

Petrochemical price monitor

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- **Weaker ethylene price but still in high range.** Ethylene price weakened 0.7% WoW but remains in a high range of > US\$1,450/t compared with the average US\$1,350/t in 2013. Behind the price fall was weak buyer sentiment in key markets like China plus poor downstream demand trends. This came despite the news that CPC is likely to shut its No.6 cracker (600ktpa-ethylene and 300ktpa-propylene) in Feb 2014 for maintenance through end-April. For downstream, only HDPE price increased 1% WoW while others remained stable or declined WoW. With 4.8% WoW decline in naphtha cost, product spread improved 3.8-8.6% WoW.
- **PX price reached a new 20-week low.** PX price continued to decline to a new 20-week low of US\$1,338/t (-2.9% WoW) on lower feedstock cost (isomer MX) and PTA price. PX-naphtha spread edged up 0.3% WoW to US\$505/t. Moving in the opposite direction, BZ price rose 1.7% WoW and spread over naphtha increased 13.6% WoW to a 9-month high of US\$535/t. This offset the negative impact from weaker PX price.
- **Weaker PTA and PET prices narrowed PET/PTA spread.** Integrated PET/PTA spread weakened by 0.4% WoW to US\$280/t despite cheaper PX cost. This indicated lower PET and PTA prices as buyers negotiate for lower product prices following the continuous fall of feedstock prices.

Investment view: The petrochemical sector index fell 2.7% WoW, underperforming the SET Index (+0.5% WoW), with PTTGC and IVL's share prices down 3.3% and 3.7% WoW, respectively. Lower oil price dampened market sentiment toward petrochemical stocks in recent weeks, while there is no new share price catalyst in the near term. We believe the recent sell-off has brought an opportunity to accumulate the stocks ahead of the earnings season in early Feb, especially for PTTGC and SCC.

