

Oil Market Review in Japan No. 18/2019

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https://enen.iecej.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 July 25-31 week moved within a range between \$56.02 per barrel and \$58.58/bbl.

On August 1, the September contract fell for the first time in six trading days as selling outpaced buying on an increase in U.S. crude oil production shown in the previous day's EIA (Energy Information Administration) weekly report and the dollar's appreciation against the euro that made oil futures prices relatively higher. Another factor for selling was U.S. President Donald Trump's announcement on the fourth round of tariff hikes on China. The key contract fell by a steep \$4.63/bbl from the previous day to \$53.95/bbl.

On August 2, the September contract staged a substantial rally as buybacks came after the previous day's plunge. The key contract gained 1.71/bbl to \$55.66/bbl. Baker Hughes reported that the number of operating U.S. oil-drilling rigs decreased by five from a week earlier to 770 for the fifth straight week of decline.

On August 5, the key contract turned down on growing concerns about the escalation of the U.S.-China trade war as U.S. President Trump criticized China for manipulating currency exchange rates in response to China's tolerance of its yuan's depreciation following Trump's announcement on additional tariffs on Chinese imports. The September contract lost \$0.97/bbl to \$54.69/bbl.

On August 6, buying came on a market forecast that U.S. crude oil inventories would post the eighth straight weekly fall in imminent weekly inventory reports. Later, however, selling grew on concerns about the escalation of the U.S.-China trade war, leading the September contract to finish \$1.06/bbl lower at \$53.63/bbl.

On August 7, the key contract fell for the third straight day as concerns about oversupply grew on the EIA weekly report showing that U.S. crude oil inventories increased by 2.4 million barrels from a week earlier for the first rise in eight weeks despite a market-forecast decrease and that gasoline and middle distillates inventories increased faster than forecast in the market. The September contract lost \$2.54/bbl to \$51.09/bbl.

The Asian benchmark crude oil of Dubai for September delivery on the Tokyo market moved in a range between \$62.40/bbl and \$64.50/bbl in the July 25-31 week. It closed at \$63.00/bbl on August 1, at \$60.60/bbl on August 2, at \$59.80/bbl on August 5, at \$59.20/bbl on August 6 and at \$57.70/bbl on August 7.

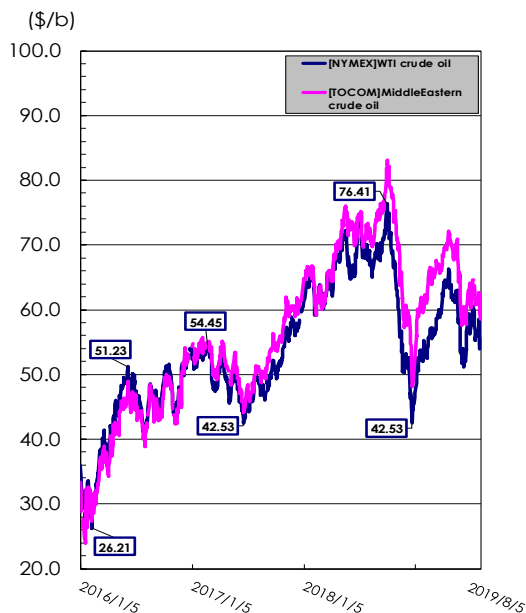
On the foreign exchange market in the July 25-31 week, the dollar moved within a range between 108.22 and 108.89 yen. It changed hands at 109.27 yen in late trading on August 1, at 107.17 yen on August 2, at 106.35 yen on August 5, at 105.86 yen on August 6 and at 106.17 yen on August 7.

According to preliminary 10-day trade statistics released by the Ministry of Finance on August 7, the average crude oil import CIF price in the July 11-20 period stood at 45,246 yen/kl (kiloliter), down 2,027 yen/kl from the previous 10-day period. In dollars, the price was \$66.70/bbl, down \$3.00/bbl. The average exchange rate was 107.84 yen to the dollar.

Japan's average retail price on August 5 fell by 0.2 yen/l from a week earlier for gasoline and diesel oil and remained unchanged for kerosene on an 18-liter tank basis. The gasoline price fell for the second straight week. The diesel price decreased for the first time in three weeks, while the kerosene price stopped falling for the first time in two weeks.

