

Oil Market Review in Japan No. 05/2019

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https://eneken.iej.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 April 18-24 week moved within a range between \$64.00 per barrel and \$66.30/bbl.

On April 25, the June contract fell further as market participants felt crude oil oversupply on the previous day's EIA report that U.S. crude oil inventories posted a far-faster-than-forecast weekly increase. The key contract closed at \$65.21/bbl, down \$0.68/bbl from the previous day. On April 26, the June contract posted a steep loss on a media report that U.S. President Donald Trump asked major OPEC (Organization of the Petroleum Exporting Countries) members by telephone to cut crude oil prices. A Baker Hughes report that the number of operating U.S. oil-drilling rigs decreased by 20 from a week earlier to 805 for the second straight weekly drop had little impact on the market. The key contract lost \$1.91/bbl to \$63.30/bbl. On April 29, the June contract rallied for the first time in four trading days in the absence of oil producing countries' response to the reported Trump request as the dollar's depreciation made crude oil futures prices relatively lower. The key contract gained \$0.20/bbl to \$63.50/bbl. On April 30, the key contract rose further, although buying and selling were mixed on deepening turmoil in Venezuela. Saudi Arabian Energy Minister Khalid Al-Falih reportedly said his country would respond to a decline in Iranian oil supply but would extend the current production cut depending on inventory levels. The June contract increased by \$0.41/bbl to \$63.91/bbl. On May 1, the key contract turned down as the EIA reported that U.S. crude oil inventories posted a faster-than-forecast weekly increase of 9.9 million barrels for the second straight weekly rise. The June contract lost \$0.31/bbl to \$63.60/bbl.

On May 2, the key contract dropped further despite U.S. Secretary of State Mike Pompeo's announcement to terminate waivers on Iran sanctions for eight economies as a stock market decline followed the previous day's weekly EIA report that U.S. crude oil production hit a record 12.3 million barrels per day while U.S. crude oil inventories rose to a 19-month high. The June contract lost \$1.79/bbl to \$61.81/bbl. On May 3, the key contract staged a small rally on robust U.S. jobs data. Baker Hughes reported that the number of operating U.S. oil-drilling rigs increased by two from a week earlier to 807 for the first rise in three weeks. The June contract gained \$0.13/bbl to \$61.94/bbl. On May 6, the key contract rose further on a U.S. announcement to send an aircraft carrier and strategic bombers to the Middle East, which came after President Trump's remark on the previous day indicated a plan to raise tariffs on imports from China. The June contract gained \$0.31/bbl to \$62.25/bbl. On May 7, the key contract turned down on concern that the global economy could be affected by the escalation of the U.S.-China trade dispute. The June contract lost \$0.85/bbl to \$61.40/bbl. On May 8, the key contract rebounded on a weekly EIA report that U.S. crude oil inventories posted a weekly decline of 4 million barrels against a market-forecast increase. The June contract gained \$0.72/bbl to \$62.12/bbl.

The Asian benchmark crude oil of Dubai for June delivery on the Tokyo market moved in a range between \$70.90/bbl and \$73.70/bbl in the April 18-24 week. It closed at \$74.30/bbl on April 25, at \$73.80/bbl on April 26, at \$70.60/bbl on May 7 and at \$69.40/bbl on May 8.

On the foreign exchange market in the April 18-24 week, the dollar moved within a range between 111.86 and 112.04 yen. It changed hands at 112.28 yen in late trading on April 25, at 111.85 yen on April 26, at 110.69 yen on May 7 and at 110.19 yen on May 8.

