

Petrochemical price monitor

Chaipat Thanawattano

(66-2) 949-1005

chaipat.thanawattano@scb.co.th

- **Weaker PE prices reflected lower ethylene cost.** Although ethylene price was unchanged WoW, price of its derivative products fell by 0.6-0.9% WoW as business slowly got back to normal. We had anticipated this, since ethylene price has declined steadily over the past four weeks. Despite the 0.6% WoW weakening in naphtha price, polyethylene product spread narrowed by 0.6-1.3% WoW. Only PP-naphtha spread increased 0.7% WoW on strong demand despite ample supply. LDPE-ethylene spread fell 3.8% WoW but remained favorable at US\$250/t.
- **PX price fell to new 52-week low.** PX price has fallen by 10% since mid-Dec 2013 – and last week slid another 0.7% WoW to a new 52-week low of US\$1,304/t. Demand from PTA producers remained subdued although PTA-PX spread improved to above US\$100/t – still at below cash cost of US\$150/t. In the face of concerns over new PX supply, we expect PX price to continue its downward trend despite the closure of some PX plants for maintenance in the near term.
- **PET/PTA margin slid WoW on lower PET price.** Integrated PET/PTA spread weakened by 0.3% WoW to US\$291/t on lower PET price (-0.8% WoW) although feedstock prices, both MEG and PX, headed south, -0.9% and -0.7% WoW, respectively. We believe abnormally severe winter in western countries will continue to affect demand for PET resin in the near term.

Investment view: The petrochemical sector index rose 2.4% WoW but still underperformed the market (+3.2% WoW). We believe the boost came from a short-term market rally rather than positive sentiment on the sector's outlook given the risk from an economic slowdown in China. Valuation-wise, we still believe the current valuation of PTTGC, our top pick for the sector, is still undemanding at only 8x P/E for 2014, vs. 16x of its regional peers, plus dividend yield of >5%.

