

Oil Market Review in Japan No. 35/2018

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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 29-December 5 week moved within a range between \$50.93 per barrel and \$53.25/bbl.

On December 6, the January contract fell further as OPEC (Organization of the Oil Exporting Countries) refrained from announcing its tentative production cut agreement at its general conference before its meeting with Russia and other non-OPEC oil producing countries. Selling accelerated on a stock market decline. The EIA (Energy Information Administration) reported that while U.S. crude oil inventories decreased by 7.3 million barrels from a week earlier for the first drop in 11 weeks, petroleum products inventories increased faster than expected. The key contract lost \$1.40/bbl to \$51.49/bbl.

On December 7, the January contract rebounded for the first time in three days as OPEC and 10 non-OPEC oil producing countries agreed to reduce production by 1.2 million barrels per day from October, or faster than predicted in the market. Baker Hughes reported that the number of operating U.S. oil-drilling rigs dropped by 10 from a week earlier to 877. The key contract gained \$1.12/bbl to \$52.61/bbl.

On December 10, the January contract turned down with a heavy loss on the British parliament's postponement of a vote on a draft agreement to exit from the European Union, concerns about a prolonged China-U.S. trade war, growing risk concerns amid a U.S. stock market decline and the dollar's appreciation against the euro. The key contract closed at \$51.00/bbl, down \$1.61/bbl.

On December 11, the January contract rallied on a loss of 315,000 bpd at Libya's largest oilfield named El Sharara that was occupied by anti-government militias and U.S. President Donald Trump's optimistic remark about U.S.-China trade talks. The key contract gained \$0.65/bbl to \$51.65/bbl.

On December 12, the key contract turned down on a faster-than-expected increase in U.S. crude oil inventories in a weekly EIA report and market participants' lingering skepticism about oil producing countries' implementation of their production cut agreement, although buying outpaced selling in the morning. The January contract lost \$0.50/bbl to \$51.15/bbl.

The Asian benchmark crude oil of Dubai for January delivery on the Tokyo market moved in a range between \$58.40/bbl and \$61.30/bbl in the November 29-December 5 week. It closed at \$60.10/bbl on December 6, at \$58.10/bbl on December 7, at \$60.60/bbl on December 10, at \$58.50/bbl on December 11 and at \$59.60/bbl on December 12.

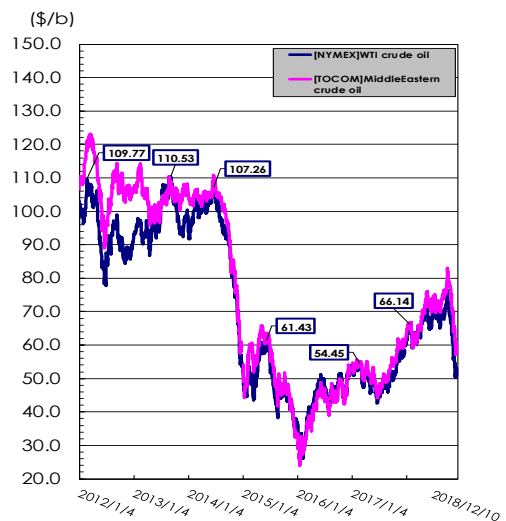
On the foreign exchange market in the November 29-December 5 week, the dollar moved within a range between 112.88 and 113.64 yen. It changed hands at 112.94 yen in late trading on December 6, at 112.79 yen on December 7, at 112.52 yen on December 10, at 113.11 yen on December 11 and at 113.54 yen on December 12.

According to preliminary 10-day trade statistics released by the Ministry of Finance on December 7, the average crude oil import CIF price in the November 11-20 period stood at 57,775 yen/kl (kiloliter), up 38 yen/kl from the previous 10-day period. In dollars, the price was \$81.31/bbl, down \$0.39/bbl. The average exchange rate was 112.97 yen to the dollar.

Major Japanese Motouri (petroleum products wholesalers) cut their wholesale prices by 1.5-2.0 yen/l for the second week of December for gasoline, diesel oil and kerosene (heating oil). Crude oil acquisition cost fell as steep crude oil price drops were partially offset by the yen's depreciation against the dollar.