Japan's average retail price on May 7 increased by 1.8 yen/l from a week earlier for gasoline, by 1.7 yen/l for diesel oil and by 23 yen for kerosene on an 18-liter tank basis. The gasoline, diesel and kerosene prices rose for the 11th straight week. As crude oil cost fell in the first week of May, Motouri companies lowered their wholesale prices by 1.5 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)	4/28 ~ 5/4	3,463	▼ -38	▲ -
	Topper capacity utilization rate (%)	"	88.4	▼ -1.0	▲ -
	Crude oil inventories (1,000 kl)	5/4	12,692	▲ 60	▼ -
Prices	Middle Eastern crude oil (TOCOM) (\$/bbl)	5/7	68.95	▼ -2.33	▼ -3.2
	WTI crude oil (NYMEX) (\$/bbl)	5/6	62.25	▼ -1.25	▼ -8.5
	Crude oil import CIF price (\$/bbl)	Late Mar	66.83	▲ 1.04	▲ 0.04
	① Crude oil import CIF price (yen/kl)	"	46,869	▲ 824	▲ 2,105
	② Yen-dollar exchange rate (yen/dollar)	"	111.48	▼ -0.21	▼ -4.92
	TTS exchange rate (yen/dollar)	5/7	111.69	▲ 1.16	▼ -1.74

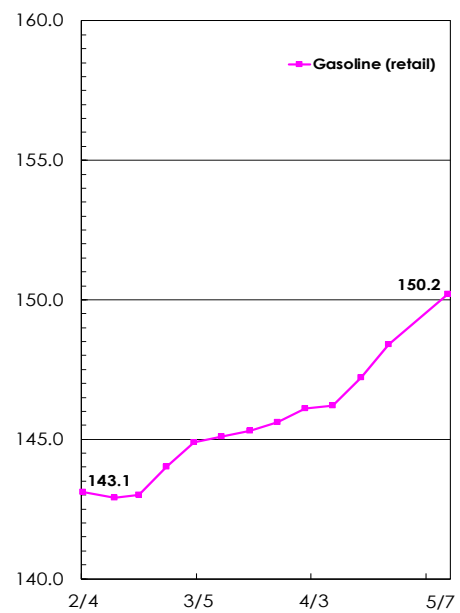


(Unit: 1,000 kl, yen/l)

Gasoline		This week		From a week earlier	From a year earlier	
Supply/ Demand	Production	4/28 ~ 5/4	1,014	▲ 30	▼ —	
	Imports	"	n.a.	n.a.	n.a.	
	Shipments	"	951	▲ 10	▼ —	
	Exports	"	45	▲ 39	▼ —	
	Inventories	5/4	1,604	▲ 18	▼ —	
Prices	Gyoten (spot) [4-district average lorry rack price] (RIM)	4/23 ~ 4/29	65.7	▲ 1.2	▲ 2.6	
	Futures [front-month contract/closing price]	(TOCOM/ Tokyo Bay)	4/23 ~ 4/29	64.1	▲ 1.2	▲ 1.4
		(TOCOM/ Chubu)	4/26	66.1	▲ 0.1	▲ 4.1
	Retail prices [weekly trend] (published by ANRE)	5/7	150.2	▲ 1.8	▲ 4.3	

*Gyoten and futures prices are before tax

(¥/L)

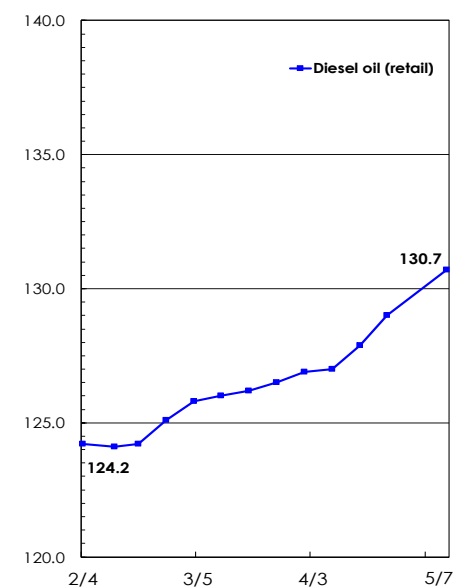


(Unit: 1,000 kl, yen/l)