Figure 1: Petrochemical price update

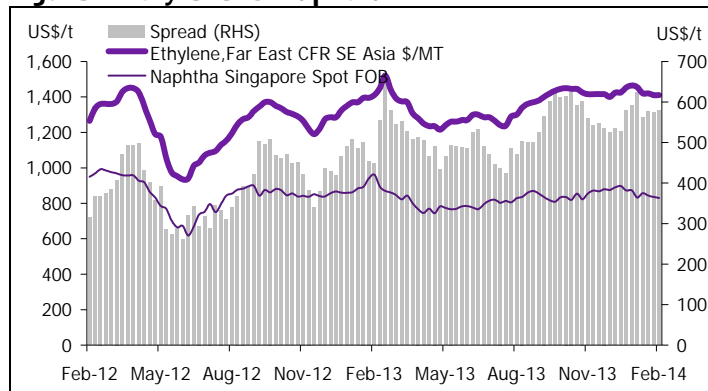
	Current 14-Feb-14	52-week High/Low	-1W	-1M	-3M	-6M	-12M	1Q14 QTD	4Q13	QoQ%	YTD	Chg.	%YoY	2014F projection
Price														
Naphtha Singapore Spot FOB	830	897/744	-0.6%	-0.2%	-2.9%	0.2%	-13.7%	849	855	-0.6%	849	-45	-5.1%	822
Ethylene, Far East CFR SE Asia \$/MT	1,410	1,520/1,215	0.0%	-3.1%	-0.4%	8.5%	0.0%	1,433	1,427	0.4%	1,433	60	4.3%	1,320
Propylene (C), Spot CFR F/E US/MT	1,478	1,503/1,280	0.3%	-1.3%	-0.2%	3.3%	5.5%	1,486	1,472	1.0%	1,486	142	10.5%	1,370
Polye HDPE Inj, South East Asia US/MT	1,560	1,570/1,425	-0.6%	0.6%	1.6%	6.5%	4.3%	1,556	1,530	1.7%	1,556	99	6.8%	1,440
Polye LDPE-Film, Spot S.E Asia US/MT	1,660	1,680/1,420	-0.6%	-0.6%	0.6%	6.4%	11.8%	1,671	1,664	0.4%	1,671	241	16.8%	1,490
Polye LLDPE Film, F/E Spot SE Asia \$/MT	1,570	1,585/1,410	-0.9%	0.0%	2.3%	6.1%	5.4%	1,576	1,546	2.0%	1,576	113	7.7%	1,480
PP Film, Spot South East Asia US/MT	1,570	1,580/1,440	0.0%	0.0%	2.6%	4.7%	0.6%	1,566	1,539	1.8%	1,566	39	2.5%	1,490
Related stocks														
PTTGC (-) IRPC (Neutral) SCC (-) TPIPL (-)														
Para-Xylene CFR Chin M. Por Spot \$/MT	1,304	1,698/1,304	-0.7%	-2.5%	-7.3%	-13.6%	-24.2%	1,346	1,432	-6.1%	1,346	-350	-20.6%	1,390
Benzene, Far East CFR Spot F/E US/MT	1,320	1,425/1,218	-1.5%	-3.5%	4.3%	3.5%	-7.5%	1,347	1,298	3.8%	1,347	-89	-6.2%	1,220
Related stocks														
PTTGC (-) TOP (-) ESSO (-)														
MEG, Far East Spot CFR F/E US/MT	981	1,157/944	-0.9%	-2.1%	-5.4%	-12.7%	-17.5%	1,003	1,043	-3.8%	1,003	-182	-15.4%	1,040
PTA CFR South East Asia	960	1,165/960	0.0%	-0.5%	-4.0%	-13.5%	-20.0%	969	1,009	-3.9%	969	-221	-18.5%	1,050
PET (Fibre Grade) A/P Spot CFR NEA \$/MT	1,270	1,540/1,270	-0.8%	-1.6%	-4.5%	-10.6%	-17.5%	1,289	1,330	-3.1%	1,289	-244	-15.9%	n.a.
Related stocks														
PTTGC (-) IVL (-)														
ABS Asia Pac. India Spot CFR US/MT	1,895	2,060/1,870	0.5%	0.5%	0.8%	-3.1%	-7.1%	1,889	1,904	-0.8%	1,889	-148	-7.3%	n.a.
Polystyrene-GP, Spot Hong Kong US/MT	1,780	1,915/1,765	-1.4%	-1.4%	0.8%	-7.0%	-6.6%	1,802	1,817	-0.8%	1,802	-79	-4.2%	n.a.
Related stocks														
IRPC (-)														
PVC, Spot South East Asia US/MT	1,030	1,083/950	-0.5%	-0.5%	5.1%	0.0%	-2.4%	1,031	1,003	2.8%	1,031	-9	-0.9%	1,030
Related stocks														
VNT (-) TPC (-)														
Product spread														
Ethylene - naphtha	580	650/424	0.9%	-6.9%	3.6%	23.0%	29.3%	584	572	2.0%	584	105	21.9%	498
Propylene - naphtha	647	665/444	1.6%	-2.7%	3.6%	7.7%	47.7%	637	617	3.3%	637	187	41.6%	548
HDPE - naphtha	730	735/615	-0.6%	1.6%	7.4%	14.7%	36.9%	706	675	4.7%	706	144	25.6%	618
LDPE - naphtha	830	851/601	-0.6%	-1.0%	4.4%	13.5%	58.6%	822	809	1.6%	822	286	53.3%	668
LDPE - Ethylene	250	323/225	-3.8%	16.3%	6.4%	-3.8%	233.3%	238	237	0.5%	238	181	316.9%	170
LLDPE - naphtha	740	750/606	-1.3%	0.2%	8.9%	13.6%	40.0%	727	691	5.2%	727	158	27.9%	658
PP - naphtha	740	740/657	0.7%	0.2%	9.7%	10.2%	23.7%	717	684	4.8%	717	84	13.2%	668
PX - naphtha	473	803/473	-0.8%	-6.4%	-14.0%	-30.5%	-37.6%	496	577	-14.1%	496	-304	-38.0%	568
BZ - naphtha	490	594/396	-2.9%	-8.5%	19.6%	9.8%	5.2%	498	443	12.4%	498	-43	-8.0%	398
MEG - Ethylene	107	324/93	-7.8%	6.9%	-33.1%	-66.4%	-66.0%	114	158	-27.7%	114	-219	-65.8%	222
PTA - PX	113	155/62	5.5%	17.9%	30.4%	-12.5%	38.0%	95	78	21.7%	95	7	7.4%	119
PET spread	178	273/128	-3.7%	-4.7%	-4.9%	10.6%	-5.4%	182	179	1.9%	182	-8	-4.2%	n.a.
Integrated PET/PTA spread	291	391/211	-0.3%	3.0%	6.3%	0.3%	7.7%	277	256	7.9%	277	-2	-0.5%	n.a.
ABS spread	1,072	1,272/1,040	0.2%	-0.2%	-7.8%	-13.1%	-7.1%	1,084	1,169	-7.3%	1,084	-84	-7.2%	n.a.
PS spread	328	565/303	-2.7%	8.4%	-7.6%	-38.1%	-10.9%	322	378	-14.7%	322	-27	-7.6%	n.a.
PVC - ethylene	325	398/258	-1.5%	5.7%	19.3%	-14.5%	-7.1%	314	289	8.7%	314	-39	-11.1%	370