As crude oil cost dropped in the first week of August, Motouri companies cut their wholesale prices by 0.5-1.0 yen/l for gasoline, diesel oil and kerosene for the next week.

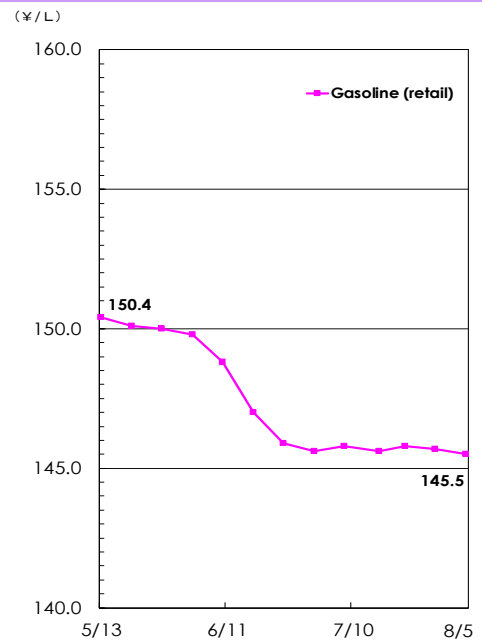
Crude oil			This week	From a week earlier	From a year earlier
Supply/ Demand	Crude oil runs (1,000 kl)	7/28 ~ 8/3	3,429	▲ 9	▼ —
	Topper capacity utilization rate (%)	"	87.6	▲ 0.3	▼ —
	Crude oil inventories (1,000 kl)	8/3	13,262	▼ -530	▲ —
Prices	Middle Eastern crude oil (TOCOM) (\$/bbl)	8/5	58.53	▼ -2.32	▼ -13.2
	WTI crude oil (NYMEX) (\$/bbl)	8/5	54.69	▼ -2.18	▼ -14.3
	Crude oil import CIF price (\$/bbl)	Mid Jul	66.70	▼ -3.00	▼ -9.98
	① Crude oil import CIF price (yen/kl)	"	45,246	▼ -2,027	▼ -8,172
	② Yen-dollar exchange rate (yen/dollar)	"	107.84	▼ -0.01	▲ 2.91
	TTS exchange rate (yen/dollar)	8/5	107.35	▲ 2.10	▲ 4.89



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

Gasoline			This week		From a week earlier	From a year earlier
Supply/ Demand	Production	7/28 ~ 8/3	1,005	▲ 69	▼ -	
	Imports	"	n.a.	n.a.	n.a.	
	Shipments	"	943	▲ 77	▼ -	
	Exports	"	56	▲ 46	▲ -	
	Inventories	8/3	1,567	▲ 6	▲ -	
Prices	Gyoten (spot) [4-district average lorry rack price]	(RIM) 7/30 ~ 8/5	58.8	▲ 0.1	▼ -9.0	
	Futures [front-month contract/closing price]	(TOCOM/ Tokyo Bay) 7/30 ~ 8/5	55.4	▼ -0.2	▼ -9.2	
		(TOCOM/ Chubu) 8/5	54.5	▼ -2.0	▼ -10.0	
	Retail prices [weekly trend]	(published by ANRE) 8/5	145.5	▼ -0.2	▼ -6.6	

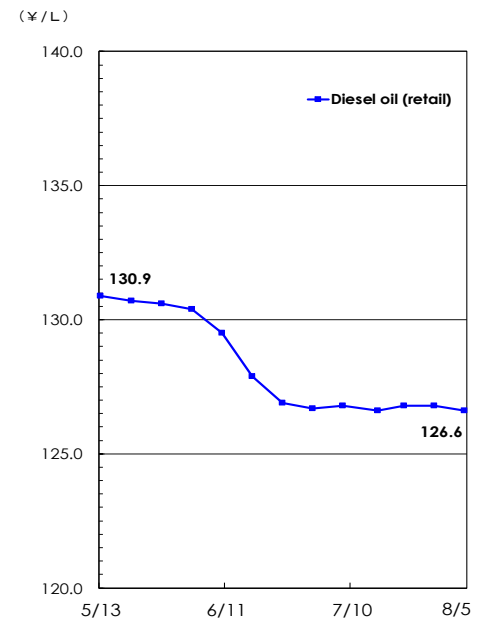
*Gyoten and futures prices are before tax



