Oil Market Review in Japan No. 28/2019

November 1, 2019, Friday  Released at 14:00 every Friday

Publisher: Oil Information Center, Institute of Energy Economics, Japan
Inui Bldg. Kachidoki, 11th Floor, 13-1, Kachidoki 1-chome, Chuo-ku, Tokyo, 104-8581 Japan
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 October 10-16 week moved within a range between $52.81 per barrel and $54.70/bbl.

On October 17, the November contract rose further as a weekly EIA (Energy Information Administration) report said that U.S. gasoline and middle distillate inventories decreased from a week earlier, faster than forecast in the market, although U.S. crude oil inventories posted a weekly increase of 9.3 million barrels, three times faster than a market forecast. Also contributing to the rise was the United Kingdom’s agreement with the European Union on its exit from the union. The key contract closed at $53.93/bbl, up $0.57/bbl from the previous day.

On October 18, the November contract turned down for the first time in three days as it was reported that China’s year-on-year economic growth in the third quarter of 2019 decelerated to 6%. Baker Hughes reported that the number of operating U.S. oil-drilling rigs increased by one from a week earlier to 713 for the second straight weekly rise. The key contract lost $0.15/bbl to $53.78/bbl.

On October 21, the key contract fell further as media reports stated that Russia and OPEC (Organization of the Petroleum Exporting Countries) were increasing oil production and that Saudi Arabia and Kuwait agreed to resume production at the Khafji oilfield. Growing skepticism about a U.S.-China Phase 1 trade deal exerted downward pressure on oil futures prices. The November contract lost $0.47/bbl to $53.31/bbl.

On October 22, the key contract rallied for the first time in three trading days as reports said that the OPEC-plus group was considering enhancing a joint production cut at its next meeting in early December and as U.S. President Donald Trump vowed to sign the U.S.-China Phase 1 trade deal at an annual APEC (Asia Pacific Economic Cooperation) summit in mid-November. The November contract gained $0.85/bbl to $54.16/bbl.

On October 23, the key contract rose further as a weekly EIA report said that U.S. crude oil inventories decreased by 1.7 million barrels from a week earlier against a market-forecast increase, falling for the first time in six weeks. The December contract, which replaced the November contract as the front-month futures contract on the day, gained $1.49/bbl to $55.97/bbl.

The Asian benchmark crude oil of Dubai for December delivery on the Tokyo market ranged between $57.80/bbl and $60.30/bbl in the October 10-16 week. It closed at $58.80/bbl on October 17, at $59.50/bbl on October 18, at $59.40/bbl on October 21 and at $59.40/bbl on October 23.

On the foreign exchange market in the October 10-16 week, the dollar moved within a range between 107.37 and 108.74 yen. It changed hands at 108.74 yen in late trading on October 17, at 108.71 yen on October 18, at 108.52 yen on October 21 and at 108.41 yen on October 23.

According to preliminary 10-day trade statistics released by the Ministry of Finance on October 21, the average crude oil import CIF price in the September 21-30 period stood at 43,167 yen/kiloliter (kiloliter), up 490 yen/kiloliter from the previous 10-day period. In dollars, the price was $63.77/bbl, down $0.14/bbl. The average exchange rate was 107.62 yen to the dollar. According to preliminary monthly trade statistics released by the ministry on the same day, the average crude oil import CIF price in September stood at 43,131 yen/kiloliter, down 2,292 yen/kiloliter from the previous month. In dollars, the price was $64.30/bbl, down $3.08/bbl. The average exchange rate was 106.64 yen to the dollar.

Japan’s average retail price on October 21 fell by 0.5 yen/l from a week earlier for gasoline, by 0.5 yen/l for diesel oil and by 5 yen for kerosene on an 18-liter tank basis. The gasoline, diesel oil and kerosene prices dropped for the second straight week. As crude oil cost increased in the third week of October, Motouri companies raised their wholesale prices by 1.0 yen/l for gasoline, diesel oil and kerosene for the next week.