Source: Datastream, SCBS Investment Research

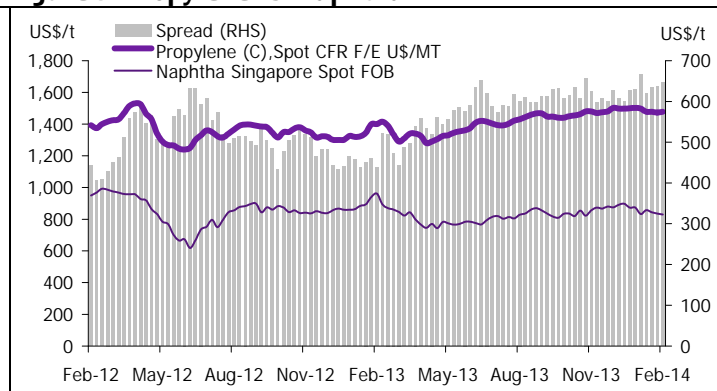
Note: Impact to related stocks is based on WoW performance

Tel. (662) 949-1000
 Fax: (662) 949-1030
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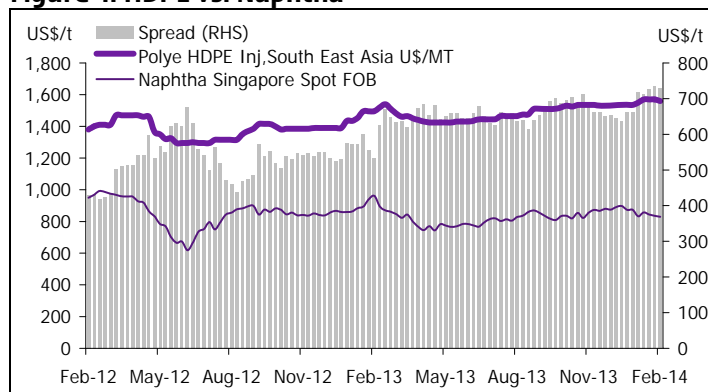
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Figure 2: Ethylene vs. Naphtha

