

Petrochemical price monitor

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- **Ethylene down WoW on slow downstream demand.** Ethylene price edged down 0.3% WoW despite higher feedstock (naphtha) cost, up 1.1% WoW. This was due to continued lower downstream demand, particularly for PE. This may be a ST positive for non-integrated producers: product spread against ethylene increased 3-6% WoW. MEG-ethylene spread was only US\$18/t, down 28.3% WoW on sluggish demand in China. High ethylene price continued to lead PE producers to reduce operating rates on continued poor product spread. This will have limited impact on fully integrated producers as long as PE-ethylene margin remains positive.
- **PX price back to downward path.** PX price turned south again, down 8.3% WoW to a new 52-week low of US\$1,143/t. The price has declined >20% over the past three months on concerns about the flood of new supply since early last year. Higher demand for downstream could support the short-term price movement but will not change the medium term trend of lower price, in our view.
- **Summer demand: near-term support to PET price.** Integrated PET/PTA spread jumped 12.7% WoW to US\$356/t on lower feedstock cost, mainly PX; PTA and PET prices slid 2-2.7% WoW on slow demand, especially for polyester. Buying interest in PET bottle grade across Asia pushed regional prices up sharply ahead of the summer, with El Nino possibly triggering a drought in SE Asia and Australia.

Investment view: IVL (Neutral, TP: Bt24) share performed well last week, up 8.4% WoW, against the petrochemical sector index (+1.4% WoW) and the overall market (+2.1% WoW). We believe this reflects short-term positive sentiment on product spread as summer is approaching and could spark PET price. We expect IVL share price to improve in the near term. Sector wise, we still prefer PTTGC (BUY, TP: Bt92) on the upcycle of olefins chain in 2014F and SCC (BUY, TP: Bt540) should also benefit from this.