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

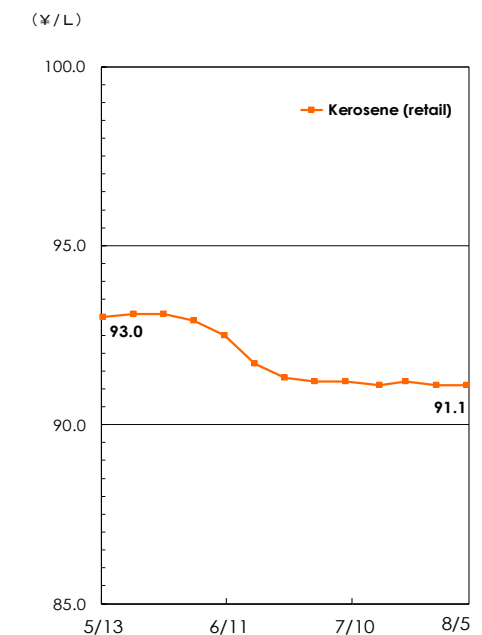
Diesel oil			This week		From a week earlier	From a year earlier
Supply/ Demand	Production	7/28 ~ 8/3	863	▼ -36	▲ -	
	Imports	"	n.a.	n.a.	n.a.	
	Shipments	"	701	▲ 53	▲ -	
	Exports	"	180	▼ -68	▼ -	
	Inventories	8/3	1,469	▼ -19	▲ -	
Prices	Gyoten (spot) [4-district average lorry rack price]	(RIM) 7/30 ~ 8/5	61.6	▼ -0.1	▼ -7.2	
	Futures [front-month contract/closing price]	(TOCOM/ Tokyo Bay) 7/30 ~ 8/5	62.9	▲ 0.4	▼ -6.1	
		(TOCOM/ Chubu) 8/5	-	-	-	
	Retail prices [weekly trend]	(published by ANRE) 8/5	126.6	▼ -0.2	▼ -4.2	

*Gyoten and futures prices are before tax



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

Kerosene			This week		From a week earlier	From a year earlier
Supply/ Demand	Production	7/28 ~ 8/3	186	▼ -55	▲ -	
	Imports	"	n.a.	n.a.	n.a.	
	Shipments	"	122	▲ 57	▲ -	
	Exports	"	0	➡ 0	➡ -	
	Inventories	8/3	1,875	▲ 64	▲ -	
Prices	Gyoten (spot) [4-district average lorry rack price]	(RIM) 7/30 ~ 8/5	60.3	▲ 0.3	▼ -7.7	
	Futures [front-month contract/closing price]	(TOCOM/ Tokyo Bay) 7/30 ~ 8/5	58.2	▼ -0.3	▼ -8.8	
		(TOCOM/ Chubu) 8/5	58.0	▼ -2.5	▼ -9.5	
	Retail prices [weekly trend]	(published by ANRE) 8/5	91.1	➡ 0.0	▼ -1.9	



Relevant Information

1 Overseas crude oil prices

On August 7, the most frequently traded oil futures contract on NYMEX fell for the third straight day and hit a seven-month low as the escalation of the U.S.-China trade war was coupled with the weekly EIA report showing that U.S. crude oil inventories increased for the first time in eight weeks with a rise of 2.4 million barrels against a market-forecast decrease of 2.8 million barrels and that gasoline and middle distillates inventories expanded by 4.4 million and 1.5 million barrels, respectively, faster than forecast in the market. The September contract closed the day's trading session at \$51.09/bbl, down \$2.54/bbl from the previous day. The October contract fell by \$2.56/bbl to \$51.03/bbl.