Japan's average retail price on December 10 decreased by 2.0 yen/l from a week earlier for gasoline, by 1.7 yen/l for diesel oil and by 25 yen for kerosene on an 18-liter tank basis. These prices fell for the seventh straight week. As crude oil cost plunged in the first week of December, major Motouri companies lowered their wholesale prices by 3.0 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)	12/2 ~ 12/8	3,587	▼ -96	▼ -
	Topper capacity utilization rate (%)	"	91.6	▼ -2.5	▼ -
	Crude oil inventories (1,000 kl)	12/8	13,972	▲ 838	▲ -
Prices	Middle Eastern crude oil (TOCOM) (\$/bbl)	12/10	59.85	▼ -0.92	▼ -0.2
	WTI crude oil (NYMEX) (\$/bbl)	12/10	51.00	▼ -1.95	▼ -7.0
	Crude oil import CIF price (\$/bbl)	Mid Nov	81.31	▼ -0.39	▲ 23.55
	①Crude oil import CIF price (yen/kl)	"	57,775	▲ 38	▲ 16,525
	②Yen-dollar exchange rate (yen/dollar)	"	112.97	▼ -0.63	▲ 0.56
	TTS exchange rate (yen/dollar)	12/10	113.52	▲ 1.12	▲ 1.13

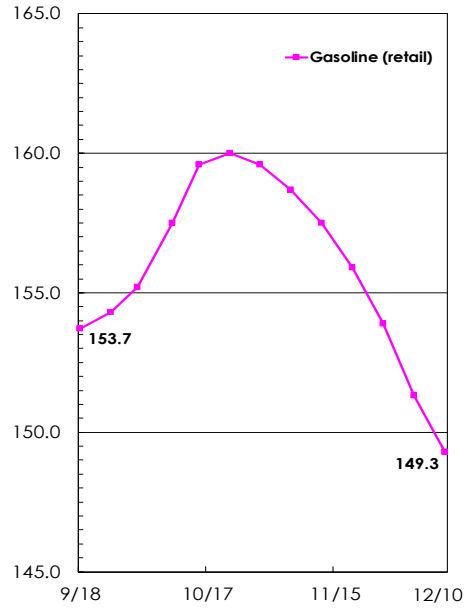


(Unit: 1,000 kl, yen/l)

Gasoline		This week		From a week earlier	From a year earlier	
Supply/ Demand	Production	12/2 ~ 12/8	966	▼ -19	▼ -	
	Imports	"	n.a.	n.a.	n.a.	
	Shipments	"	926	▲ 25	▼ -	
	Exports	"	103	▼ -17	▲ -	
	Inventories	12/8	1,695	▼ -63	▼ -	
Prices	Gyoten (spot) [4-district average lorry rack price] (RIM)	12/4 ~ 12/10	57.8	▼ -2.5	▼ -1.0	
	Futures [front-month contract/closing price]	(TOCOM/ Tokyo Bay)	12/4 ~ 12/10	53.1	▲ 0.2	▼ -4.3
		(TOCOM/ Chubu)	12/10	55.5	▼ -6.5	▼ -2.4
	Retail prices [weekly trend] (published by ANRE)	12/10	149.3	▼ -2.0	▲ 7.9	

*Gyoten and futures prices are before tax

(¥/L)

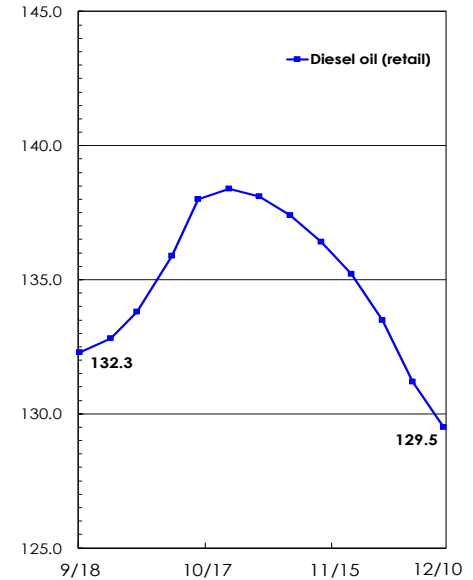


(Unit: 1,000 kl, yen/l)

