l for gasoline, by 3.0 yen for diesel oil and by 3.0-3.5 yen for 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 13-19 week) that influences Motouri's wholesale prices applied to the fourth week of November (November 22-28) dropped by 1.9 yen/l for gasoline, by 1.3 yen/l for kerosene and by 1.0 yen/l for diesel oil.

The average offshore barge spot price in Tokyo Bay decreased by 4.0 yen/l for gasoline, by 3.1 yen/l for kerosene and by 2.7 yen/l for diesel oil.

The key futures price dropped by 5.0 yen/l for gasoline, by 3.2 yen/l for kerosene and by 2.6 yen/l for diesel oil.

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

For the fourth week of November, major Motouri companies cut their wholesale prices by 3.0-4.5 yen/l for gasoline, by 3.0 yen/l for diesel oil and by 3.0-3.5 yen/l for 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 (11/13 ~ 11/19)	Previous week (11/6 ~ 11/12)	From a week earlier
Spot Prices	Regular	64.8	66.7	▼ -1.9
	Kerosene	67.6	68.9	▼ -1.3
	Diesel oil	68.9	69.9	▼ -1.0

(TOCOM) [Front-month contract/closing price] [Average]		(Unit: yen/l)		
		This week (11/13 ~ 11/19)	Previous week (11/6 ~ 11/12)	From a week earlier
Futures Price	Regular	57.2	62.2	▼ -5.0
	Kerosene	64.2	67.4	▼ -3.2
	Diesel oil	68.6	71.2	▼ -2.6

Above prices are before tax.

Reference (November 13 - November 19 actual data)			
Products	Spot	Futures	Average
Gasoline	▼ -1.9	▼ -5.0	▼ -3.5
Kerosene	▼ -1.3	▼ -3.2	▼ -2.3
Diesel oil	▼ -1.0	▼ -2.6	▼ -1.8
Fuel Oil A	▼ -1.0		

(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 November 19 dropped by 1.6 yen/l from a week earlier to 155.9 yen/l for gasoline, by 1.2 yen/l to 135.2 yen/l for diesel oil and by 0.7 yen/l to 98.1 yen/l for kerosene (on an 18-liter tank basis, the kerosene price decreased by 14 yen to 1,765 yen). These prices fell for the fourth straight week. Gasoline prices leveled off in two of Japan's 47 prefectures and decreased in 45. The lowest gasoline price among the prefectures was 150.7 yen/l in Aichi Prefecture (down 1.8 yen/l from a week earlier). The second lowest was 151.5 yen/l in Saitama (down 1.7 yen/l) and Ishikawa (down 2.2 yen/l). The highest price was 167.6 yen/l in Nagasaki (down 0.6 yen/l). No prefecture posted any increase. The average price leveled off in Kochi and Kagawa. Logging the sharpest price cut of 3.6 yen was Shimane (155.1 yen/l).

As crude oil cost declined substantially last week, major Motouri companies cut their wholesale prices by 3.0-4.5 yen/l from the previous week for gasoline, by 3.0 yen/l for diesel oil and by 3.0-3.5 yen/l for kerosene. Crude oil cost dropped steeply this week as crude oil prices plunged, with the yen leveling off against the dollar. Retail gasoline and kerosene prices are expected to fall next week (as of November 26).

(Published by ANRE)[Weekly trend]		(Unit: yen/l)			
		This week (11/19)	Previous week (11/12)	From a week earlier	Latest high
Retail Price	Regular	155.9	157.5	▼ -1.6	08/8/4 185.1
	Kerosene	98.1	98.8	▼ -0.7	08/8/11 132.1
	Diesel oil	135.2	136.4	▼ -1.2	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

(2018/9/10 ~ 2018/11/19)



(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. 33 for 2018) will be announced at 14:00 on December 7.

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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).