

Oil Market Review in Japan No. 01/2019

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Overview

The key WTI (West Texas Intermediate) crude oil futures contract on NYMEX (New York Mercantile Exchange) in the March 21-27 week moved within a range between \$58.82 per barrel and \$59.98/bbl.

On March 28, the May contract fell further as U.S. President Donald Trump in a Twitter message said that crude oil was too expensive and that OPEC (Organization of the Petroleum Exporting Countries) should increase oil production. However, the drop was limited as excessive concerns over a recession receded on a report that U.S. gross domestic product grew by a revised 2.2% in real terms in the fourth quarter of 2018. The key contract closed at \$59.30/bbl, down \$0.11/bbl from the previous day.

On March 29, the May contract rallied for the first time in three days and surpassed a psychologically important barrier of \$60/bbl as a U.S. stock market rise and the firm U.S. GDP growth released on the previous day made it easier for investors to take risks. Supporting the rally was a Baker Hughes report that the number of operating U.S. oil-drilling rigs decreased by six from a week earlier to an 11-month low of 816 for the sixth straight weekly fall. The key contract gained \$0.84/bbl to \$60.14/bbl.

On April 1, the key contract rose further on the release of brisk U.S. and Chinese business indexes and a media report that Saudi Arabian oil output in March fell to a four-year low. The May contract increased by 1.45/bbl to \$61.59/bbl.

On April 2, the key contract rose for the third straight trading day as concerns about lower oil supply grew on a senior U.S. administration official's remark indicating an end to a waiver on Iran economic sanctions and U.S. National Security Adviser John Bolton's statement threatening to toughen sanctions on Venezuela. The rise was supported by a media report that OPEC oil production in March fell to a four-year low. The May contract gained \$0.99/bbl to \$62.58/bbl.

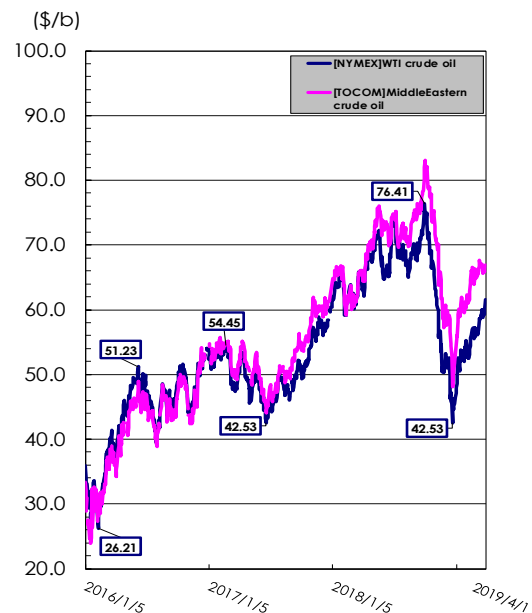
On April 3, the key contract turned down as the EIA (Energy Information Administration) reported a rapid weekly increase in U.S. crude oil inventories against a market-forecast decline. However, the drop was restricted by faster-than-forecast falls in gasoline and middle distillate inventories in the EIA report and a reported fall in March OPEC oil production. The May contract lost 0.12/bbl to \$62.46/bbl.

The Asian benchmark crude oil of Dubai for May delivery on the Tokyo market moved in a range between \$66.40/bbl and \$67.60/bbl in the March 21-27 week. It closed at \$66.90/bbl on March 28, at \$67.10/bbl on January 29, at \$67.10/bbl on April 1, at \$68.60/bbl on April 2 and at \$69.40/bbl on April 3.

On the foreign exchange market in the March 21-27 week, the dollar moved within a range between 109.91 and 110.74 yen. It changed hands at 110.36 yen in late trading on March 28, at 110.99 yen on March 29, at 111.10 yen on April 1, at 111.44 yen on April 2 and at 111.52 yen on April 3.

Japan's average retail price on April 1 increased by 0.5 yen/l from a week earlier for gasoline, by 0.4 yen/l for diesel oil and by 2 yen for kerosene on an 18-liter tank basis. The gasoline, diesel and kerosene prices rose for the seventh straight week. As crude oil cost fell slightly in the first week of April, major Motouri companies lowered their wholesale prices by 0.5 yen/l for gasoline, diesel oil and kerosene for the next week.