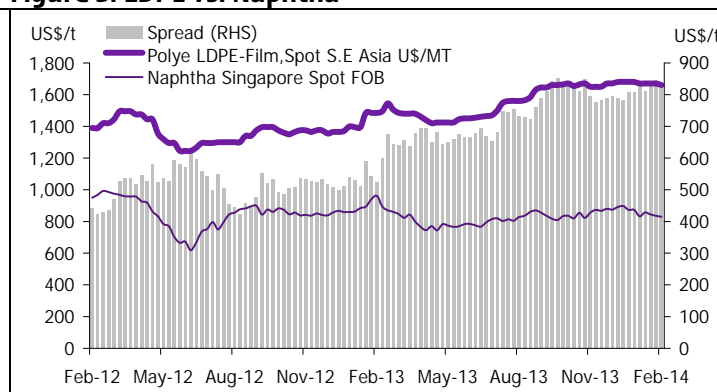
Source: Datastream, SCBS Investment Research

Figure 3: Propylene vs. Naphtha

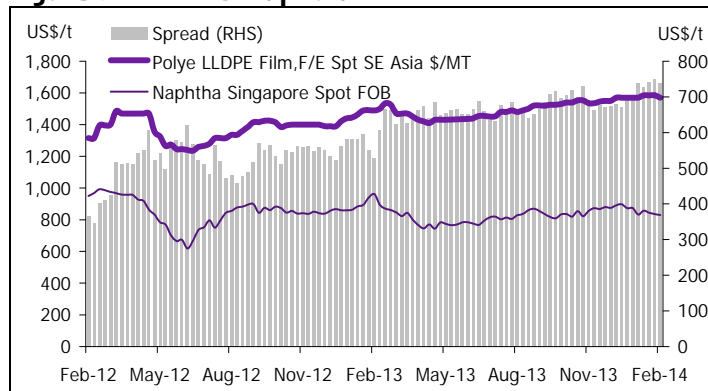
Source: Datastream, SCBS Investment Research

Figure 4: HDPE vs. Naphtha

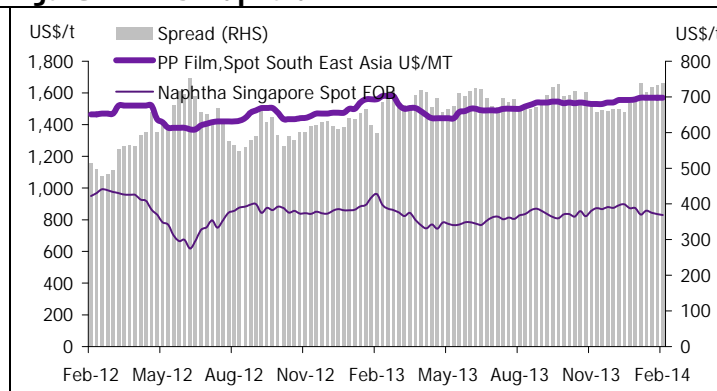
Source: Datastream, SCBS Investment Research

Figure 5: LDPE vs. Naphtha

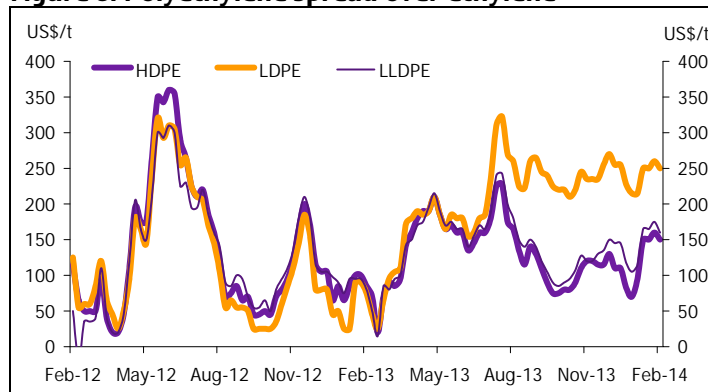
Source: Datastream, SCBS Investment Research