<table>
<thead>
<tr>
<th>Crude oil</th>
<th>This week</th>
<th>From a week earlier</th>
<th>From a year earlier</th>
</tr>
</thead>
<tbody>
<tr>
<td>Crude oil runs (1,000 kl)</td>
<td>10/13 – 10/19</td>
<td>2,988 ▼ -65 ▲ -</td>
<td></td>
</tr>
<tr>
<td>Topper capacity utilization rate (%)</td>
<td>76.3 ▼ -1.7 ▲ -</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Crude oil inventories (1,000 kl)</td>
<td>10/19</td>
<td>11,630 ▼ 544 ▲ -</td>
<td></td>
</tr>
<tr>
<td>Middle Eastern crude oil (TOCOM) ($/b)</td>
<td>10/21</td>
<td>57.58 ▼ -0.09 ▼ -20.3</td>
<td></td>
</tr>
<tr>
<td>WTI crude oil (NYMEX) ($/b)</td>
<td>10/21</td>
<td>53.21 ▼ -0.28 ▼ -15.9</td>
<td></td>
</tr>
<tr>
<td>Crude oil import CIF price ($/b)</td>
<td>Late Sep</td>
<td>63.77 ▼ -0.14 ▼ -12.27</td>
<td></td>
</tr>
<tr>
<td>Crude oil import CIF price (yen/kiloliter)</td>
<td>10/21</td>
<td>43,167 ▼ 490 ▼ -9.84</td>
<td></td>
</tr>
<tr>
<td>Yen-dollar exchange rate (yen/dollar)</td>
<td>10/21</td>
<td>107.62 ▼ -1.45 ▲ 3.51</td>
<td></td>
</tr>
<tr>
<td>TTS exchange rate (yen/dollar)</td>
<td>10/21</td>
<td>109.52 ▼ -0.10 ▲ 3.97</td>
<td></td>
</tr>
</tbody>
</table>

($/b)

https://eneken.ieej.or.jp/en/weekly_oil/index.php
Oil Market Review in Japan No. 28/2019

### Gasoline

<table>
<thead>
<tr>
<th>Supply/Demand</th>
<th>This week</th>
<th>From a week earlier</th>
<th>From a year earlier</th>
</tr>
</thead>
<tbody>
<tr>
<td>Production</td>
<td>10/13 ~ 10/19</td>
<td>823 ▼ -6 ▼ -6</td>
<td>—</td>
</tr>
<tr>
<td>Imports</td>
<td>n.a.</td>
<td>n.a.</td>
<td>n.a.</td>
</tr>
<tr>
<td>Shipments</td>
<td>609 ▼ -240 ▼ -240</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td>Exports</td>
<td>131 ▲ 96 ▲ 96</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td>Inventories</td>
<td>10/19 1,620 ▲ 83 ▲ 83</td>
<td>—</td>
<td>—</td>
</tr>
</tbody>
</table>

### Prices

| Gyoten [spot] [4-district average lorry rack price] (RIM) | 10/15 ~ 10/21 | 56.6 ▲ 0.7 ▲ 0.7 ▼ -16.7 |
| Futures [front-month contract/rolling price] (TOCOM/ Tokyo Bay) | 10/15 ~ 10/21 | 55.0 ▲ 0.6 ▲ 0.6 ▼ -15.8 |
| Retail prices [weekly trend] (published by ANRE) | 10/21 | 146.8 ▼ -0.5 ▼ -0.5 ▼ -13.2 |

*Gyoten and futures prices are before tax*

### Diesel oil

<table>
<thead>
<tr>
<th>Supply/Demand</th>
<th>This week</th>
<th>From a week earlier</th>
<th>From a year earlier</th>
</tr>
</thead>
<tbody>
<tr>
<td>Production</td>
<td>10/13 ~ 10/19</td>
<td>693 ▲ 34 ▲ 34</td>
<td>—</td>
</tr>
<tr>
<td>Imports</td>
<td>n.a.</td>
<td>n.a.</td>
<td>n.a.</td>
</tr>
<tr>
<td>Shipments</td>
<td>522 ▼ -75 ▼ -75</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td>Exports</td>
<td>185 ▲ 73 ▲ 73</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td>Inventories</td>
<td>10/19 1,362 ▼ -14 ▼ -14</td>
<td>—</td>
<td>—</td>
</tr>
</tbody>
</table>

### Prices

| Gyoten [spot] [4-district average lorry rack price] (RIM) | 10/15 ~ 10/21 | 59.0 ▼ -0.2 ▼ -0.2 ▼ -16.4 |
| Futures [front-month contract/rolling price] (TOCOM/ Tokyo Bay) | 10/15 ~ 10/21 | 61.3 ▼ -0.1 ▼ -0.1 ▼ -13.1 |
| Retail prices [weekly trend] (published by ANRE) | 10/21 | 127.3 ▼ -0.5 ▼ -0.5 ▼ -11.1 |

*Gyoten and futures prices are before tax*

### Kerosene

<table>
<thead>
<tr>
<th>Supply/Demand</th>
<th>This week</th>
<th>From a week earlier</th>
<th>From a year earlier</th>
</tr>
</thead>
<tbody>
<tr>
<td>Production</td>
<td>10/13 ~ 10/19</td>
<td>201 ▼ -67 ▼ -67</td>
<td>—</td>
</tr>
<tr>
<td>Imports</td>
<td>n.a.</td>
<td>n.a.</td>
<td>n.a.</td>
</tr>
<tr>
<td>Shipments</td>
<td>78 ▼ -104 ▼ -104</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td>Exports</td>
<td>0 ▼ 0 ▼ 0</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td>Inventories</td>
<td>10/19 2,753 ▲ 123 ▲ 123</td>
<td>—</td>
<td>—</td>
</tr>
</tbody>
</table>