Crude oil			This week	From a week earlier	From a year earlier
Supply/ Demand	Crude oil runs (1,000 kl)	3/24 ~ 3/30	3,489	▼ -21	▼ -
	Topper capacity utilization rate (%)	"	89.1	▼ -0.5	▼ -
	Crude oil inventories (1,000 kl)	3/30	12,542	▲ 756	▼ -
Prices	Middle Eastern crude oil (TOCOM) (\$/bbl)	4/1	66.98	▲ 1.37	▲ 0.9
	WTI crude oil (NYMEX) (\$/bbl)	4/1	61.59	▲ 2.77	▼ -1.4
	Crude oil import CIF price (\$/bbl)	Early Mar	63.82	▲ 1.37	▼ -2.97
	① Crude oil import CIF price (yen/kl)	"	44,440	▲ 1,106	▼ -324
	② Yen-dollar exchange rate (yen/dollar)	"	110.71	▼ -0.41	▼ -4.15
	TTS exchange rate (yen/dollar)	4/1	112.10	▼ -1.19	▼ -4.80

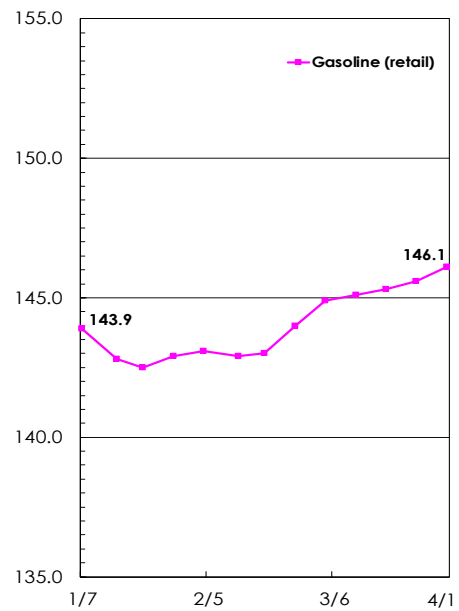


(Unit: 1,000 kl, yen/l)

Gasoline		This week		From a week earlier	From a year earlier	
Supply/ Demand	Production	3/24 ~ 3/30	1,043	▲ 65	▲ —	
	Imports	"	n.a.	n.a.	n.a.	
	Shipments	"	911	▼ -18	▲ —	
	Exports	"	122	▲ 62	▲ —	
	Inventories	3/30	1,619	▲ 10	▼ —	
Prices	Gyoten (spot) [4-district average lorry rack price] (RIM)	3/26 ~ 4/1	61.3	▲ 1.0	▲ 1.7	
	Futures [front-month contract/closing price]	(TOCOM/ Tokyo Bay)	3/26 ~ 4/1	57.8	▲ 0.2	▼ -1.2
		(TOCOM/ Chubu)	4/1	60.5	➡ 0.0	▲ 1.0
	Retail prices [weekly trend] (published by ANRE)	4/1	146.1	▲ 0.5	▲ 3.0	

*Gyoten and futures prices are before tax

(¥/L)

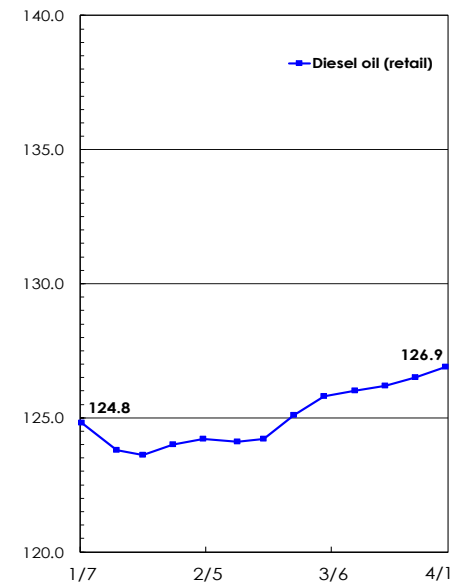


(Unit: 1,000 kl, yen/l)