According to the EIA, the average U.S. retail price of gasoline as of August 5 fell by 2.7 cents per gallon from a week earlier to \$2.688/gal (76.1 yen/l). The average diesel oil price decreased by 0.2 cents/gal to \$3.032/gal (85.9 yen/l). The gasoline price decreased for the third straight week, while the diesel price fell for the fourth 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 July 28-August 3 week stood at 104,000 barrels per day, down 41,000 bpd from the previous week (total capacity remained at 3,519,000 bpd). Crude oil throughput in the week increased by 9,000 kl from the previous week to 3,429,000 kl. From a year earlier, it decreased by 63,000 kl. The topper capacity utilization rate stood at 87.6%, up 0.3 points from the previous week and down 1.6 points from a year earlier.

Production decreased from the previous week for kerosene, diesel oil and Fuel Oil A and increased for other petroleum products. Output was up 7.4% for gasoline, up 6.1% for jet fuel, down 22.9% for kerosene, down 4.0% for diesel oil, down 9.1% for Fuel Oil A and up 23.6% for Fuel Oil C. Fuel Oil C imports in the week totaled almost zero, unchanged from the previous week. Diesel oil exports aggregated 180,000 kl, down 68,000 kl.

Shipments (excluding imports) in the week decreased from the previous week for jet fuel and increased for other petroleum products. From a year earlier, shipments expanded for kerosene, diesel oil and Fuel Oil C and dropped for others. Gasoline shipments increased by 8.9% from the previous week to 943,000 kl for the first rise in two weeks, remaining below 1 million kl for 31 weeks on end. Shipments totaled 109,000 kl for

jet fuel (down 6.0% from the previous week), 122,000 kl for kerosene (up 88.2%), 701,000 kl for diesel oil (up 8.3%), 188,000 kl for Fuel Oil A (up 12.3%) and 270,000 kl for Fuel Oil C (up 83.0%).

(Unit: 1,000 kl)

	This week (7/28 ~ 8/3)	Previous week (7/21 ~ 7/27)	From a week earlier
Gasoline	943	866	▲ 77 (9%)
Jet fuel	109	117	▼ -8 (-7%)
Kerosene (heating Oil)	122	65	▲ 57 (88%)
Diesel oil	701	648	▲ 53 (8%)
Fuel oil A	188	168	▲ 20 (12%)
Fuel Oil C	270	147	▲ 123 (84%)
Total	2,333	2,011	▲ 322 (16%)

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 August 3 increased from a week earlier for gasoline and kerosene and decreased for other petroleum products. From a year earlier, inventories increased for gasoline, kerosene and diesel oil and decreased for others.

Gasoline inventories totaled 1,567,000 kl, up 6,000 kl from a week earlier and up 63,000 kl from a year earlier.

Kerosene inventories totaled 1,875,000 kl, up 64,000 kl from a week earlier and up 142,000 kl from a year earlier.

Diesel oil inventories totaled 1,469,000 kl, up 19,000 kl from a week earlier and up 46,000 kl from a year earlier.

Fuel Oil A inventories totaled 700,000 kl, down 5,000 kl from a week earlier and down 27,000 kl from a year earlier.

Fuel Oil C inventories totaled 1,901,000 kl, up 66,000 kl from a week earlier and down 9,000 kl from a year earlier.

(Unit: 1,000 kl)

	This week (8/3)	Previous week (7/27)	From a week earlier
Gasoline	1,567	1,561	▲ 6 (0%)
Jet fuel	879	947	▼ -68 (-7%)
Kerosene (heating Oil)	1,875	1,811	▲ 64 (4%)
Diesel oil	1,469	1,488	▼ -19 (-1%)
Fuel oil A	700	705	▼ -5 (-1%)
Fuel Oil C	1,901	1,967	▼ -66 (-3%)
Total	8,391	8,479	▼ -88 (-1.0%)

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

During the July 30-August 5 week, crude oil cost might have decreased as the yen's appreciation against the dollar coincided with crude oil price drops.

Onshore cargo spot prices during the July 30-August 3 week rose and plunged in a 111-114 yen/l range for gasoline, increased and dropped in a 61-63 yen/l range for diesel oil and went up and nose-dived in a 59-62 yen/l range for kerosene.