Figure 1: Petrochemical price update

	Current 17-Jan-14	52-week High/Low	-1W	-1M	-3M	-6M	-12M	1Q14 QTD	4Q13	QoQ%	YTD	Chg.	%YoY	2014F projection
Price														
Naphtha Singapore Spot FOB	832	962/744	-4.8%	-6.6%	-0.4%	1.5%	-3.6%	859	855	0.5%	859	-1	-0.1%	822
Ethylene, Far East CFR SE Asia \$/MT	1,455	1,520/1,215	-0.7%	2.1%	0.3%	15.0%	6.2%	1,458	1,427	2.1%	1,458	109	8.1%	1,320
Propylene (C), Spot CFR F/E US/MT	1,498	1,503/1,280	-0.3%	0.0%	3.3%	7.5%	13.4%	1,500	1,472	1.9%	1,500	185	14.1%	1,370
Polye HDPE Inj, South East Asia US/MT	1,550	1,550/1,425	1.0%	1.0%	1.3%	7.3%	8.0%	1,540	1,530	0.7%	1,540	120	8.5%	1,440
Polye LDPE-Film, Spot S.E Asia US/MT	1,670	1,680/1,395	-0.6%	-0.6%	0.0%	11.3%	19.7%	1,677	1,664	0.7%	1,677	288	20.8%	1,490
Polye LLDPE Film, F/E Spot SE Asia \$/MT	1,570	1,570/1,410	0.0%	0.0%	1.9%	8.1%	8.7%	1,570	1,546	1.6%	1,570	134	9.3%	1,480
PP Film, Spot South East Asia US/MT	1,570	1,580/1,440	0.6%	1.0%	1.9%	5.4%	4.7%	1,562	1,539	1.5%	1,562	70	4.7%	1,490
Related stocks			PTTGC (+) IRPC (+) SCC (+) TPIPL (Neutral)											
Para-Xylene CFR Chin M. Por Spot \$/MT	1,338	1,721/1,338	-2.9%	-6.6%	-5.6%	-8.9%	-20.1%	1,379	1,432	-3.7%	1,379	-298	-17.8%	1,390
Benzene, Far East CFR Spot F/E US/MT	1,368	1,443/1,218	1.7%	1.1%	8.1%	10.1%	-4.4%	1,355	1,298	4.4%	1,355	-91	-6.3%	1,220
Related stocks			PTTGC (Neutral) TOP (-) ESSO (-)											
MEG, Far East Spot CFR F/E US/MT	1,002	1,189/944	0.0%	-3.2%	-6.8%	-2.4%	-14.6%	1,011	1,043	-3.1%	1,011	-182	-15.2%	1,040
PTA CFR South East Asia	955	1,200/955	-2.1%	-4.0%	-5.0%	-10.7%	-19.4%	978	1,009	-3.0%	978	-208	-17.6%	1,050
PET (Fibre Grade)/A/P Spot CFR NEA \$/MT	1,290	1,540/1,290	-1.7%	-0.8%	-5.1%	-4.1%	-15.7%	1,304	1,330	-2.0%	1,304	-223	-14.6%	n.a.
Related stocks			PTTGC (+) IVL (-)											
ABS Asia Pac. India Spot CFR US/MT	1,885	2,060/1,870	-0.5%	-0.5%	-2.3%	-2.8%	-7.4%	1,892	1,904	-0.7%	1,892	-143	-7.0%	n.a.
Polystyrene-GP, Spot Hong Kong US/MT	1,805	1,915/1,765	-0.6%	0.3%	-4.0%	-3.7%	-3.2%	1,807	1,817	-0.6%	1,807	-53	-2.9%	n.a.
Related stocks			IRPC (-)											
PVC, Spot South East Asia US/MT	1,035	1,083/950	0.0%	2.5%	1.0%	0.5%	-1.0%	1,027	1,003	2.4%	1,027	3	0.3%	1,030
Related stocks			VNT (+) TPC (-)											
Product spread														
Ethylene - naphtha	623	650/424	5.3%	16.5%	1.3%	39.9%	22.9%	598	572	4.5%	598	110	22.7%	498
Propylene - naphtha	665	665/438	5.8%	9.6%	8.2%	16.2%	45.6%	641	617	3.9%	641	186	41.0%	548
HDPE - naphtha	718	718/533	8.6%	11.4%	3.3%	14.8%	25.5%	681	675	0.9%	681	121	21.7%	618
LDPE - naphtha	838	851/511	3.9%	6.1%	0.4%	23.2%	57.5%	817	809	1.0%	817	290	54.9%	668
LDPE - Ethylene	215	323/25	0.0%	-15.7%	-2.3%	-8.5%	760.0%	219	237	-7.5%	219	179	447.9%	170
LLDPE - naphtha	738	738/528	6.0%	8.6%	4.7%	16.6%	26.8%	711	691	2.8%	711	135	23.6%	658
PP - naphtha	738	738/598	7.5%	11.1%	4.7%	10.1%	15.9%	702	684	2.6%	702	71	11.3%	668
PX - naphtha	505	817/504	0.3%	-6.6%	-13.2%	-22.0%	-37.7%	520	577	-10.0%	520	-297	-36.3%	568
BZ - naphtha	535	594/396	13.6%	15.9%	24.6%	26.6%	-5.5%	496	443	11.9%	496	-90	-15.3%	398
MEG - Ethylene	100	324/93	7.2%	-34.1%	-43.4%	-58.8%	-69.1%	107	158	-32.2%	107	-249	-70.0%	222
PTA - PX	86	155/62	7.5%	32.7%	2.4%	-26.3%	-11.6%	82	78	5.2%	82	-15	-15.2%	119
PET spread	194	273/128	-3.5%	20.3%	-2.6%	28.6%	-0.4%	187	179	4.9%	187	4	1.9%	n.a.
Integrated PET/PTA spread	280	391/211	-0.4%	23.8%	-1.2%	4.8%	-4.1%	269	256	5.0%	269	-11	-3.9%	n.a.
ABS spread	1,074	1,272/1,040	-1.8%	-4.4%	-11.4%	-15.1%	-7.7%	1,097	1,169	-6.1%	1,097	-74	-6.3%	n.a.
PS spread	303	565/303	-7.6%	-4.9%	-34.2%	-42.5%	-10.4%	314	378	-17.0%	314	-13	-4.0%	n.a.
PVC - ethylene	308	398/258	1.7%	3.4%	2.5%	-22.6%	-14.6%	298	289	3.1%	298	-51	-14.7%	370

