

Oil Market Review in Japan No. 06/2019

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https://enen.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 April 25-May 8 period moved within a range between \$61.40 per barrel and \$65.21/bbl.

On May 9, the June contract turned down as market participants grew concerned about global economic deceleration amid the escalation of the U.S.-China trade war. However, the fall was limited by a weekly decline in U.S. crude oil inventories in the previous day's weekly EIA (Energy Information Administration) report. The key contract closed at \$61.70/bbl, down \$0.42/bbl from the previous day.

On May 10, the June contract fell further with a small drop on concern about the future course of U.S.-China trade negotiations. A Baker Hughes report that the number of operating U.S. oil-drilling rigs decreased by two from a week earlier to 805 for the first fall in two weeks had little impact on the market. The key contract lost \$0.04/bbl to \$61.66/bbl.

On May 13, buying outpaced selling in the morning as geopolitical risks grew on a report by the state-run Saudi Press Agency that two Saudi tankers sustained damage due to a "sabotage attack" off Fujairah in the eastern part of the United Arab Emirates. Later, however, selling grew dominant as seen on the U.S. stock market as investors took a risk-off attitude in response to unsuccessful U.S.-China trade talks. The June contract dropped for the third straight trading day, ending at \$61.04/bbl, down \$0.62/bbl from the previous trading day.

On May 14, the key contract rallied as Yemen's Houthis rebel group supported by Iran claimed responsibility for a drone attack on Saudi Arabia's east-west pipeline that damaged a pumping facility as reported by the Saudi Press Agency in the wake of the previous day's attack on Saudi tankers. The June contract gained \$0.74/bbl to \$61.78/bbl.

On May 15, the key contract rose further as the EIA released a weekly U.S. crude oil inventory increase of 5.4 million barrels, a slower rise than reported by the API (American Petroleum Institute) on the previous day, with geopolitical risks in the Middle East growing in the wake of reported attacks on Saudi Arabia. The June contract gained \$0.24/bbl to \$62.02/bbl.

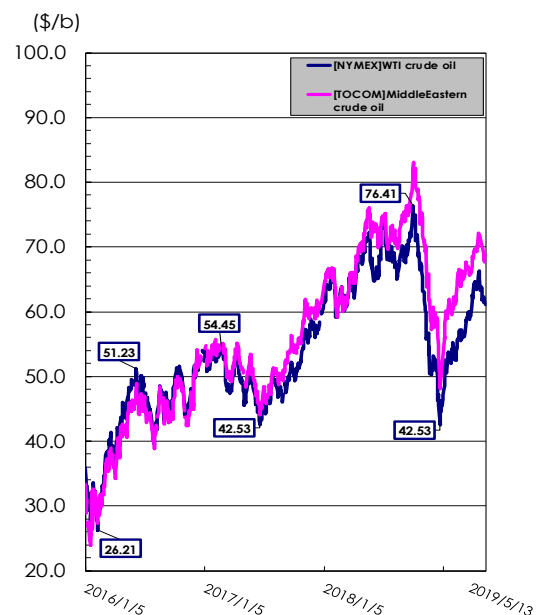
The Asian benchmark crude oil of Dubai for June delivery on the Tokyo market moved in a range between \$69.40/bbl and \$74.30/bbl in the April 25-May 8 period. It closed at \$69.10/bbl on May 9, at \$70.10/bbl on May 10, at \$70.20/bbl on May 13, at \$70.10/bbl on May 14 and at \$70.60/bbl on May 15.

On the foreign exchange market in the April 25-May 8 period, the dollar moved within a range between 110.19 and 112.28 yen. It changed hands at 110.01 yen in late trading on May 9, at 109.86 yen on May 10, at 109.74 yen on May 13, at 109.43 yen on May 14 and at 109.62 yen on May 15.

According to preliminary 10-day trade statistics released by the Ministry of Finance on April 26, the average crude oil import CIF price in the April 1-10 period stood at 47,498 yen/kl (kiloliter), up 629 yen/kl from the previous 10-day period. In dollars, the price was \$68.09/bbl, up \$1.26/bbl. The average exchange rate was 110.90 yen to the dollar. According to preliminary 10-day trade statistics released by the ministry on May 13, the average crude oil import CIF price in the April 11-20 period stood at 48,120 yen/kl, up 622 yen/kl from the previous 10-day period. In dollars, the price was \$68.86/bbl, up \$0.77/bbl. The average exchange rate was 111.09 yen to the dollar.