Offshore barge spot prices during the week fell in a 114-116 yen/l range for gasoline, decreased in a 63-65 yen/l range for diesel oil and plunged in a 54-58 yen/l range for kerosene.

The key futures price during the week rose and plunged in a 107-111 yen/l range for gasoline, fell in a 62-64 yen/l range for diesel oil and nose-dived in a 55-60 yen/l range for kerosene.

For the next week, Motouri companies cut their wholesale prices by 0.5-1.0 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 July 30-August 5 week rose slightly from their July 23-29 averages, excluding gasoline and kerosene futures prices and onshore cargo prices for diesel oil.

The latest onshore cargo spot price (the average onshore rack price for four districts -- Chiba, Kawasaki, Chukyo and Hanshin -- for the July 30-August 5 week) rose by 0.1 yen/l from the previous week for gasoline and by 0.3 yen/l for kerosene and fell by 0.1 yen/l for diesel oil.

The average offshore barge spot price in Tokyo Bay increased by 0.1 yen/l for gasoline, by 0.3 yen/l for kerosene and by 0.3 yen/l for diesel oil.

The key futures price fell by 0.2 yen/l for gasoline and by 0.3 yen/l for kerosene and increased by 0.4 yen/l for diesel oil.

For the second week of August, Motouri companies reduced their wholesale prices by 0.5-1.0 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 (7/30 ~ 8/5)	Previous week (7/23 ~ 7/29)	From a week earlier
Spot Prices	Regular	58.8	58.7	▲ 0.1
	Kerosene	60.3	60.0	▲ 0.3
	Diesel oil	61.6	61.7	▼ -0.1

(TOCOM) [Front-month contract/closing price] [Average]		(Unit: yen/l)		
		This week (7/30 ~ 8/5)	Previous week (7/23 ~ 7/29)	From a week earlier
Futures Price	Regular	55.4	55.6	▼ -0.2
	Kerosene	58.2	58.5	▼ -0.3
	Diesel oil	62.9	62.5	▲ 0.4

Above prices are before tax.

Reference (July 30 -August 5 actual data)

		(Unit: yen/l)		
Products	Spot	Futures	Average	
Gasoline	▲ 0.1	▼ -0.2	▼ -0.1	
Kerosene	▲ 0.3	▼ -0.3	→ 0.0	
Diesel oil	▼ -0.1	▲ 0.4	▲ 0.2	
Fuel Oil A	▼ -0.1			

(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 August 5 decreased by 0.2 yen/l from a week earlier to 145.5 yen/l for gasoline and by 0.2 yen/l to 126.6 yen/l for diesel oil and remained unchanged at 1,639 yen on an 18-liter tank basis (or at 91.1 yen/l). The gasoline price fell for the second straight week. The diesel price dropped for the first time in three weeks. The kerosene price stopped falling for the first time in two weeks. Gasoline prices increased in six of Japan's 47 prefectures, leveled off in eight and decreased in 33. The lowest gasoline price among the prefectures was 139.5 yen/l in Saitama (down 2.2 yen/l from a week earlier). The second lowest was 140.2 yen/l in Saitama (up 0.1 yen/l). The highest price was 157.2 yen/l in Nagasaki (down 0.2 yen/l). Logging the sharpest price hike of 0.4 yen/l was Ishikawa (141.4 yen/l). Shiga recorded the fastest fall of 2.2 yen/l to 139.5 yen/l.

As crude oil cost rose last week, major Motouri companies left their wholesale prices unchanged for gasoline, diesel oil and kerosene or raised them by 0.5 yen/l for this week.