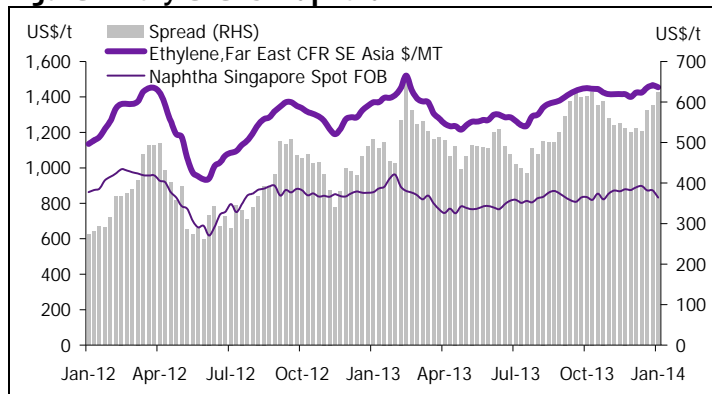
Source: Datastream, SCBS Investment Research

Note: Impact to related stocks is based on WoW performance

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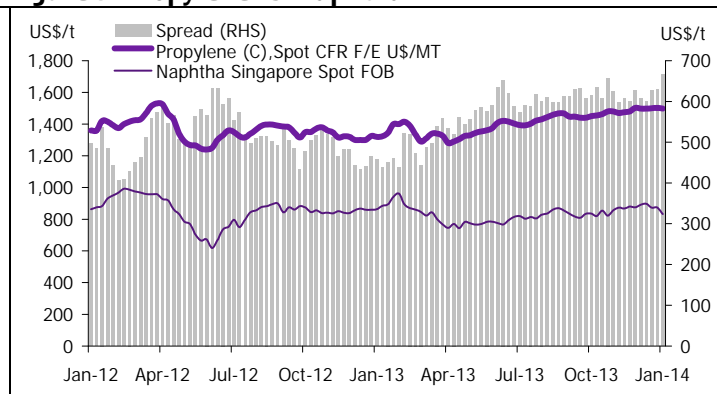
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Figure 2: Ethylene vs. Naphtha



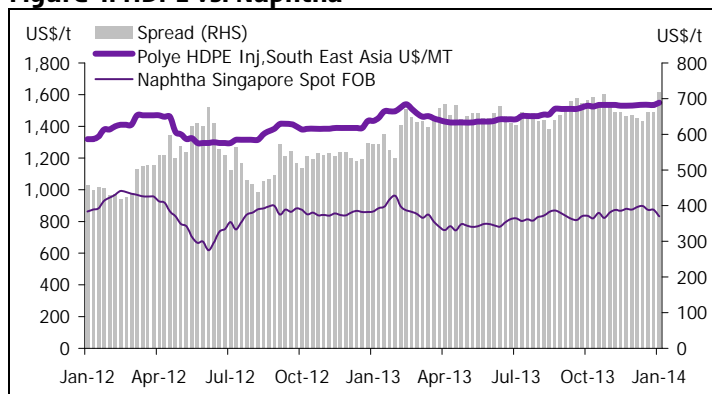
Source: Datastream, SCBS Investment Research

Figure 3: Propylene vs. Naphtha



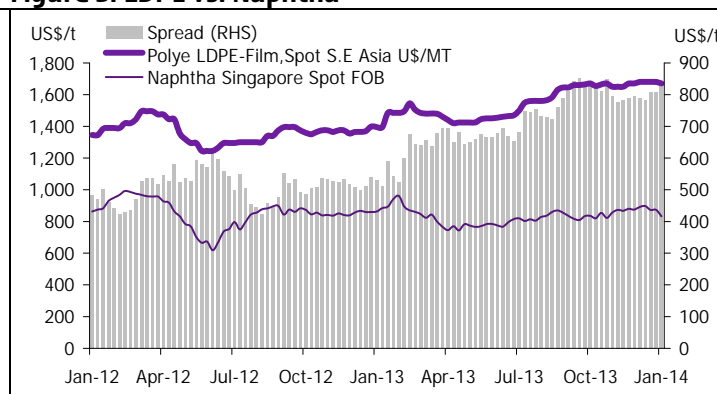
Source: Datastream, SCBS Investment Research