Japan's average retail price on May 13 increased by 0.2 yen/l from a week earlier for gasoline, by 0.2 yen/l for diesel oil and by 4 yen for kerosene on an 18-liter tank basis. The gasoline, diesel and kerosene prices rose for the 12th straight week. As crude oil cost fell in the second week of May, Motouri companies cut 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) | 5/5 ~ 5/11 | 3,392 | ▼ -71 | ▲ - |
| | Topper capacity utilization rate (%) | " | 86.6 | ▼ -1.8 | ▲ - |
| | Crude oil inventories (1,000 kl) | 5/11 | 14,111 | ▲ 1,419 | ▲ - |
| Prices | Middle Eastern crude oil (TOCOM) (\$/bbl) | 5/13 | 68.71 | ▼ -0.24 | ▼ -4.2 |
| | WTI crude oil (NYMEX) (\$/bbl) | 5/13 | 61.04 | ▼ -1.21 | ▼ -9.9 |
| | Crude oil import CIF price (\$/bbl) | Mid Apr | 68.86 | ▲ 0.77 | ▲ 2.62 |
| | ① Crude oil import CIF price (yen/kl) | " | 48,120 | ▲ 622 | ▲ 3,853 |
| | ② Yen-dollar exchange rate (yen/dollar) | " | 111.09 | ▼ -0.19 | ▼ -4.85 |
| | TTS exchange rate (yen/dollar) | 5/13 | 110.74 | ▲ 0.95 | ▼ -0.43 |

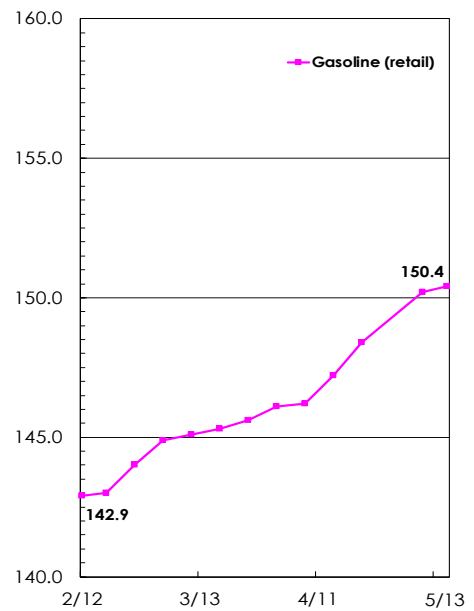


(Unit: 1,000 kl, yen/l)

| Gasoline | | This week | | From a week earlier | From a year earlier | |
|--|---|--------------------|------------|---------------------|---------------------|--------|
| Supply/ Demand | Production | 5/5 ~ 5/11 | 874 | ▼ -140 | ▼ - | |
| | Imports | " | n.d. | n.d. | n.d. | |
| | Shipments | " | 883 | ▼ -68 | ▼ - | |
| | Exports | " | 19 | ▼ -25 | ▼ - | |
| | Inventories | 5/11 | 1,575 | ▼ -29 | ▼ - | |
| Prices | Gyoten (spot) [4-district average lorry rack price] (RIM) | 5/7 ~ 5/13 | 65.1 | ▼ -0.6 | ▼ -0.8 | |
| | Futures [front-month contract/closing price] | (TOCOM/ Tokyo Bay) | 5/7 ~ 5/13 | 61.2 | ▼ -2.9 | ▼ -4.0 |
| | | (TOCOM/ Chubu) | 5/13 | 62.5 | ▼ -3.6 | ▼ -3.2 |
| Retail prices [weekly trend] (published by ANRE) | 5/13 | 150.4 | ▲ 0.2 | ▲ 3.3 | | |

*Gyoten and futures prices are before tax

(¥/L)