Diesel oil		This week		From a week earlier	From a year earlier	
Supply/ Demand	Production	3/24 ~ 3/30	794	▼ -30	▼ —	
	Imports	"	n.a.	n.a.	n.a.	
	Shipments	"	666	▲ 137	▲ —	
	Exports	"	382	▲ 166	▲ —	
	Inventories	3/30	1,334	▼ -254	▲ —	
Prices	Gyoten (spot) [4-district average lorry rack price] (RIM)	3/26 ~ 4/1	64.9	▲ 0.6	▲ 4.3	
	Futures [front-month contract/closing price]	(TOCOM/ Tokyo Bay)	3/26 ~ 4/1	64.9	▲ 0.2	▲ 3.7
		(TOCOM/ Chubu)	4/1	—	—	—
	Retail prices [weekly trend] (published by ANRE)	4/1	126.9	▲ 0.4	▲ 5.1	

*Gyoten and futures prices are before tax

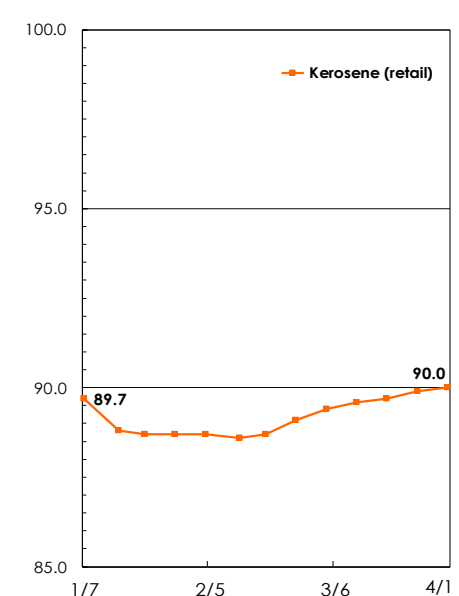
(¥/L)



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

Kerosene		This week		From a week earlier	From a year earlier	
Supply/ Demand	Production	3/24 ~ 3/30	338	▲ 46	▼ —	
	Imports	"	n.a.	n.a.	n.a.	
	Shipments	"	338	▼ -63	▲ —	
	Exports	"	0	➡ 0	▼ —	
	Inventories	3/30	1,331	➡ 0	▼ —	
Prices	Gyoten (spot) [4-district average lorry rack price] (RIM)	3/26 ~ 4/1	64.2	▲ 0.7	▲ 1.5	
	Futures [front-month contract/closing price]	(TOCOM/ Tokyo Bay)	3/26 ~ 4/1	62.4	▼ -0.3	▲ 2.5
		(TOCOM/ Chubu)	4/1	62.5	➡ 0.0	▲ 4.0
	Retail prices [weekly trend] (published by ANRE)	4/1	90.0	▲ 0.1	▲ 2.3	

(¥/L)



Relevant Information

1 Overseas crude oil prices

On April 3, the most frequently traded crude oil futures contract on NYMEX turned down as the EIA reported that U.S. crude oil inventories posted a weekly increase of 7.2 million barrels against a market-forecast decline of 0.4 million barrels. However, the fall was limited as gasoline and middle distillate inventories logged respective faster-than-forecast falls of 1.8 million and 2 million barrels. Other factors that restricted the fall included a media report of March OPEC oil production's drop to a four-year low and U.S. Special Representative on Iran Brian Hook's statement that three of the eight countries subject to a waiver on the Iran oil embargo had already suspended oil imports from Iran. The May contract closed at \$62.46/bbl, down \$0.12/bbl. The June contract fell by \$0.09/bbl to \$62.52/bbl.