Diesel oil		This week		From a week earlier	From a year earlier	
Supply/ Demand	Production	4/28 ~ 5/4	771	▼ -53	▲ —	
	Imports	"	n.a.	n.a.	n.a.	
	Shipments	"	302	▼ -393	▼ —	
	Exports	"	194	▼ -98	▼ —	
	Inventories	5/4	1,471	▲ 274	▼ —	
Prices	Gyoten (spot) [4-district average lorry rack price] (RIM)	4/23 ~ 4/29	69.2	▲ 2.2	▲ 4.8	
	Futures [front-month contract/closing price]	(TOCOM/ Tokyo Bay)	4/23 ~ 4/29	67.0	▼ -0.1	▲ 3.9
		(TOCOM/ Chubu)	4/26	—	—	—
	Retail prices [weekly trend] (published by ANRE)	5/7	130.7	▲ 1.7	▲ 6.2	

*Gyoten and futures prices are before tax

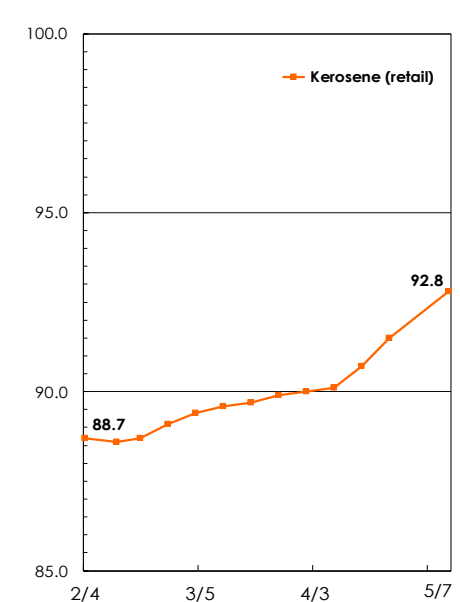
(¥/L)



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

Kerosene		This week		From a week earlier	From a year earlier	
Supply/ Demand	Production	4/28 ~ 5/4	207	▲ 49	▲ —	
	Imports	"	n.a.	n.a.	n.a.	
	Shipments	"	128	▼ -49	▲ —	
	Exports	"	0	➡ 0	➡ —	
	Inventories	5/4	1,166	▲ 79	▼ —	
Prices	Gyoten (spot) [4-district average lorry rack price] (RIM)	4/23 ~ 4/29	68.9	▲ 1.5	▲ 5.1	
	Futures [front-month contract/closing price]	(TOCOM/ Tokyo Bay)	4/23 ~ 4/29	66.5	▲ 0.6	▲ 3.1
		(TOCOM/ Chubu)	4/26	66.5	➡ 0.0	▲ 6.0
	Retail prices [weekly trend] (published by ANRE)	5/7	92.8	▲ 1.3	▲ 4.4	

(¥/L)



Relevant Information

1 Overseas crude oil prices

On May 8, the most frequently traded crude oil futures contract on NYMEX rallied as concern about U.S. oil oversupply receded on a weekly EIA report that U.S. crude oil inventories posted a decrease of 4 million barrels from a week earlier (an increase of 5 million barrels from two weeks earlier) against a market-forecast increase of 1.2 million barrels. However, the rise was restricted as the U.S. Trade Representative's Office notified that punitive tariffs on Chinese imports would be raised to 25%. The June contract closed at \$62.12/bbl, up \$0.72/bbl from the previous day. The July contract rose by \$0.71/bbl to \$62.22/bbl. In its weekly oil inventory report on May 1, the EIA stated that U.S. crude oil inventories at the end of the previous week increased by 9.9 million barrels from a week earlier to 470 million barrels, the highest since September 2017, while U.S. crude oil production in the previous week hit a record 12.39 million bpd.

According to the EIA, the average U.S. retail price of gasoline as of May 6 rose by 5.6 cents per gallon from two weeks earlier and 1.0 cents/gal from a week earlier to \$2.897/gal. (86.3 yen/l). The average diesel oil price increased by 2.4 cents/gal from two weeks earlier and 0.2 cents/gal from a week earlier to \$3.171/gal (94.4 yen/l). The gasoline price increased for the 13th straight week, while the diesel price rose for the fifth 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 April 28-May 4 week stood at 280,000 barrels per day, up 134,000 bpd from the previous week (total capacity remained at 3,519,000 bpd). Crude oil throughput in the week decreased by 38,000 kl from the previous week to 3,463,000 kl. From a year earlier, it increased by 48,000 kl. The topper capacity utilization rate stood at 88.4%, down 1.0 points from the previous week and up 1.2 points from a year earlier.