### Prices

| Gyoten [spot] [4-district average lorry rack price] (RIM) | 10/15 ~ 10/21 | 58.8 ▲ 0.2 ▲ 0.2 ▼ -16.0 |
| Futures [front-month contract/rolling price] (TOCOM/ Tokyo Bay) | 10/15 ~ 10/21 | 57.2 ▲ 0.7 ▲ 0.7 ▼ -16.9 |
| Retail prices [weekly trend] (published by ANRE) | 10/21 | 91.8 ▼ -0.3 ▼ -0.3 ▼ -8.0 |

*Prices are before tax (Unit: 1,000 kl, yen/l)
Oil Market Review in Japan No. 28/2019

1 Overseas crude oil prices

On October 23, crude oil futures prices on NYMEX rose further as concern about a looser supply-demand balance faded away on the weekly EIA report, which said that U.S. crude oil inventories decreased by 1.7 million barrels from a week earlier for the first fall in six weeks against a market-forecast increase of 2.2 million barrels and that gasoline inventories also declined by 3.1 million barrels. Also supporting crude oil futures prices were leading media organizations’ reports that the OPEC-plus group would enhance the joint oil production cut. The December contract, which replaced the November contract as the most frequently traded oil futures contract on NYMEX on the day, gained $1.49/bbl to $55.97/bbl. The January contract rose by $1.49/bbl to $55.99/bbl.

According to the EIA, the average U.S. retail price of gasoline as of October 21 increased by 0.9 cents per gallon from a week earlier to $2.638/gal (76.2 yen/l). The average diesel oil price dropped by 0.1 cents/gal to $3.050/gal (88.1 yen/l). The gasoline price rose for the first time in two weeks, while the diesel price fell 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 October 13-19 week stood at 385,000 barrels per day, unchanged from the previous week (total capacity remained at 3,519,000 bpd). Crude oil throughput in the week decreased by 65,000 kl from the previous week to 2,988,000 kl. From a year earlier, it rose by 66,000 kl. The topper capacity utilization rate stood at 76.3%, down 1.7 points from the previous week and up 1.7 points from a year earlier.

Production decreased from the previous week for gasoline, jet fuel and kerosene and increased for other petroleum products. Output was down 0.7% for gasoline, down 17.4% for jet fuel, down 25.1% for kerosene, up 5.1% for diesel oil, up 32.9% for Fuel Oil A and up 16.3% for Fuel Oil C. Fuel Oil C imports in the week totaled almost zero, unchanged from the previous week. Diesel oil exports aggregated 185,000 kl, up 73,000 kl.

Shipments (excluding imports) in the week increased from the previous week for Fuel Oil A and C and decreased for other petroleum products. From a year earlier, shipments declined for all petroleum products. Gasoline shipments decreased by 28.3% from the previous week to 609,000 kl for the first drop in two weeks, remaining below 1 million kl for nine weeks on end. Shipments totaled 26,000 kl for jet fuel (down 56.8% from the previous week), 78,000 kl for kerosene (down 57.2%), 522,000 kl for diesel oil (down 12.5%), 196,000 kl for Fuel Oil A (up 38.9%) and 141,000 kl for Fuel Oil C (up 150.8%).

\[
\begin{array}{|c|c|c|}
\hline
\text{Petroleum products} & \text{This week} & \text{From a week earlier} \\
\hline
\text{Gasoline} & 609 & -240 (-28\%) \\
\text{Jet fuel} & 26 & -34 (-57\%) \\
\text{Kerosene (heating Oil)} & 78 & -104 (-57\%) \\
\text{Diesel oil} & 522 & -75 (-15\%) \\
\text{Fuel oil A} & 196 & 55 (5\%) \\
\text{Fuel Oil C} & 141 & 85 (15\%) \\
\hline
\text{Total} & 1,572 & -313 (-19\%) \\
\hline
\end{array}
\]

This week’s shipments = (Previous weekend inventories + This week’s production + This week’s imports) - (This week’s exports + This weekend inventories)

3 Petroleum products supply and demand in Japan (2) Inventories

Inventories as of October 19 decreased from a week earlier for jet fuel and diesel oil and increased for other petroleum products.

Gasoline inventories totaled 1,620,000 kl, up 83,000 kl from a week earlier and up 18,000 kl from a year earlier.

Kerosene inventories totaled 2,753,000 kl, up 123,000 from a week earlier and up 186,000 kl from a year earlier.

Diesel oil inventories totaled 1,362,000 kl, down 14,000 kl from a week earlier and down 71,000 kl from a year earlier.

Fuel Oil A inventories totaled 723,000 kl, up 13,000 kl from a week earlier and up 54,000 kl from a year earlier.