Figure 6: LLDPE vs. Naphtha

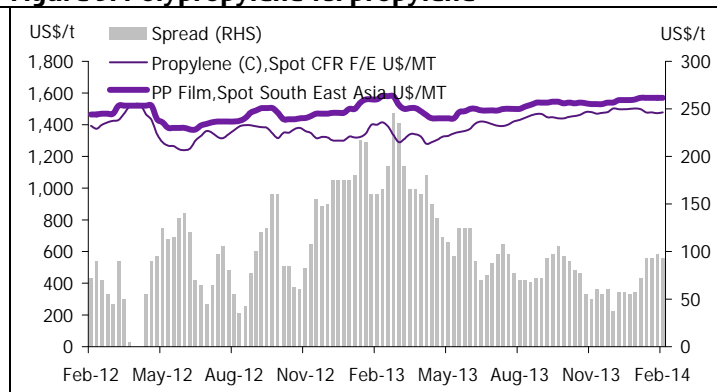
Source: Datastream, SCBS Investment Research

Figure 7: PP vs. Naphtha

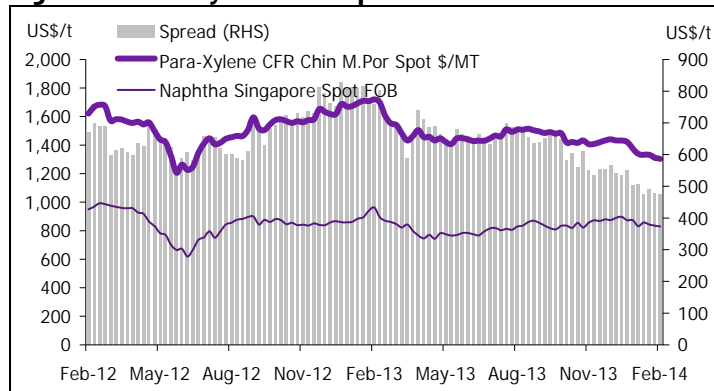
Source: Datastream, SCBS Investment Research

Figure 8: Polyethylene spread over ethylene

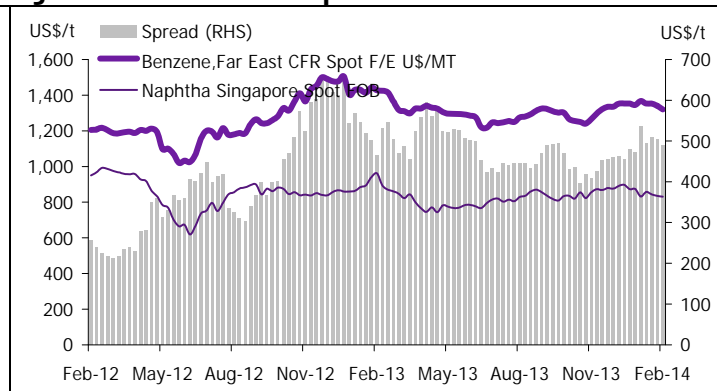
Source: Datastream, SCBS Investment Research

Figure 9: Polypropylene vs. propylene

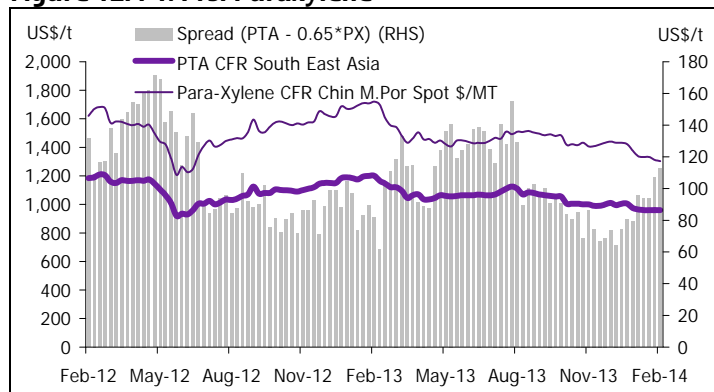
Source: Datastream, SCBS Investment Research