Diesel oil		This week		From a week earlier	From a year earlier	
Supply/ Demand	Production	12/2 ~ 12/8	930	▲ 66	▲ -	
	Imports	"	n.a.	n.a.	n.a.	
	Shipments	"	772	▲ 70	▲ -	
	Exports	"	165	▲ 23	▲ -	
	Inventories	12/8	1,758	▼ -6	▲ -	
Prices	Gyoten (spot) [4-district average lorry rack price] (RIM)	12/4 ~ 12/10	61.2	▼ -2.4	▲ 2.6	
	Futures [front-month contract/closing price]	(TOCOM/ Tokyo Bay)	12/4 ~ 12/10	62.7	➡ 0.0	▲ 4.7
		(TOCOM/ Chubu)	12/10	-	-	-
	Retail prices [weekly trend] (published by ANRE)	12/10	129.5	▼ -1.7	▲ 10.1	

*Gyoten and futures prices are before tax

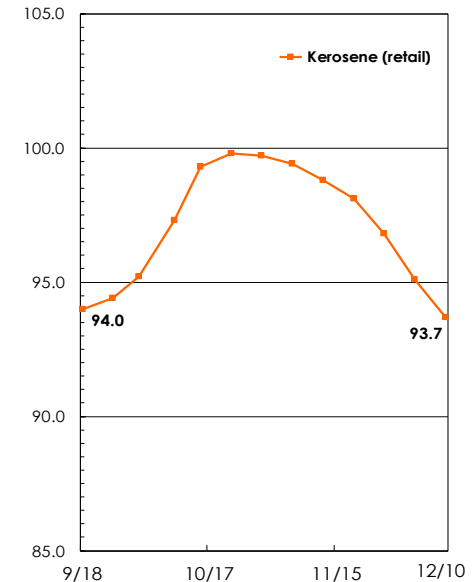
(¥/L)



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

Kerosene		This week		From a week earlier	From a year earlier	
Supply/ Demand	Production	12/2 ~ 12/8	288	▲ 31	▼ -	
	Imports	"	n.a.	n.a.	n.a.	
	Shipments	"	305	▲ 40	▼ -	
	Exports	"	0	▼ -51	▼ -	
	Inventories	12/8	2,805	▼ -17	▲ -	
Prices	Gyoten (spot) [4-district average lorry rack price] (RIM)	12/4 ~ 12/10	59.9	▼ -2.2	▼ -0.9	
	Futures [front-month contract/closing price]	(TOCOM/ Tokyo Bay)	12/4 ~ 12/10	58.4	▼ -1.1	▼ -0.7
		(TOCOM/ Chubu)	12/10	59.0	▼ -2.2	▼ -1.5
	Retail prices [weekly trend] (published by ANRE)	12/10	93.7	▼ -1.4	▲ 9.6	

(¥/L)



Relevant Information

1 Overseas crude oil prices

On December 12, buying outpaced selling in oil futures trading on NYMEX in the morning on a sharp weekly fall in U.S. crude oil inventories reported by the API (American Petroleum Institute) on the previous day and concerns about a disruption to oil supply from Libya. Later, however, selling grew on a weekly decline of 1.2 million barrels in U.S. crude oil inventories, slower than a market-forecast drop of 3 million barrels, and market players' lingering skepticism about the effectiveness of oil producing countries' agreement to cut oil production by 1.2 million bpd, leading the most frequently traded crude oil futures contract on NYMEX to turn down. The January contract lost \$0.50/bbl to \$51.15/bbl. The February contract decreased by \$0.48/bbl to \$51.36/bbl.

According to the EIA, the average U.S. retail price of gasoline as of December 10 fell by 3.0 cents per gallon from a week earlier to \$2.421/gal (72.5 yen/l). The average diesel oil price decreased by 4.6 cents/gal to \$3.161/gal (94.7 yen/l). The gasoline price dropped for the ninth straight week, while the diesel price fell for the eighth 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 December 2-8 week stood at almost zero, unchanged from the previous week (total capacity remained at 3,519,000 bpd).