Fuel Oil C inventories totaled 1,927,000 kl, up 20,000 kl from a week earlier and down 180,000 kl from a year earlier.

\[
\begin{array}{|c|c|c|}
\hline
\text{Petroleum products} & \text{This week} & \text{From a week earlier} \\
\hline
\text{Gasoline} & 1,620 & 83 (5\%) \\
\text{Jet fuel} & 916 & -2 (-0\%) \\
\text{Kerosene (heating Oil)} & 2,753 & 123 (5\%) \\
\text{Diesel oil} & 1,362 & -14 (-1\%) \\
\text{Fuel oil A} & 723 & 13 (2\%) \\
\text{Fuel Oil C} & 1,927 & 20 (1\%) \\
\hline
\text{Total} & 9,301 & 223 (2.3\%) \\
\hline
\end{array}
\]
3 Petroleum products wholesale prices in Japan (1) Wholesale price revision trend

During the October 15-21 week, crude oil cost might have risen as crude oil price hikes were combined with the yen’s depreciation against the dollar.

Onshore cargo spot prices during the October 15-21 week rose and leveled off in a 109-111 yen/l range for gasoline, increased and leveled off in a 58-60 yen/l range for diesel oil and rose slightly in a 58-59 yen/l range for kerosene.

Offshore barge spot prices during the week leveled off in a 111-112 yen/l range for gasoline, fell slightly and leveled off in a 61-62 yen/l range for diesel oil and decreased in a 53-54 yen/l range for kerosene.

The key futures price during the week seesawed and fell in a 108-110 yen/l range for gasoline, dropped slightly in a 61-62 yen/l range for diesel oil and leveled off and plunged in a 56-58 yen/l range for kerosene.

For the next week, Motouri companies raised their wholesale prices by 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 October 15-21 week rose from their October 8-14 averages, excluding offshore barge gasoline and diesel oil prices that leveled off, as well as onshore cargo and futures prices for diesel that declined.

The latest onshore cargo spot price (the average onshore rack price for four districts -- Chiba, Kawasaki, Chukyo and Hanshin -- for the October 15-21 week) rose by 0.7 yen/l from the previous week for gasoline and by 0.2 yen/l for kerosene and dropped by 0.2 yen/l for diesel oil.

The average offshore barge spot price in Tokyo Bay leveled off for gasoline, rose by 0.2 yen/l for kerosene and remained unchanged for diesel oil.

The key futures price went up by 0.6 yen/l for gasoline, rose by 0.7 yen/l for kerosene and dropped by 0.1 yen/l for diesel oil.

For the fourth week of October, Motouri companies raised their wholesale prices by 1.0 yen/l for gasoline, diesel oil and kerosene.

4 Retail prices of petroleum products in Japan

The average retail service station price as of October 21 decreased by 0.5 yen/l from a week earlier to 146.8 yen/l for gasoline, by 0.5 yen/l to 127.3 yen/l for diesel oil and by 5 yen to 1,652 yen for kerosene on an 18-liter tank basis (or by 0.3 yen/l to 91.8 yen/l).

The gasoline, diesel oil and kerosene prices declined for the second straight week. Gasoline prices increased in five of Japan’s 47 prefectures, leveled off in one and decreased in 41. The lowest gasoline price among the prefectures was 140.8 yen/l in Tottori (down 2.2 yen/l from a week earlier). The second lowest was 141.0 yen/l in Shiga (up 0.1 yen/l). The highest price was 156.9 yen/l in Nagasaki (down 0.4 yen/l). The average gasoline price leveled off at 149.2 yen/l in Akita.

Tottori posted the fastest drop of 2.2 yen/l to 140.8 yen/l.

As crude oil cost increased last week, Motouri companies cut wholesale prices for gasoline, diesel oil and kerosene by 0.7 yen/l for gasoline, 0.5 yen/l to 127.3 yen/l for diesel oil and 0.3 yen/l to 1,652 yen for kerosene.

Retail gasolines prices are expected to rise next week (as of October 28).
Gasoline price trend
(2019/8/13 ~ 2019/10/21)

(Note) ① Retail price includes consumption Tax, RIM, TOCOM prices are before tax.
② RIM (onshore) is the average of four district.
On use of this report

The copyrights to texts, graphics and other information (hereinafter combined into “documents”) in this report belong to the Oil Information Center of the Institute of Energy Economics, Japan (hereinafter referred to as this Center), or to third parties contributing the documents to this Center. This Center forbids the documents from being repurposed, duplicated or altered without approval by this Center.

This Center has made the documents comprehensive but no guarantee is made as to accuracy or safety.

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.

Motouri wholesale prices are prices for transactions between Motouri petroleum products wholesalers (primary wholesalers) and their affiliates (secondary wholesalers).

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).