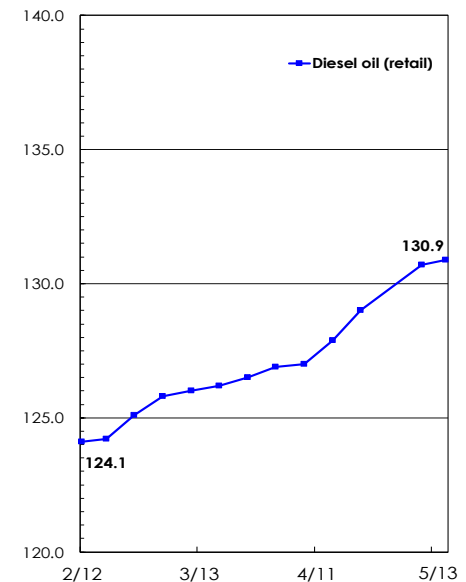


(Unit: 1,000 kl, yen/l)

| Diesel oil | | This week | | From a week earlier | From a year earlier | |
|--|---|--------------------|------------|---------------------|---------------------|-------|
| Supply/ Demand | Production | 5/5 ~ 5/11 | 735 | ▼ -36 | ▲ - | |
| | Imports | " | n.d. | n.d. | n.d. | |
| | Shipments | " | 522 | ▲ 220 | ▼ - | |
| | Exports | " | 163 | ▼ -30 | ▲ - | |
| | Inventories | 5/11 | 1,521 | ▲ 50 | ▼ - | |
| Prices | Gyoten (spot) [4-district average lorry rack price] (RIM) | 5/7 ~ 5/13 | 68.3 | ▼ -0.9 | ▲ 1.9 | |
| | Futures [front-month contract/closing price] | (TOCOM/ Tokyo Bay) | 5/7 ~ 5/13 | 69.8 | ▲ 2.8 | ▲ 4.0 |
| | | (TOCOM/ Chubu) | 5/13 | - | - | - |
| Retail prices [weekly trend] (published by ANRE) | 5/13 | 130.9 | ▲ 0.2 | ▲ 5.2 | | |

*Gyoten and futures prices are before tax

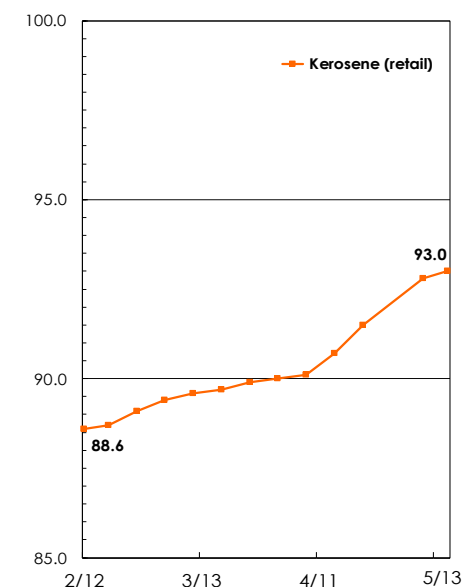
(¥/L)



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

| Kerosene | | This week | | From a week earlier | From a year earlier | |
|--|---|--------------------|------------|---------------------|---------------------|--------|
| Supply/ Demand | Production | 5/5 ~ 5/11 | 193 | ▼ -14 | ▲ - | |
| | Imports | " | n.d. | n.d. | n.d. | |
| | Shipments | " | 125 | ▼ -3 | ▼ - | |
| | Exports | " | 0 | ➡ 0 | ➡ - | |
| | Inventories | 5/11 | 1,235 | ▲ 69 | ▼ - | |
| Prices | Gyoten (spot) [4-district average lorry rack price] (RIM) | 5/7 ~ 5/13 | 68.0 | ▼ -0.9 | ▲ 2.2 | |
| | Futures [front-month contract/closing price] | (TOCOM/ Tokyo Bay) | 5/7 ~ 5/13 | 63.9 | ▼ -2.6 | ▼ -2.0 |
| | | (TOCOM/ Chubu) | 5/13 | 65.4 | ▼ -1.1 | ▼ -0.7 |
| Retail prices [weekly trend] (published by ANRE) | 5/13 | 93.0 | ▲ 0.2 | ▲ 3.8 | | |

(¥/L)



Relevant Information

1 Overseas crude oil prices

On May 15, selling outpaced buying in NYMEX crude oil futures trading after the API on the previous day reported that U.S. crude oil inventories at the end of the previous week posted a weekly increase of 8.6 million barrels against a market-forecast decrease of 0.8 million barrels. As the EIA reported a slower weekly U.S. crude oil inventory rise of 5.4 million barrels and a gasoline inventory decline of 1.1 million barrels, with geopolitical risks in the Middle East growing, however, buybacks came in, allowing the most frequently traded crude oil futures contract on NYMEX to close higher. Regarding growing geopolitical risks, the Saudi cabinet announced a statement criticizing an earlier attack on an oil pipeline. The June contract finished at \$62.02/bbl, up \$0.24/bbl from the previous day. The July contract rose by \$0.28/bbl to \$62.24/bbl.