Crude oil throughput in the week decreased by 96,000 kl from the previous week to 3,587,000 kl. From a year earlier, it declined by 162,000 kl. The topper capacity utilization rate stood at 91.6%, down 2.5 points from the previous week and down 4.1 points from a year earlier.

Production increased from the previous week for kerosene and diesel oil and decreased for other petroleum products. Output was up 1.9% for gasoline, down 28.2% for jet fuel, up 12.2% for kerosene, up 7.7% for diesel oil, down 7.4% for Fuel Oil A and down 15.4% for Fuel Oil C. Fuel Oil C imports in the week totaled 37,000 kl, up 37,000 kl from the previous week. Diesel oil exports aggregated 165,000 kl, up 23,000 kl.

Shipments (excluding imports) in the week decreased from the previous week for jet fuel and Fuel Oil C and increased for other petroleum products. From a year earlier, shipments increased for diesel oil and decreased for others. Gasoline shipments increased by 2.8% from the previous week to 926,000 kl for the first rise in two weeks, remaining below 1 million kl for 14 weeks on end. Shipments totaled 70,000 kl for jet fuel (down 19.8% from the previous week), 305,000 kl for kerosene (up

15.0%), 772,000 kl for diesel oil (up 9.9%), 258,000 kl for Fuel Oil A (up 9.8%) and 192,000 kl for Fuel Oil C (down 7.7%).

(Unit: 1,000 kl)

	This week (12/2 ~ 12/8)	Previous week (11/25 ~ 12/1)	From a week earlier
Gasoline	926	901	▲ 25 (3%)
Jet fuel	70	87	▼ -17 (-20%)
Kerosene (heating Oil)	305	265	▲ 40 (15%)
Diesel oil	772	702	▲ 70 (10%)
Fuel oil A	258	235	▲ 23 (10%)
Fuel Oil C	192	208	▼ -16 (-8%)
Total	2,523	2,398	▲ 125 (5%)

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 December 8 increased from a week earlier for Fuel Oil C and decreased for other petroleum products. From a year earlier, inventories decreased for gasoline and Fuel Oil C and increased for others.

Gasoline inventories totaled 1,695,000 kl, down 63,000 kl from a week earlier and down 5,000 kl from a year earlier.

Kerosene inventories totaled 2,805,000 kl, down 17,000 kl from a week earlier and up 373,000 kl from a year earlier.

Diesel oil inventories totaled 1,758,000 kl, down 6,000 kl from a week earlier and up 343,000 kl from a year earlier.

Fuel Oil A inventories totaled 867,000 kl, down 10,000 kl from a week earlier and up 200,000 kl from a year earlier.

Fuel Oil C inventories totaled 1,986,000 kl, up 2,000 kl from a week earlier and down 3,000 kl from a year earlier.

(Unit: 1,000 kl)

	This week (12/8)	Previous week (12/1)	From a week earlier
Gasoline	1,695	1,758	▼ -63 (-4%)
Jet fuel	1,031	1,048	▼ -17 (-2%)
Kerosene (heating Oil)	2,805	2,822	▼ -17 (-1%)
Diesel oil	1,758	1,764	▼ -6 (-0%)
Fuel oil A	867	877	▼ -10 (-1%)
Fuel Oil C	1,986	1,984	▲ 2 (0%)
Total	10,142	10,253	▼ -111 (-1.1%)

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

In the December 4-10 week, crude oil cost apparently leveled off from the previous week as slight crude oil price hikes were offset by the yen's appreciation against the dollar.

Onshore cargo spot prices in the week plunged in a 110-113 yen/l range for gasoline, in a 60-63 yen/l range for diesel oil and in a 59-62 yen/l range for kerosene.

Offshore barge spot prices in the week fell in a 112-114 yen/l range for gasoline, plunged in a 62-65 yen/l range for diesel oil, and fell and rose back slightly in a 56-58 yen/l range for kerosene.