Figure 4: HDPE vs. Naphtha



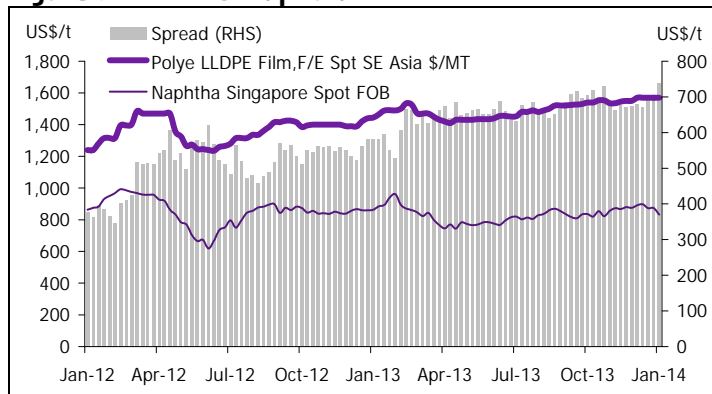
Source: Datastream, SCBS Investment Research

Figure 5: LDPE vs. Naphtha



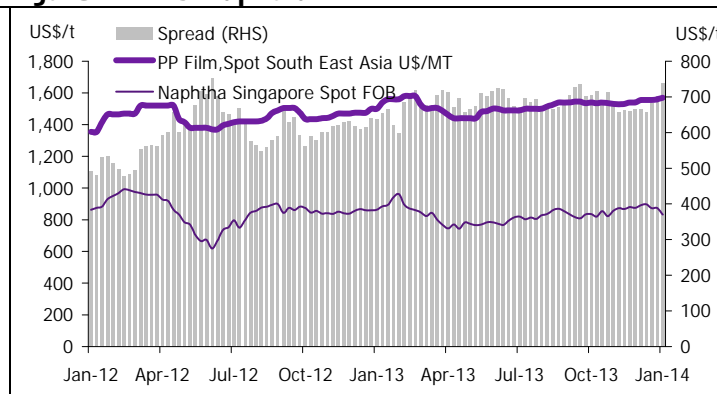
Source: Datastream, SCBS Investment Research

Figure 6: LLDPE vs. Naphtha



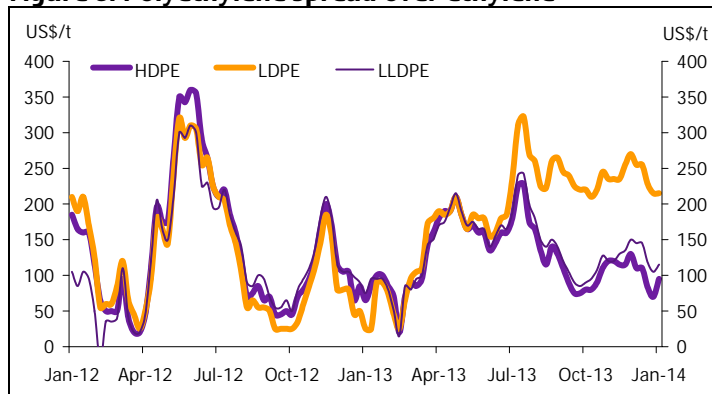
Source: Datastream, SCBS Investment Research