According to the EIA, the average U.S. retail price of gasoline as of April 1 rose by 6.8 cents per gallon from a week earlier to \$2.691/gal (79.6 yen/l). The average diesel oil price decreased by 0.2 cents/gal to \$3.078/gal (91.0 yen/l). The gasoline price increased for the eighth straight week, while the diesel price dropped for the first time in two 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 March 24-30 week stood at 244,000 barrels per day, up 18,000 bpd from the previous week (total capacity remained at 3,519,000 bpd). Crude oil throughput in the week decreased by 21,000 kl from the previous week to 3,489,000 kl. From a year earlier, it decreased by 172,000 kl. The topper capacity utilization rate stood at 89.1%, down 0.5 points from the previous week and down 4.4 points from a year earlier.

Production increased from the previous week for gasoline, kerosene and Fuel Oil C and decreased for other petroleum products. Output was up 6.6% for gasoline, down 18.3% for jet fuel, up 15.9% for kerosene, down 3.6% for diesel oil, down 10.2% for Fuel Oil A and up 18.1% for Fuel Oil C. Fuel Oil C imports in the week totaled 2,000 kl, down 27,000 kl from the previous week. Diesel oil exports aggregated 382,000 kl, up 166,000 kl.

Shipments (excluding imports) in the week increased from the previous week for diesel oil and decreased for other petroleum products. From a year earlier, shipments dropped for Fuel Oil A and C and expanded for others. Gasoline shipments decreased by 2.0% from the previous week to 911,000 kl for the first fall in two weeks, remaining below 1 million kl for 13 months on end. Shipments totaled 131,000 kl for jet fuel (down 14.7%

from the previous week), 338,000 kl for kerosene (down 15.6%), 666,000 kl for diesel oil (up 25.9%), 228,000 kl for Fuel Oil A (down 3.7%) and 176,000 kl for Fuel Oil C (down 0.0%).

(Unit: 1,000 kl)

	This week (3/24 ~ 3/30)	Previous week (3/17 ~ 3/23)	From a week earlier
Gasoline	911	929	▼ -18 (-2%)
Jet fuel	131	153	▼ -22 (-14%)
Kerosene (heating Oil)	338	401	▼ -63 (-16%)
Diesel oil	666	529	▲ 137 (26%)
Fuel oil A	228	237	▼ -9 (-4%)
Fuel Oil C	176	176	➡ 0 (0%)
Total	2,450	2,425	▲ 25 (1%)

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 March 30 increased from a week earlier for gasoline and decreased for other petroleum products. From a year earlier, inventories increased for diesel oil and Fuel Oil A and C and decreased for others.

Gasoline inventories totaled 1,619,000 kl, up 10,000 kl from a week earlier and down 27,000 kl from a year earlier.

Kerosene inventories totaled 1,331,000 kl, down a little from a week earlier and down 171,000 kl from a year earlier.

Diesel oil inventories totaled 1,334,000 kl, down 254,000 kl from a week earlier and up 86,000 kl from a year earlier.

Fuel Oil A inventories totaled 756,000 kl, down 20,000 kl from a week earlier and up 50,000 kl from a year earlier.

Fuel Oil C inventories totaled 1,904,000 kl, down 13,000 kl from a week earlier and up 91,000 kl from a year earlier.

(Unit: 1,000 kl)

	This week (3/30)	Previous week (3/23)	From a week earlier
Gasoline	1,619	1,609	▲ 10 (1%)
Jet fuel	808	908	▼ -100 (-11%)
Kerosene (heating Oil)	1,331	1,331	➡ 0 (0%)
Diesel oil	1,334	1,588	▼ -254 (-16%)
Fuel oil A	756	776	▼ -20 (-3%)
Fuel Oil C	1,904	1,917	▼ -13 (-1%)
Total	7,752	8,129	▼ -377 (-4.6%)

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

In the March 26-April 1 week, crude oil cost might have fallen from the previous week, as crude oil prices fell slightly with the yen depreciating against the dollar a little.

Onshore cargo spot prices during the March 26-April 1 week rose sharply in a 114-117 yen/l range for gasoline, increased in a 64-66 yen/l range for diesel oil and went up in a 63-65 yen/l range for kerosene.

Offshore barge spot prices during the week rose in a 115-117 yen/l range for gasoline, increased in a 65-67 yen/l range for diesel oil and shot up in a 63-65 yen/l range for kerosene.