Figure 10: Paraxylene vs. Naphtha

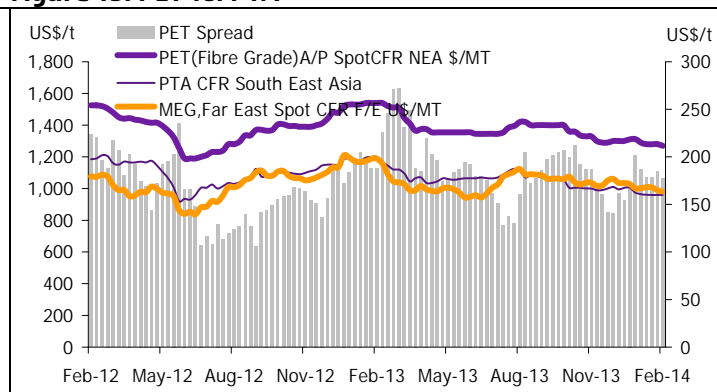
Source: Datastream, SCBS Investment Research

Figure 11: Benzene vs. Naphtha

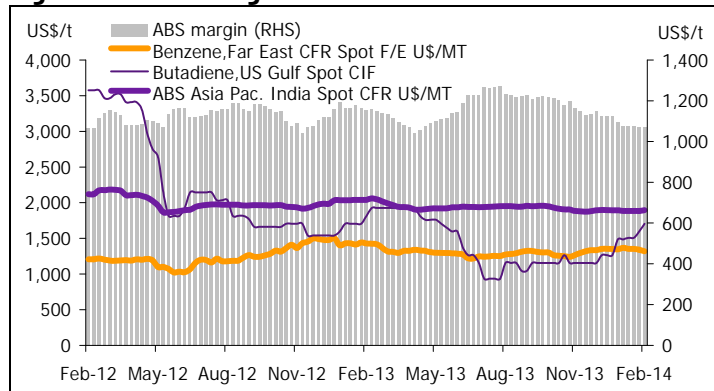
Source: Datastream, SCBS Investment Research

Figure 12: PTA vs. Paraxylene

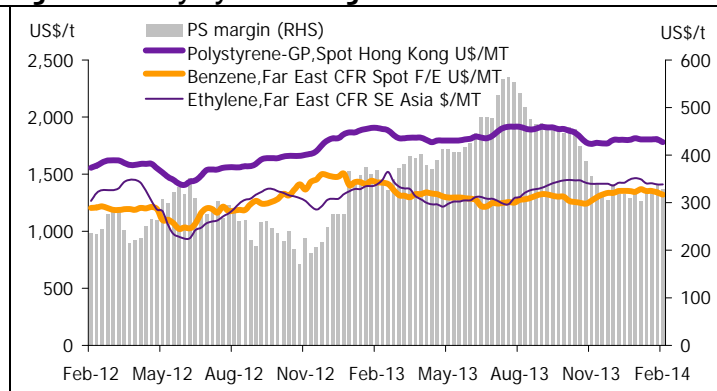
Source: Datastream, SCBS Investment Research

Figure 13: PET vs. PTA

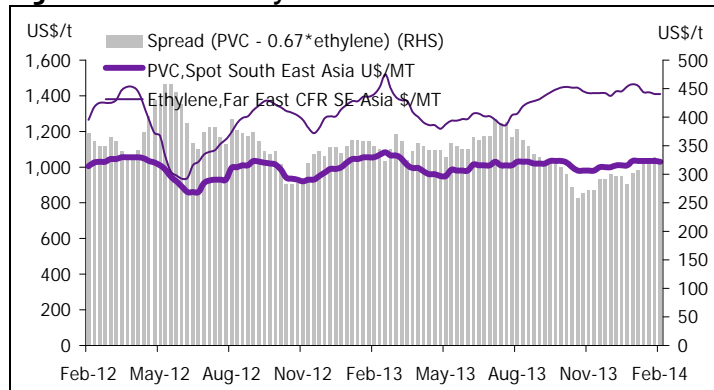
Source: Datastream, SCBS Investment Research