Production increased from the previous week for gasoline, jet fuel and kerosene and decreased for other petroleum products. Output was up 3.1% for gasoline, up 1.8% for jet fuel, up 31.2% for kerosene, down 6.4% for diesel oil, down 35.8% for Fuel Oil A and down 8.6% for Fuel Oil C. Fuel Oil C imports in the week totaled almost zero, down 51,000 kl from the previous week. Diesel oil exports aggregated 194,000 kl, down 98,000 kl.

Shipments (excluding imports) in the week increased from the previous week for gasoline and decreased for other petroleum products. From a year earlier, shipments expanded for jet fuel and kerosene and fell for others.

Gasoline shipments increased by 1.1% from the previous week to 951,000 kl for the second straight weekly rise, remaining below 1 million kl for 18 months on end. Shipments totaled 96,000 kl for jet fuel (down 18.0% from the previous

week), 128,000 kl for kerosene (down 27.7%), 302,000 kl for diesel oil (down 56.5%), 62,000 kl for Fuel Oil A (down 72.9%) and 65,000 kl for Fuel Oil C (down 49.9%).

(Unit: 1,000 kl)

	This week (4/28 ~ 5/4)	Previous week (4/21 ~ 4/27)	From a week earlier
Gasoline	951	941	▲ 10 (1%)
Jet fuel	96	117	▼ -21 (-18%)
Kerosene (heating Oil)	128	177	▼ -49 (-28%)
Diesel oil	302	695	▼ -393 (-57%)
Fuel oil A	62	228	▼ -166 (-73%)
Fuel Oil C	65	130	▼ -65 (-50%)
Total	1,604	2,288	▼ -684 (-30%)

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 May 4 decreased from a week earlier for jet fuel and Fuel Oil C and increased for other petroleum products. From a year earlier, inventories increased for Fuel Oil A and decreased for others.

Gasoline inventories totaled 1,604,000 kl, up 18,000 kl from a week earlier and down 58,000 kl from a year earlier.

Kerosene inventories totaled 1,166,000 kl, up 79,000 kl from a week earlier and down 295,000 kl from a year earlier.

Diesel oil inventories totaled 1,471,000 kl, up 274,000 kl from a week earlier and down 55,000 kl from a year earlier.

Fuel Oil A inventories totaled 804,000 kl, up 69,000 kl from a week earlier and up 15,000 kl from a year earlier.

Fuel Oil C inventories totaled 1,928,000 kl, down 9,000 kl from a week earlier and down 84,000 kl from a year earlier.

(Unit: 1,000 kl)

	This week (5/4)	Previous week (4/27)	From a week earlier
Gasoline	1,604	1,586	▲ 18 (1%)
Jet fuel	809	949	▼ -140 (-15%)
Kerosene (heating Oil)	1,166	1,087	▲ 79 (7%)
Diesel oil	1,471	1,197	▲ 274 (23%)
Fuel oil A	804	735	▲ 69 (9%)
Fuel Oil C	1,928	1,937	▼ -9 (-0%)
Total	7,782	7,491	▲ 291 (3.9%)

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

On May 7, crude oil cost might have declined from the April 16-29 week as crude oil price drops coincided with the yen's appreciation against the dollar (Japan's markets were closed for 10 days to May 6).

Onshore cargo spot prices during the April 23-May 7 period rose sharply and fell back slightly in a 118-122 yen/l range for gasoline, increased steeply in a 67-71 yen/l range for diesel oil and shot up and fell back slightly in a 67-71 yen/l range for kerosene.

Offshore barge spot prices during the period rose and plunged in a 121-123 yen/l range for gasoline, rose sharply in a 67-72 yen/l range for diesel oil, and increased slightly and fell back substantially in a 63-66 yen/l range for kerosene.