The key futures price during the week rose sharply in a 111-113 yen/l range for gasoline, rose in a 64-66 yen/l range for diesel oil and decreased slightly and rose in a 61-63 yen/l range for kerosene.

For the next week, major Motouri companies cut their wholesale prices by 0.5 yen/l for gasoline, kerosene and diesel oil.

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

Spot petroleum products prices this week increased from the previous week's averages, excluding futures prices for kerosene and offshore barge prices for diesel oil that decreased slightly.

The latest onshore cargo spot price (the average onshore rack price for four districts -- Chiba, Kawasaki, Chukyo and Hanshin -- for the March 26-April 1 week) that influences Motouri's wholesale prices applied to the second week of April (April 4-10) rose by 1.0 yen/l from the previous week for gasoline, by 0.7 yen/l for kerosene and by 0.6 yen/l for diesel oil.

The average offshore barge spot price in Tokyo Bay increased by 1.4 yen/l for gasoline and by 0.6 yen/l for kerosene and decreased by 0.3 yen/l for diesel oil.

The key futures price rose by 0.2 yen/l for gasoline, fell by 0.3 yen/l for kerosene and increased by 0.2 yen/l for diesel oil.

For the second week of April, major Motouri companies cut their wholesale prices by 0.5 yen/l from the previous week 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 (3/26 ~ 4/1)	Previous week (3/19 ~ 3/25)	From a week earlier
Spot Prices Regular	61.3	60.3	▲ 1.0
Kerosene	64.2	63.5	▲ 0.7
Diesel oil	64.9	64.3	▲ 0.6

(TOCOM) [Front-month contract/closing price]		(Unit: yen/l)	
	This week (3/26 ~ 4/1)	Previous week (3/19 ~ 3/25)	From a week earlier
Futures Price Regular	57.8	57.6	▲ 0.2
Kerosene	62.4	62.7	▼ -0.3
Diesel oil	64.9	64.7	▲ 0.2

Above prices are before tax.

Reference (March 26 - April 1 actual data)			
Products	Spot	Futures	Average
Gasoline	▲ 1.0	▲ 0.2	▲ 0.6
Kerosene	▲ 0.7	▼ -0.3	▲ 0.2
Diesel oil	▲ 0.6	▲ 0.2	▲ 0.4
Fuel Oil A	▲ 0.5		

(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 April 1 increased by 0.5 yen/l from a week earlier to 146.1 yen/l for gasoline, by 0.4 yen/l to 126.9 yen/l for diesel oil and by 2 yen to 1,620 yen for kerosene on an 18-liter tank basis (or by 0.1 yen/l to 90.0 yen/l). The gasoline, diesel and kerosene prices rose for the seventh straight week. Gasoline prices increased in 34 of Japan's 47 prefectures, remained unchanged in four and decreased in nine. The lowest gasoline price among the prefectures was 137.8 yen/l in Tokushima Prefecture (down 0.5 yen/l from a week earlier). The second lowest was 141.6 yen/l in Saitama (up 1.2 yen/l). The highest price was 157.3 yen/l in Nagasaki (down 0.5 yen/l). Logging the sharpest price rise of 3.1 yen/l was Kanagawa (143.8 yen/l). Gasoline prices leveled off in Kochi and three other prefectures. Posting the steepest decline of 1.1 yen/l was Fukuoka (145.9 yen/l).

While crude oil cost fell slightly last week, major Motouri companies kept their wholesale prices unchanged for gasoline, diesel oil and kerosene for this week.