The key futures price in the week plunged and rose back in a 106-108 yen/l range for gasoline, dropped sharply in a 61-64 yen/l range for diesel oil, and nosedived and rose back slightly in a 57-60 yen/l range for kerosene.

Major Motouri companies left wholesale prices unchanged or cut them by 1.0 yen/l for gasoline. They kept such prices unchanged or lowered them by 0.5 yen/l for diesel oil and kerosene.

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

Spot petroleum products prices other than gasoline and diesel oil futures prices declined.

The latest onshore cargo spot price (the average onshore rack price for four districts -- Chiba, Kawasaki, Chukyo and Hanshin -- for the December 4-10 week) that influences Motouri's wholesale prices applied to the third week of December (December 13-19) dropped by 2.5 yen/l for gasoline, by 2.2 yen/l for kerosene and by 2.4 yen/l for diesel oil.

The average offshore barge spot price in Tokyo Bay decreased by 1.7 yen/l for gasoline, by 1.3 yen/l for kerosene and by 0.8 yen/l for diesel oil.

The key futures price rose by 0.2 yen/l for gasoline, fell by 1.1 yen/l for kerosene and almost leveled off for diesel oil.

Crude oil cost almost leveled off as crude oil price hikes were offset by the yen's appreciation against the dollar.

For the third week of December, major Motouri companies left their wholesale prices unchanged or cut them by 1.0 yen/l for gasoline. They kept such prices unchanged or lowered them by 0.5 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 (12/4 ~ 12/10)	Previous week (11/27 ~ 12/3)	From a week earlier
Spot Prices	Regular	57.8	60.3	▼ -2.5
	Kerosene	59.9	62.1	▼ -2.2
	Diesel oil	61.2	63.6	▼ -2.4

(TOCOM) [Front-month contract/closing price]		(Unit: yen/l)		
[Average]		This week (12/4 ~ 12/10)	Previous week (11/27 ~ 12/3)	From a week earlier
Futures Price	Regular	53.1	52.9	▲ 0.2
	Kerosene	58.4	59.5	▼ -1.1
	Diesel oil	62.7	62.7	➡ 0.0

Above prices are before tax.

Reference (December 4 - December 10 actual data)

Products	Spot	Futures	Average
Gasoline	▼ -2.5	▲ 0.2	▼ -1.1
Kerosene	▼ -2.2	▼ -1.1	▼ -1.6
Diesel oil	▼ -2.4	➡ 0.0	▼ -1.2
Fuel Oil A	▼ -2.1		

(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 December 10 dropped by 2.0 yen/l from a week earlier to 149.3 yen/l for gasoline, by 1.7 yen/l to 129.5 yen/l for diesel oil and by 1.4 yen/l to 93.7 yen/l for kerosene (on an 18-liter tank basis, the kerosene price decreased by 25 yen to 1,687 yen). These prices fell for the seventh straight week. Gasoline prices fell in all of Japan's 47 prefectures for the third straight week. The lowest gasoline price among the prefectures was 143.0 yen/l in Aichi Prefecture (down 2.2 yen/l from a week earlier). The second lowest was 143.2 yen/l in Kanagawa (down 3.7 yen/l). The highest price was 164.2 yen/l in Nagasaki (down 0.9 yen/l). Logging the sharpest price cut of 3.7 yen/l was Kanagawa (143.2 yen/l).