According to the EIA, the average U.S. retail price of gasoline as of May 13 fell by 3.1 cents per gallon from a week earlier to \$2.866/gal (83.7 yen/l). The average diesel oil price decreased by 1.1 cents/gal from a week earlier to \$3.160/gal (92.3 yen/l). The gasoline price decreased for the first time in 14 weeks, while the diesel price dropped for the first time in six 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 May 5-11 week stood at 280,000 barrels per day, unchanged from the previous week (total capacity remained at 3,519,000 bpd). Crude oil throughput in the week decreased by 71,000 kl from the previous week to 3,392,000 kl. From a year earlier, it increased by 107,000 kl. The topper capacity utilization rate stood at 86.6%, down 1.8 points from the previous week and up 2.7 points from a year earlier.

Production increased from the previous week for Fuel Oil A and C and decreased for other petroleum products. Output was down 13.8% for gasoline, down 3.5% for jet fuel, down 6.6% for kerosene, down 4.7% for diesel oil, up 12.7% for Fuel Oil A and up 48.1% for Fuel Oil C. Fuel Oil C imports in the week totaled almost zero, almost unchanged from the previous week. Diesel oil exports aggregated 163,000 kl, down 30,000 kl.

Shipments (excluding imports) in the week increased from the previous week for diesel oil and Fuel Oil A and C and decreased for other petroleum products. From a year earlier, shipments expanded for jet fuel and Fuel Oil C and fell for others.

Gasoline shipments decreased by 7.2% from the previous week to 883,000 kl for the first decline in three weeks, remaining below 1 million kl for 19 months on end. Shipments totaled 91,000 kl for jet fuel (down 4.9% from the previous week),

125,000 kl for kerosene (down 2.7%), 522,000 kl for diesel oil (up 72.6%), 173,000 kl for Fuel Oil A (up 179.1%) and 167,000 kl for Fuel Oil C (up 157.3%).

| | (Unit: 1,000 kl) | | |
|------------------------|---------------------------|-------------------------------|------------------------|
| | This week (5/5 ~ 5/11) | Previous week (4/28 ~ 5/4) | From a week earlier |
| Gasoline | 883 | 951 | ▼ -68 (-7%) |
| Jet fuel | 91 | 96 | ▼ -5 (-5%) |
| Kerosene (heating Oil) | 125 | 128 | ▼ -3 (-2%) |
| Diesel oil | 522 | 302 | ▲ 220 (73%) |
| Fuel oil A | 173 | 62 | ▲ 111 (179%) |
| Fuel Oil C | 167 | 65 | ▲ 102 (157%) |
| Total | 1,961 | 1,604 | ▲ 357 (22%) |

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

Gasoline inventories totaled 1,575,000 kl, up 29,000 kl from a week earlier and down 144,000 kl from a year earlier.

Kerosene inventories totaled 1,235,000 kl, up 69,000 kl from a week earlier and down 248,000 kl from a year earlier.

Diesel oil inventories totaled 1,521,000 kl, up 50,000 kl from a week earlier and down 34,000 kl from a year earlier.

Fuel Oil A inventories totaled 799,000 kl, down 5,000 kl from a week earlier and up 19,000 kl from a year earlier.

Fuel Oil C inventories totaled 1,961,000 kl, up 33,000 kl from a week earlier and down 74,000 kl from a year earlier.

| | (Unit: 1,000 kl) | | |
|------------------------|---------------------|------------------------|------------------------|
| | This week (5/11) | Previous week (5/4) | From a week earlier |
| Gasoline | 1,575 | 1,604 | ▼ -29 (-2%) |
| Jet fuel | 922 | 809 | ▲ 113 (14%) |
| Kerosene (heating Oil) | 1,235 | 1,166 | ▲ 69 (6%) |
| Diesel oil | 1,521 | 1,471 | ▲ 50 (3%) |
| Fuel oil A | 799 | 804 | ▼ -5 (-1%) |
| Fuel Oil C | 1,961 | 1,928 | ▲ 33 (2%) |
| Total | 8,013 | 7,782 | ▲ 231 (3.0%) |

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

During the May 7-13 week, crude oil cost might have declined as crude oil price drops coincided with the yen's appreciation against the dollar.