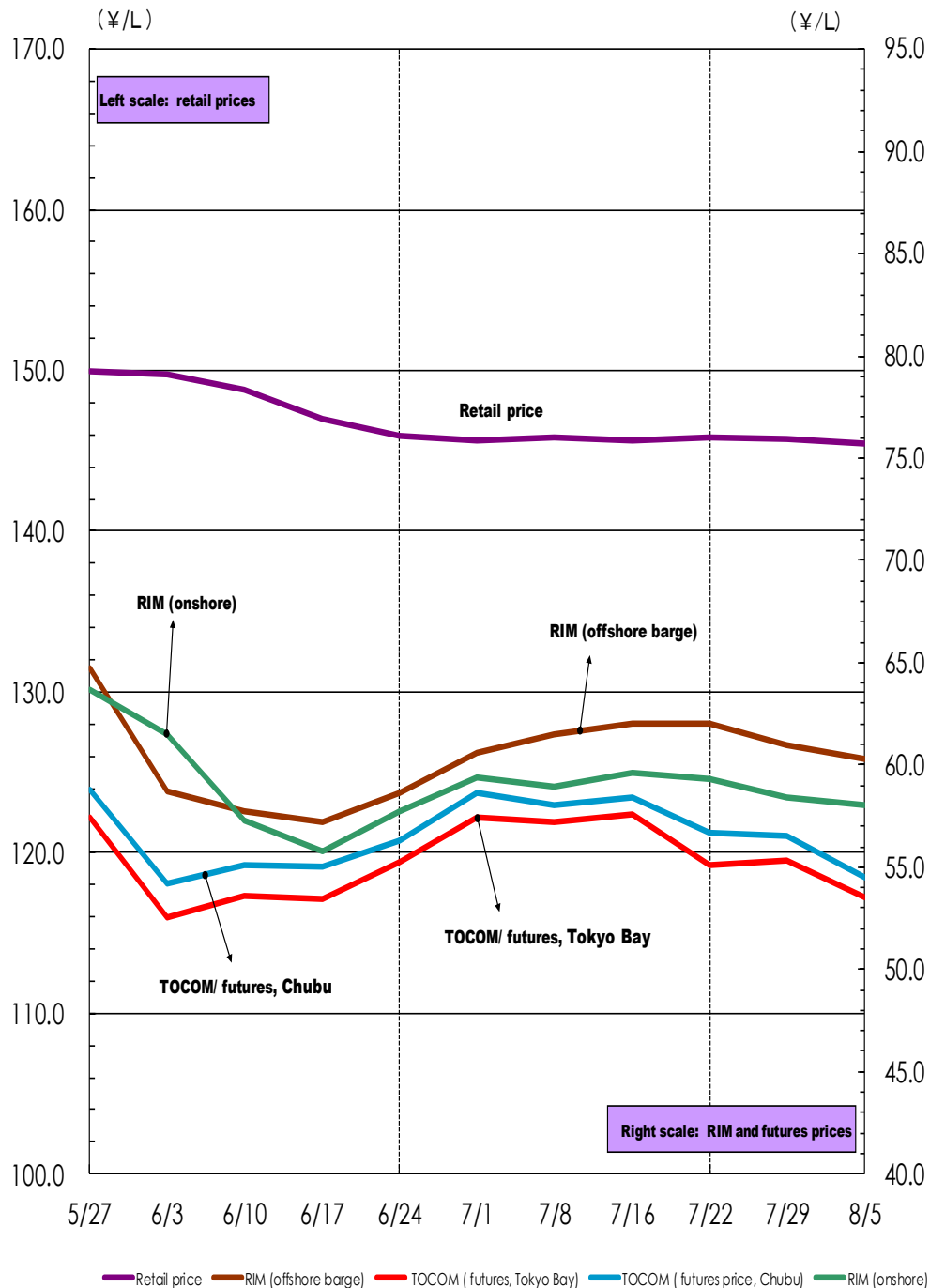
Crude oil cost dropped this week as the yen's appreciation against the dollar coincided with crude oil price drops. Motouri cut their wholesale prices by 0.5-1.0 yen/l for next week for gasoline, diesel oil and kerosene. Retail gasoline and kerosene prices are expected to slightly fall next week (as of August 13).

(Published by ANRE)[Weekly trend]		(Unit: yen/l)			
		This week (8/5)	Previous week (7/29)	From a week earlier	Latest high
Retail Price	Regular	145.5	145.7	▼ -0.2	08/8/4 185.1
	Kerosene	91.1	91.1	→ 0.0	08/8/11 132.1
	Diesel oil	126.6	126.8	▼ -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

(2019/5/27 ~ 2019/8/5)



(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. 19 for 2019) will be announced at 14:00 on August 30.

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).