Figure 7: PP vs. Naphtha



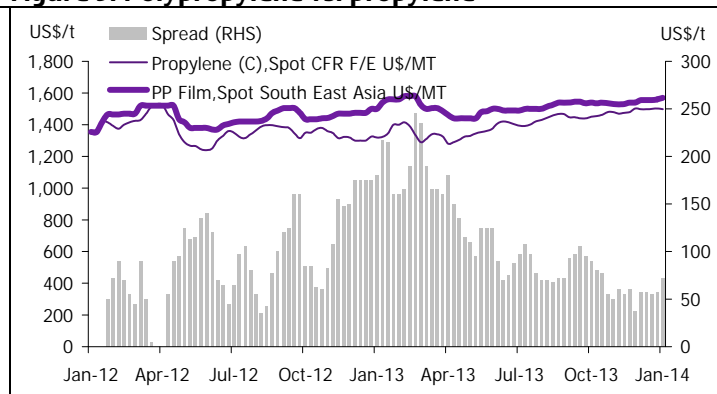
Source: Datastream, SCBS Investment Research

Figure 8: Polyethylene spread over ethylene

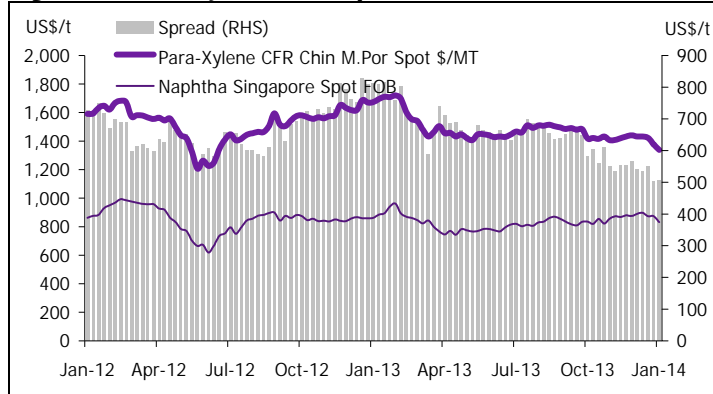


Source: Datastream, SCBS Investment Research

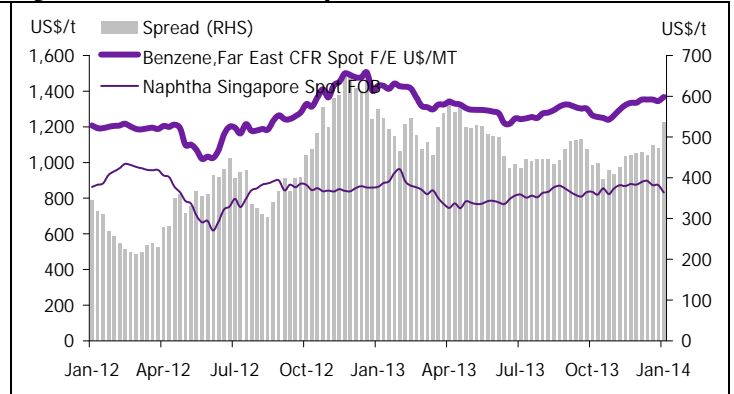
Figure 9: Polypropylene vs. propylene



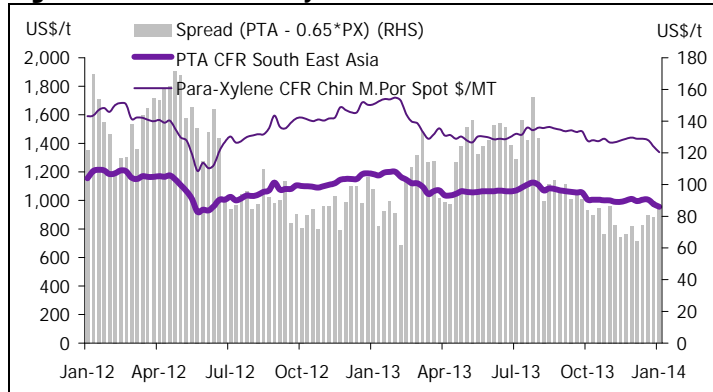
Source: Datastream, SCBS Investment Research