Onshore cargo spot prices during the May 7-13 week fell sharply in a 117-121 yen/l range for gasoline, in a 67-71 yen/l range for diesel oil and in a 67-70 yen/l range for kerosene.

Offshore barge spot prices during the week plunged in a 119-122 yen/l range for gasoline and in a 69-72 yen/l range for diesel oil and decreased sharply and leveled off in a 64-68 yen/l range for kerosene.

The key futures price during the week dropped sharply in a 114-117 yen/l range for gasoline, leveled off and shot up in a 69-71 yen/l range for diesel oil and decreased in a 63-65 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 May 7-13 week decreased from the April 23-29 week's averages, excluding diesel oil offshore barge and futures prices.

The latest onshore cargo spot price (the average onshore rack price for four districts -- Chiba, Kawasaki, Chukyo and Hanshin -- for the May 7-13 week) that influences Motouri's wholesale prices applied to the third week of May (May 16-22) fell by 0.6 yen/l from the previous week for gasoline, by 0.9 yen/l for kerosene and by 0.9 yen/l for diesel oil.

The average offshore barge spot price in Tokyo Bay decreased by 1.8 yen/l for gasoline and by 2.2 yen/l for kerosene and increased by 1.4 yen/l for diesel oil.

The key futures price fell by 2.9 yen/l for gasoline and by 2.6 yen/l for kerosene and rose by 2.8 yen/l for diesel oil.

For the third 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 (5/7 ~ 5/13) | Previous week (4/23 ~ 4/29) | From a week earlier |
| Spot Prices | Regular | 65.1 | 65.7 | ▼ -0.6 |
| | Kerosene | 68.0 | 68.9 | ▼ -0.9 |
| | Diesel oil | 68.3 | 69.2 | ▼ -0.9 |

| (TOCOM) [Front-month contract/closing price] | | (Unit: yen/l) | | |
|---|------------|---------------------------|--------------------------------|------------------------|
| [Average] | | This week (5/7 ~ 5/13) | Previous week (4/23 ~ 4/29) | From a week earlier |
| Futures Price | Regular | 61.2 | 64.1 | ▼ -2.9 |
| | Kerosene | 63.9 | 66.5 | ▼ -2.6 |
| | Diesel oil | 69.8 | 67.0 | ▲ 2.8 |

Above prices are before tax.

Reference (May 7 - May 13 actual data)

| | | (Unit: yen/l) | | |
|------------|--------|---------------|---------|--|
| Products | Spot | Futures | Average | |
| Gasoline | ▼ -0.6 | ▼ -2.9 | ▼ -1.7 | |
| Kerosene | ▼ -0.9 | ▼ -2.6 | ▼ -1.7 | |
| Diesel oil | ▼ -0.9 | ▲ 2.8 | ▲ 1.0 | |
| Fuel Oil A | ▼ -0.8 | | | |

(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 13 increased by 0.2 yen/l from a week earlier to 150.4 yen/l for gasoline, by 0.2 yen/l to 130.9 yen/l for diesel oil and by 4 yen to 1,674 yen for kerosene on an 18-liter tank basis (or by 0.2 yen/l to 93.0 yen/l). The gasoline, diesel and kerosene prices rose for the 12th straight week. Gasoline prices increased in 32 of Japan's 47 prefectures, leveled off in seven and decreased in eight. The lowest gasoline price among the prefectures was 145.8 yen/l in Tokushima Prefecture (up 0.2 yen/l from a week earlier). The second lowest was 146.5 yen/l in Saitama (up 0.6 yen/l). The highest price was 159.2 yen/l in Nagasaki (up 0.7 yen/l). Logging the sharpest price rise of 1.1 yen/l was Miyazaki (152.7 yen/l). Gasoline prices leveled off in Okinawa and six other prefectures. Posting the largest decline of 0.5 yen/l was Miyagi (148.4 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.