The key futures price during the week rose and fell back sharply in a 116-119 yen/l range for gasoline, leveled off and shot up in a 67-71 yen/l range for diesel oil and increased slightly and plunged in a 65-67 yen/l range for kerosene.

For the next week, Motouri companies lowered their wholesale prices by 1.5 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 in the April 23-29 week increased from the previous week's averages, excluding diesel oil futures prices.

The latest onshore cargo spot price (the average onshore rack price for four districts -- Chiba, Kawasaki, Chukyo and Hanshin -- for the April 23-29 week) that influences Motouri's wholesale prices applied to the second week of May (May 9-15) rose by 1.2 yen/l from the previous week for gasoline, by 1.5 yen/l for kerosene and by 2.2 yen/l for diesel oil.

The average offshore barge spot price in Tokyo Bay increased by 1.7 yen/l for gasoline, by 1.0 yen/l for kerosene and by 0.9 yen/l for diesel oil.

The key futures price rose by 1.2 yen/l for gasoline, by 0.6 yen/l for kerosene and by 0.1 yen/l for diesel oil.

For the second week of May, major Motouri companies cut 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 (4/23 ~ 4/29)	Previous week (4/16 ~ 4/22)	From a week earlier	
Spot Prices Regular	65.7	64.5	▲ 1.2	
Kerosene	68.9	67.4	▲ 1.5	
Diesel oil	69.2	67.0	▲ 2.2	

	(TOCOM) [Front-month contract/closing price]		(Unit: yen/l)	
	This week (4/23 ~ 4/29)	Previous week (4/16 ~ 4/22)	From a week earlier	
Futures Price Regular	64.1	62.9	▲ 1.2	
Kerosene	66.5	65.9	▲ 0.6	
Diesel oil	67.0	67.1	▼ -0.1	

Above prices are before tax.

Reference (April 23 - April 29 actual data)				(Unit: yen/l)
Products	Spot	Futures	Average	
Gasoline	▲ 1.2	▲ 1.2	▲ 1.2	
Kerosene	▲ 1.5	▲ 0.6	▲ 1.0	
Diesel oil	▲ 2.2	▼ -0.1	▲ 1.0	
Fuel Oil A	▲ 1.9			

(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 May 7 increased by 1.8 yen/l from a week earlier to 150.2 yen/l for gasoline, by 1.7 yen/l to 130.7 yen/l for diesel oil and by 23 yen to 1,670 yen for kerosene on an 18-liter tank basis (or by 1.3 yen/l to 92.8 yen/l). The gasoline, diesel and kerosene prices rose for the 11th straight week. Gasoline prices increased in all of Japan's 47 prefectures. The lowest gasoline price among the prefectures was 145.6 yen/l in Tokushima Prefecture (up 3.0 yen/l from a week earlier). The second lowest was 145.9 yen/l in Saitama (up 1.9 yen/l). The highest price was 158.6 yen/l in Okinawa (up 2.2 yen/l) and Kagoshima (up 1.4 yen/l). Logging the sharpest price rise of 3.3 yen/l was Aichi (148.8 yen/l).

As crude oil cost fell last week, major Motouri companies cut their wholesale prices by 1.5 yen/l for gasoline, diesel oil and kerosene for this week.