Figure 10: Paraxylene vs. Naphtha

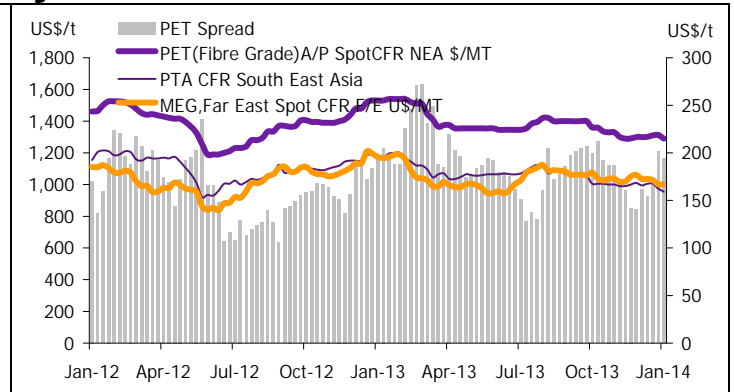
Source: Datastream, SCBS Investment Research

Figure 11: Benzene vs. Naphtha

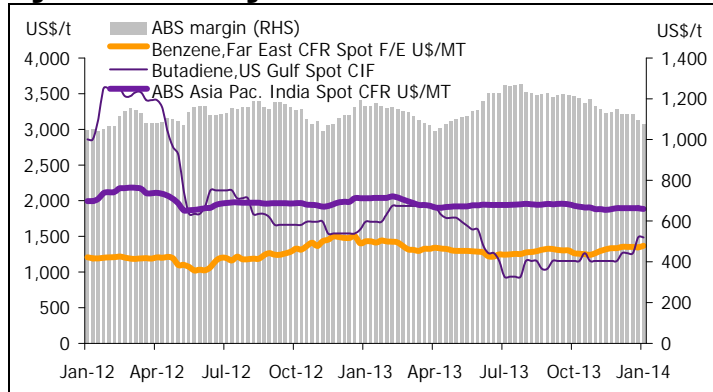
Source: Datastream, SCBS Investment Research

Figure 12: PTA vs. Paraxylene

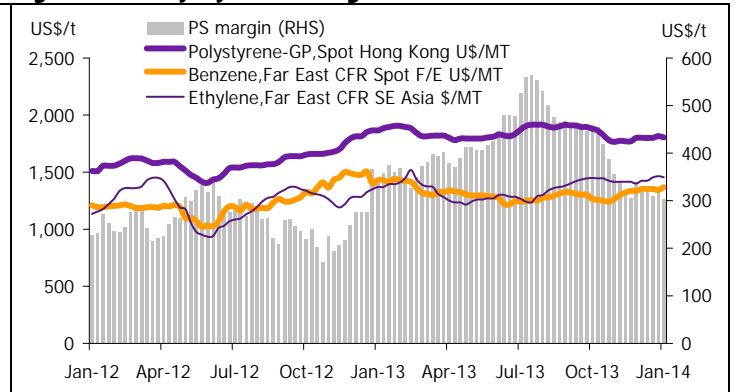
Source: Datastream, SCBS Investment Research

Figure 13: PET vs. PTA

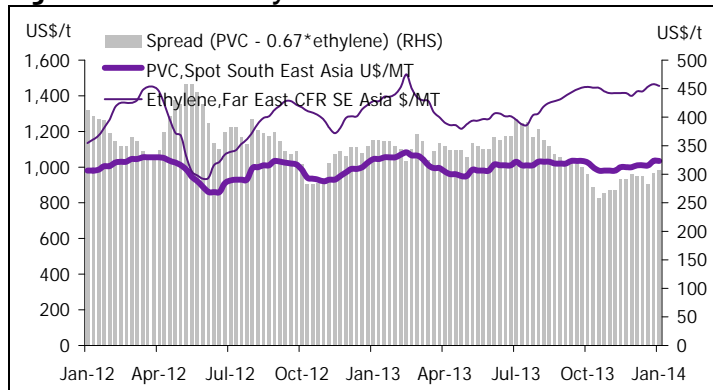
Source: Datastream, SCBS Investment Research