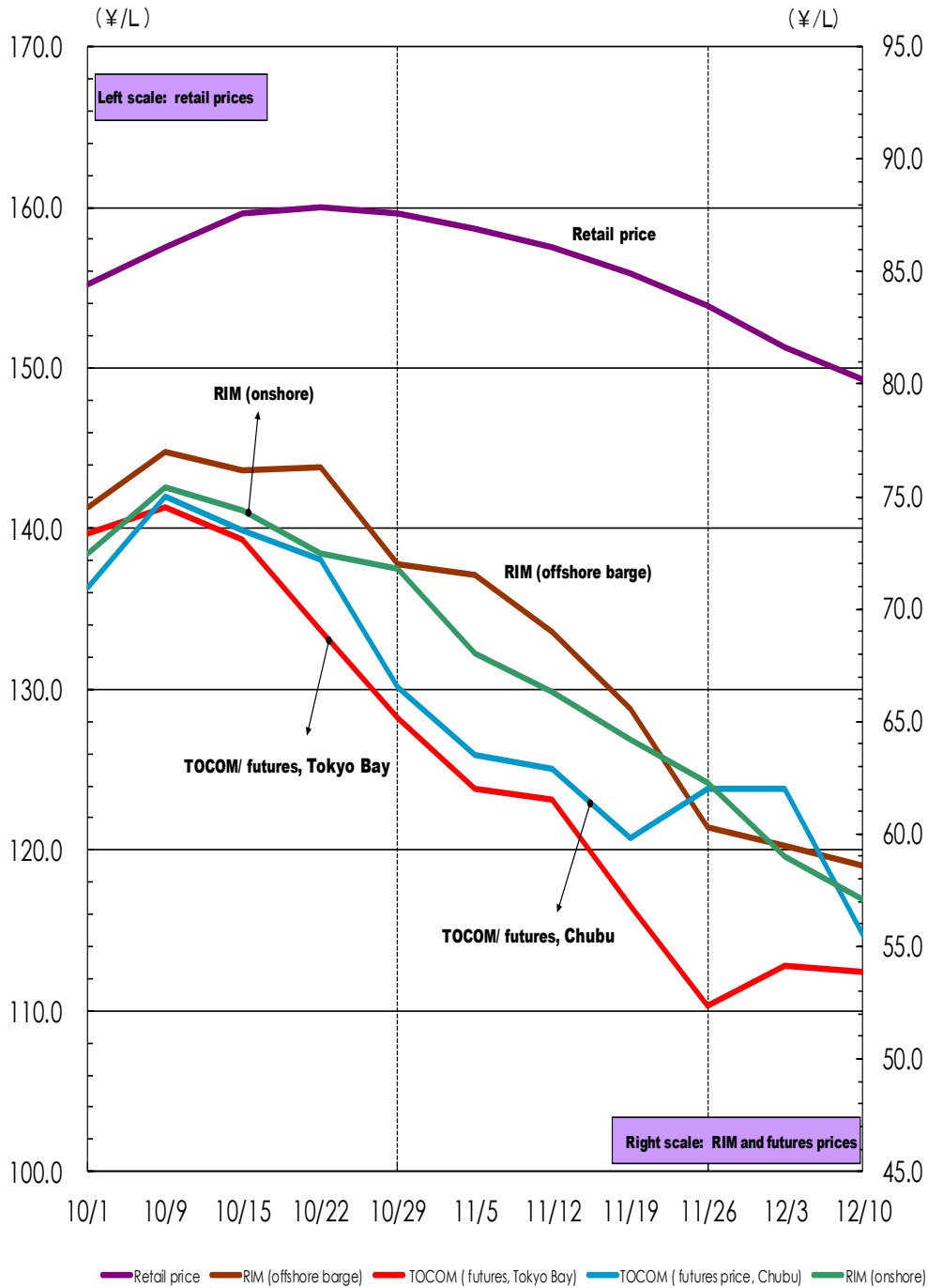
As crude oil cost declined substantially last week, major Motouri companies left wholesale prices unchanged or cut them by 0.5 yen/l from the previous week for gasoline. For diesel oil and kerosene, they kept such prices unchanged or lowered them by 0.5 yen/l. Crude oil cost leveled off this week as slight crude oil price hikes were offset by the yen's appreciation against the dollar. Retail gasoline and kerosene prices are expected to fall next week (as of December 17) due to time-lag effects.

(Published by ANRE)[Weekly trend]		(Unit: yen/l)			
		This week (12/10)	Previous week (12/3)	From a week earlier	Latest high
Retail Price	Regular	149.3	151.3	▼ -2.0	08/8/4 185.1
	Kerosene	93.7	95.1	▼ -1.4	08/8/11 132.1
	Diesel oil	129.5	131.2	▼ -1.7	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

(2018/10/1 ~ 2018/12/10)



(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. 36 for 2018) will be announced at 14:00 on December 28.

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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).