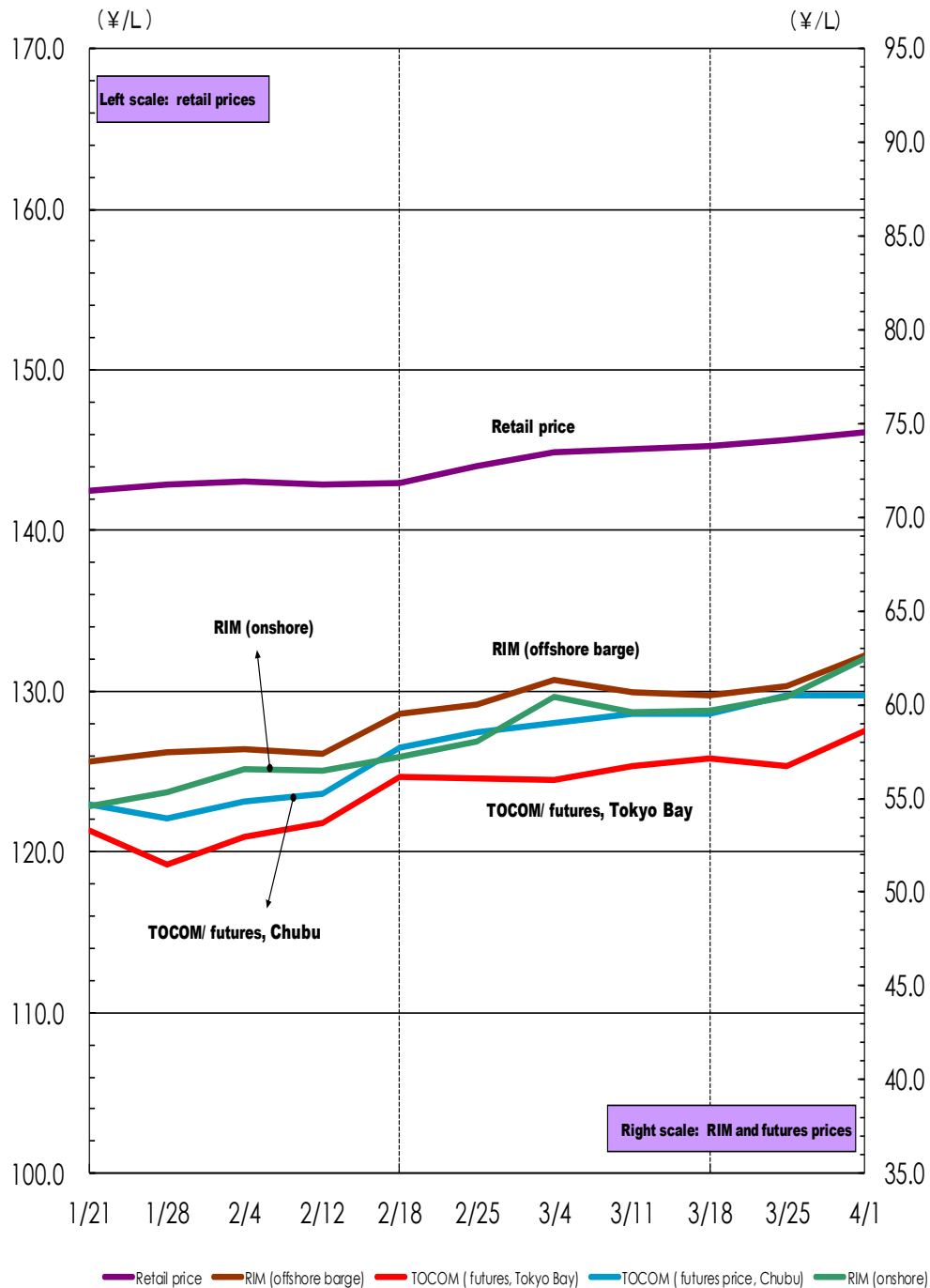
Crude oil cost decreased slightly this week as crude oil prices dropped slightly with the yen appreciating against the dollar a little. Motouri cut their wholesale prices by 0.5 yen/l for next week for gasoline, diesel oil and kerosene. Retail gasoline and kerosene prices are expected to slightly fall next week (as of April 8).

(Published by ANRE)[Weekly trend]		(Unit: yen/l)			
	This week (4/1)	Previous week (3/25)	From a week earlier	Latest high	
Retail Price Regular	146.1	145.6	▲ 0.5	08/8/4	185.1
Kerosene	90.0	89.9	▲ 0.1	08/8/11	132.1
Diesel oil	126.9	126.5	▲ 0.4	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

(2019/1/21 ~ 2019/4/1)



(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. 2 for 2019) will be announced at 14:00 on April 19.

On use of this report

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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).