Figure 14: ABS margin

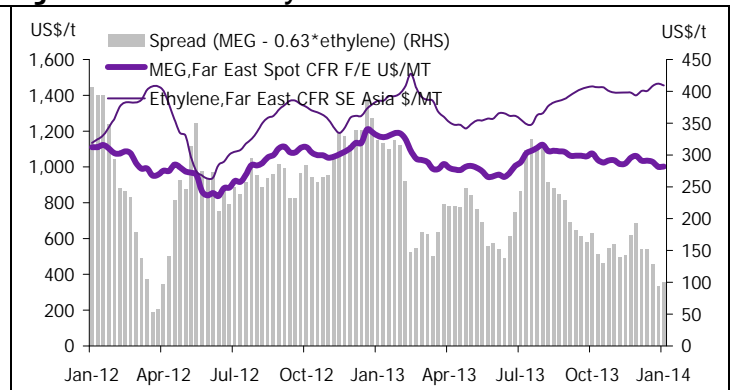
Source: Datastream, SCBS Investment Research

Figure 15: Polystyrene margin

Source: Datastream, SCBS Investment Research

Figure 16: PVC vs. ethylene

Source: Datastream, SCBS Investment Research

Figure 17: MEG vs. ethylene

Source: Datastream, SCBS Investment Research

Figure 18: Selected product price/spread of listed companies

Company	Key products	% of total	Product price/spread	1Q14 QTD	4Q13	QoQ%	YTD	12MMA	2014F projection	Momentum
PTTGC	Ethylene/Propylene	21%	Ethylene, Far East CFR SE Asia \$/MT	1,458	1,427	2%	1,458	1,358	1,320	↗
			Propylene (C), Spot CFR F/E US/MT	1,500	1,472	2%	1,500	1,408	1,370	→
	HDPE	19%	Polye HDPE Inj, South East Asia US/MT	1,540	1,530	1%	1,540	1,485	1,440	↗
	LLDPE	7%	Polye LLDPE Film, F/E Spt SE Asia \$/MT	1,570	1,546	2%	1,570	1,494	1,480	→
	LDPE	4%	Polye LDPE-Film, Spot S.E Asia US/MT	1,677	1,664	1%	1,677	1,551	1,490	→
	MEG	6%	MEG, Far East Spot CFR F/E US/MT	1,011	1,043	-3%	1,011	1,044	1,040	↘
	PX	28%	PX - naphtha	520	577	-10%	520	648	568	↘
	BZ	15%	BZ - naphtha	496	443	12%	496	480	398	↗
IRPC	Ethylene/Propylene	15%	Ethylene - naphtha	598	572	4%	598	526	498	↗
			Propylene - naphtha	641	617	4%	641	576	548	↗
	HDPE	12%	HDPE - naphtha	681	675	1%	681	652	618	↗
	PP	28%	PP - naphtha	702	684	3%	702	686	668	↗
	ABS	7%	ABS spread	1,097	1,169	-6%	1,097	1,163	n.a.	↘
	BTX	23%	BZ - naphtha	496	443	12%	496	480	398	↗
	PS	12%	PS spread	314	378	-17%	314	411	n.a.	↘
SCC	HDPE	40%	HDPE - naphtha	681	675	1%	681	652	618	↗
	LDPE	3%	LDPE - naphtha	817	809	1%	817	719	668	↗
	LLDPE	3%	LLDPE - naphtha	711	691	3%	711	662	658	↗
	PP	25%	PP - naphtha	702	684	3%	702	686	668	↗
	PVC	28%	PVC - Ethylene/EDC	487	521	-7%	487	481	n.a.	↘
TPIPL	LDPE	60%	LDPE - Ethylene	219	237	-7%	219	193	170	↘
TOP	PX	60%	PX - naphtha	520	577	-10%	520	648	568	↘
	BZ	21%	BZ - naphtha	496	443	12%	496	480	398	↗
IVL	PTA	25%	PTA - PX	82	78	5%	82	102	119	↗
	PET/Polyester	67%	PET spread	187	179	5%	187	188	n.a.	→
	MEG - NA	8%								
VNT	PVC	63%	PVC - ethylene	298	289	3%	298	334	370	↘
TPC	PVC	100%	PVC - Ethylene/EDC	487	521	-7%	487	481	n.a.	↘

Source: Datastream, SCBS Investment Research

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