Figure 14: ABS margin

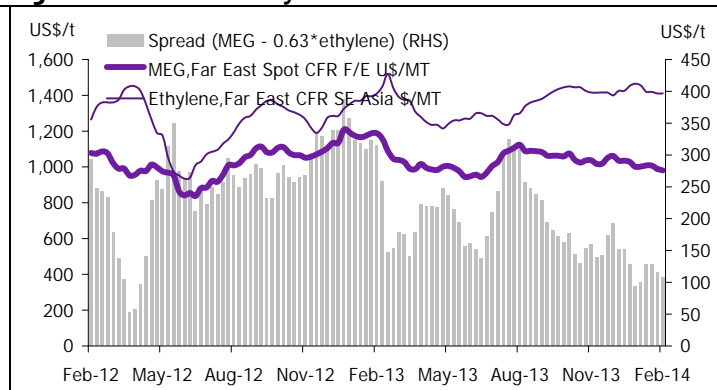
Source: Datastream, SCBS Investment Research

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	1,433	1,427	0%	1,433	1,360	1,320	↗
			Propylene (C), Spot CFR F/E US/MT	1,486	1,472	1%	1,486	1,417	1,370	↗
	HDPE	19%	Polye HDPE Inj, South East Asia US/MT	1,556	1,530	2%	1,556	1,491	1,440	↗
	LLDPE	7%	Polye LLDPE Film, F/E Spt SE Asia \$/MT	1,576	1,546	2%	1,576	1,502	1,480	↗
	LDPE	4%	Polye LDPE-Film, Spot S.E Asia US/MT	1,671	1,664	0%	1,671	1,567	1,490	↗
	MEG	6%	MEG, Far East Spot CFR F/E US/MT	1,003	1,043	-4%	1,003	1,029	1,040	↘
	PX	28%	PX - naphtha	496	577	-14%	496	624	568	↘
	BZ	15%	BZ - naphtha	498	443	12%	498	480	398	↗
IRPC	Ethylene/Propylene	15%	Ethylene - naphtha	584	572	2%	584	534	498	↗
			Propylene - naphtha	637	617	3%	637	590	548	↗
	HDPE	12%	HDPE - naphtha	706	675	5%	706	665	618	↗
	PP	28%	PP - naphtha	717	684	5%	717	693	668	↗
	ABS	7%	ABS spread	1,084	1,169	-7%	1,084	1,156	n.a.	↘
	BTX	23%	BZ - naphtha	498	443	12%	498	480	398	↗
	PS	12%	PS spread	322	378	-15%	322	408	n.a.	↗
SCC	HDPE	40%	HDPE - naphtha	706	675	5%	706	665	618	↗
	LDPE	3%	LDPE - naphtha	822	809	2%	822	740	668	↗
	LLDPE	3%	LLDPE - naphtha	727	691	5%	727	675	658	↗
	PP	25%	PP - naphtha	717	684	5%	717	693	668	↗
	PVC	28%	PVC - Ethylene/EDC	450	521	-14%	450	471	n.a.	↘
TPIPL	LDPE	60%	LDPE - Ethylene	238	237	1%	238	207	170	↗
TOP	PX	60%	PX - naphtha	496	577	-14%	496	624	568	↘
	BZ	21%	BZ - naphtha	498	443	12%	498	480	398	↗
IVL	PTA	25%	PTA - PX	95	78	22%	95	103	119	↗
	PET/Polyester	67%	PET spread	182	179	2%	182	187	n.a.	↘
	MEG	8%								
VNT	PVC	63%	PVC - ethylene	314	289	9%	314	331	370	↘
TPC	PVC	100%	PVC - Ethylene/EDC	450	521	-14%	450	471	n.a.	↘

Source: Datastream, SCBS Investment Research

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