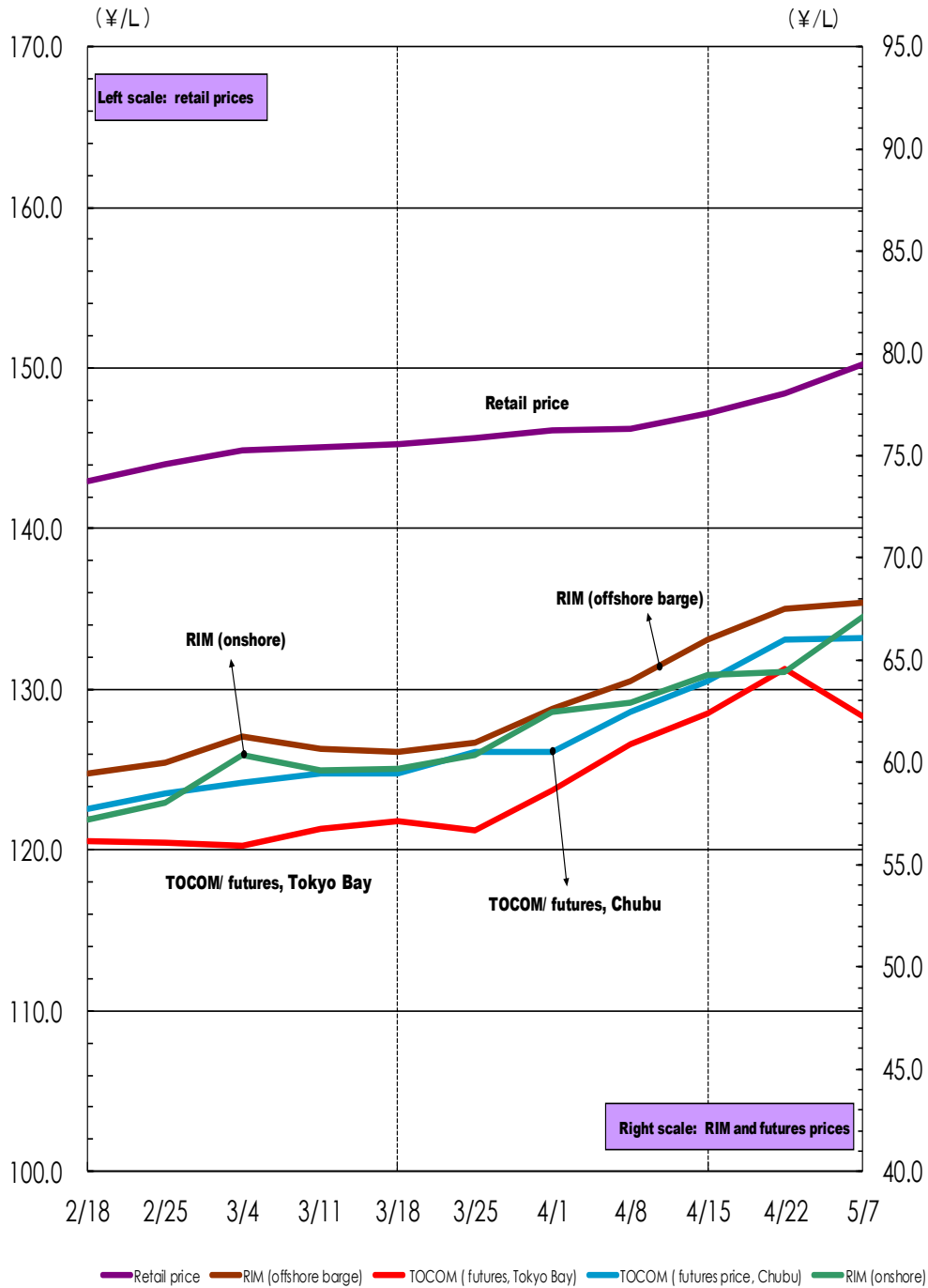
Crude oil cost decreased this week as crude oil price drops coincided with the yen's appreciation against the dollar. Motouri lowered their wholesale prices by 1.5 yen/l for next week for gasoline, diesel oil and kerosene. Retail gasoline and kerosene prices are expected to fall slightly (as of May 13).

(Published by ANRE)[Weekly trend]		(Unit: yen/l)			
		This week (5/7)	Previous week (4/22)	From a week earlier	Latest high
Retail Price	Regular	150.2	148.4	▲ 1.8	08/8/4 185.1
	Kerosene	92.8	91.5	▲ 1.3	08/8/11 132.1
	Diesel oil	130.7	129.0	▲ 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

(2019/2/18 ~ 2019/5/7)



(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. 6 for 2019) will be announced at 14:00 on May 24.

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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).