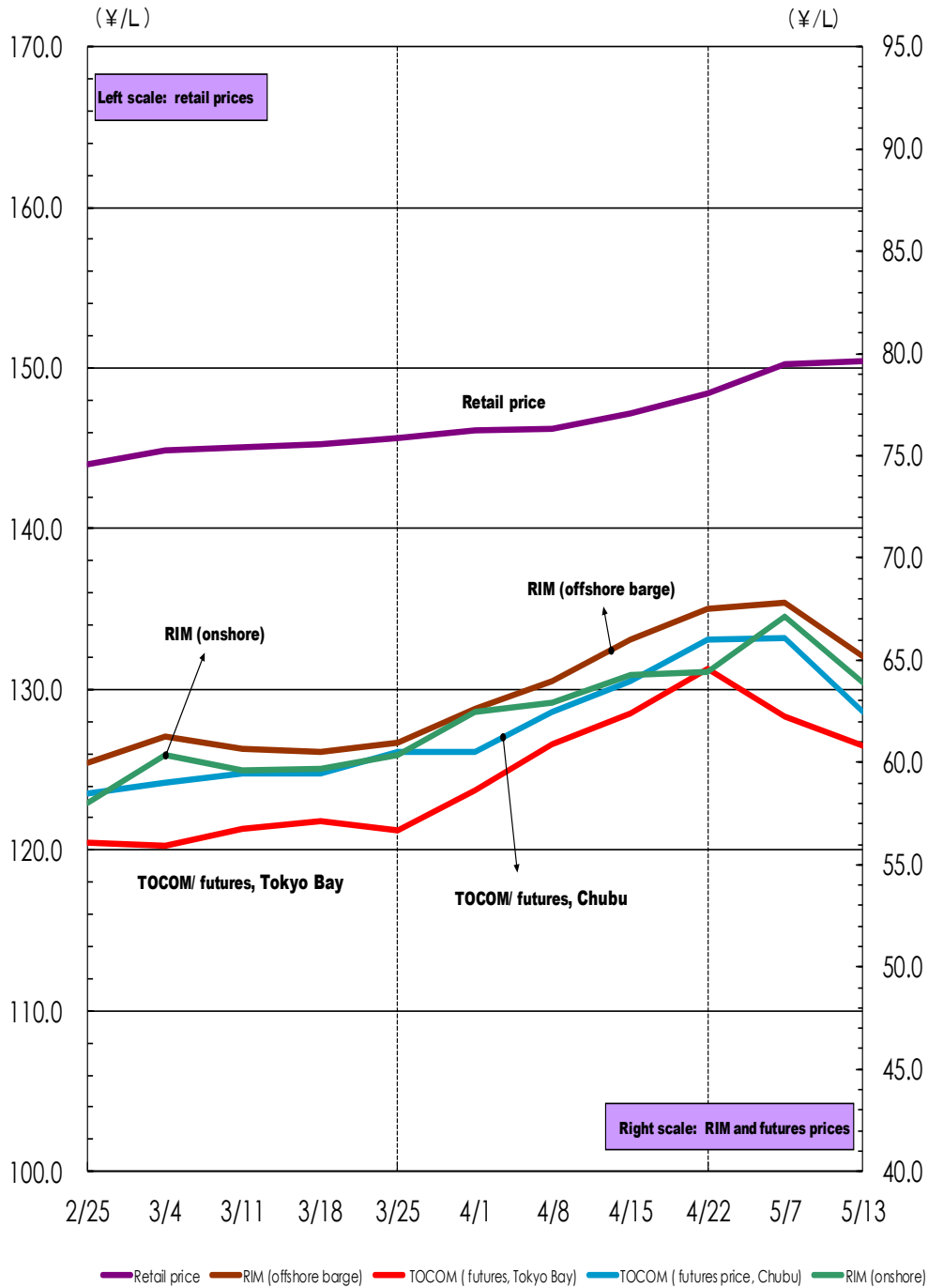
Crude oil cost decreased this week as crude oil price drops coincided with the yen's appreciation against the dollar. Motouri lowered their wholesale prices by 1.5 yen/l for next week for gasoline, diesel oil and kerosene. Retail gasoline and kerosene prices are expected to fall next week (as of May 20).

| (Published by ANRE)[Weekly trend] | | (Unit: yen/l) | | | |
|---|------------|---------------------|------------------------|------------------------|---------------|
| | | This week (5/13) | Previous week (5/7) | From a week earlier | Latest high |
| Retail Price | Regular | 150.4 | 150.2 | ▲ 0.2 | 08/8/4 185.1 |
| | Kerosene | 93.0 | 92.8 | ▲ 0.2 | 08/8/11 132.1 |
| | Diesel oil | 130.9 | 130.7 | ▲ 0.2 | 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

(2019/2/25 ~ 2019/5/13)



(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. 7 for 2019) will be announced at 14:00 on May 31.

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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).