Figure 1: Petrochemical price update

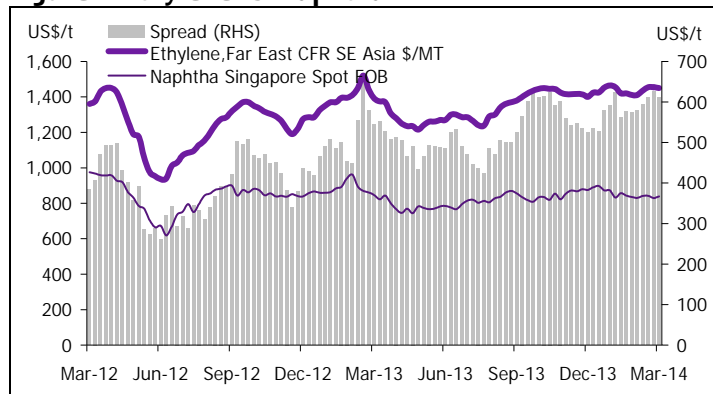
	Current 14-Mar-14	52-week High/Low	-1W	-1M	-3M	-6M	-12M	1Q14 QTD	4Q13	QoQ%	YTD	Chg.	%YoY	2014F projection
Price														
Naphtha Singapore Spot FOB	839	897/744	1.1%	1.0%	-4.1%	-2.0%	-0.8%	845	855	-1.1%	845	-40	-4.5%	822
Ethylene, Far East CFR SE Asia \$/MT	1,450	1,465/1,215	-0.3%	2.8%	3.6%	5.1%	4.3%	1,439	1,427	0.8%	1,439	38	2.7%	1,320
Propylene (C), Spot CFR F/E US/MT	1,428	1,503/1,280	-1.2%	-3.4%	-5.0%	-2.7%	10.7%	1,471	1,472	0.0%	1,471	122	9.0%	1,370
Polye HDPE Inj, South East Asia US/MT	1,540	1,570/1,425	0.0%	-1.3%	0.7%	2.0%	4.1%	1,549	1,530	1.3%	1,549	72	4.9%	1,440
Polye LDPE-Film, Spot S.E Asia US/MT	1,600	1,680/1,420	0.0%	-3.6%	-4.2%	-2.7%	7.7%	1,647	1,664	-1.0%	1,647	189	12.9%	1,490
Polye LLDPE Film, F/E Spot SE Asia \$/MT	1,550	1,585/1,410	-0.3%	-1.3%	0.0%	2.0%	5.4%	1,564	1,546	1.2%	1,564	84	5.7%	1,480
PP Film, Spot South East Asia US/MT	1,560	1,570/1,440	0.0%	-0.6%	1.3%	1.3%	2.3%	1,564	1,539	1.6%	1,564	22	1.4%	1,490
Related stocks														
PTTGC (Neutral) IRPC (-) SCC (-) TPIPL (+)														
Para-Xylene CFR Chin M. Por Spot \$/MT	1,143	1,515/1,143	-8.3%	-12.4%	-20.7%	-23.6%	-25.8%	1,301	1,432	-9.2%	1,301	-359	-21.6%	1,390
Benzene, Far East CFR Spot F/E US/MT	1,220	1,368/1,218	-3.4%	-7.6%	-8.6%	-7.9%	-7.3%	1,317	1,298	1.5%	1,317	-99	-7.0%	1,220
Related stocks														
PTTGC (-) TOP (-) ESSO (-)														
MEG, Far East Spot CFR F/E US/MT	917	1,124/905	-1.1%	-6.6%	-13.6%	-15.5%	-11.8%	973	1,043	-6.7%	973	-175	-15.2%	1,040
PTA CFR South East Asia	885	1,125/885	-2.7%	-7.3%	-12.4%	-17.3%	-21.0%	944	1,009	-6.4%	944	-227	-19.4%	1,050
PET (Fibre Grade) A/P Spot CFR NEA \$/MT	1,225	1,445/1,225	-2.0%	-3.5%	-5.8%	-12.5%	-18.9%	1,275	1,330	-4.1%	1,275	-253	-16.6%	n.a.
Related stocks														
PTTGC (-) IVL (+)														
ABS Asia Pac. India Spot CFR US/MT	1,875	1,965/1,870	0.0%	-1.1%	-1.1%	-4.1%	-5.8%	1,887	1,904	-0.9%	1,887	-146	-7.2%	n.a.
Polystyrene-GP, Spot Hong Kong US/MT	1,740	1,915/1,740	0.0%	-2.2%	-3.3%	-9.1%	-4.1%	1,784	1,817	-1.8%	1,784	-90	-4.8%	n.a.
Related stocks														
IRPC (Neutral)														
PVC, Spot South East Asia US/MT	1,050	1,070/950	0.0%	1.9%	5.0%	2.9%	-1.4%	1,040	1,003	3.7%	1,040	-11	-1.1%	1,030
Related stocks														
VNT (+) TPC (-)														
Product spread														
Ethylene - naphtha	611	626/424	-2.3%	5.4%	16.4%	16.6%	12.3%	594	572	3.7%	594	77	14.9%	498
Propylene - naphtha	589	665/487	-4.3%	-9.1%	-6.2%	-3.8%	32.5%	626	617	1.5%	626	162	34.8%	548
HDPE - naphtha	701	735/615	-1.3%	-3.9%	7.1%	7.2%	10.5%	704	675	4.3%	704	111	18.8%	618
LDPE - naphtha	761	851/637	-1.2%	-8.3%	-4.2%	-3.6%	19.1%	802	809	-0.9%	802	228	39.8%	668
LDPE - Ethylene	150	323/105	3.4%	-40.0%	-44.4%	-43.4%	57.9%	208	237	-12.0%	208	151	263.9%	170
LLDPE - naphtha	711	750/627	-2.0%	-3.9%	5.4%	7.1%	13.9%	718	691	4.0%	718	124	20.8%	658
PP - naphtha	721	740/657	-1.3%	-2.5%	8.5%	5.4%	6.2%	719	684	5.0%	719	62	9.4%	668
PX - naphtha	304	739/304	-27.1%	-35.9%	-46.3%	-52.6%	-56.3%	455	577	-21.2%	455	-320	-41.3%	568
BZ - naphtha	381	594/381	-11.9%	-22.2%	-17.1%	-18.8%	-19.0%	472	443	6.5%	472	-59	-11.1%	398
MEG - Ethylene	18	324/2	-28.3%	-83.6%	-90.9%	-92.3%	-90.2%	81	158	-48.5%	81	-198	-70.9%	222
PTA - PX	142	155/65	42.2%	32.2%	93.2%	45.9%	20.0%	99	78	26.8%	99	7	7.3%	119
PET spread	214	253/128	-0.9%	17.7%	51.9%	15.0%	-21.5%	198	179	11.0%	198	-15	-7.0%	n.a.
Integrated PET/PTA spread	356	364/211	12.7%	23.1%	66.1%	25.6%	-8.9%	297	256	15.8%	297	-8	-2.7%	n.a.
ABS spread	1,101	1,272/1,040	2.3%	2.8%	-4.0%	-10.4%	-3.0%	1,085	1,169	-7.2%	1,085	-75	-6.4%	n.a.
PS spread	356	565/303	10.9%	8.3%	4.8%	-24.0%	-4.4%	326	378	-13.7%	326	-23	-6.6%	n.a.
PVC - ethylene	325	398/258	0.8%	0.0%	8.3%	-1.5%	-12.2%	321	289	10.9%	321	-30	-8.5%	370

Source: Datastream, SCBS Investment Research

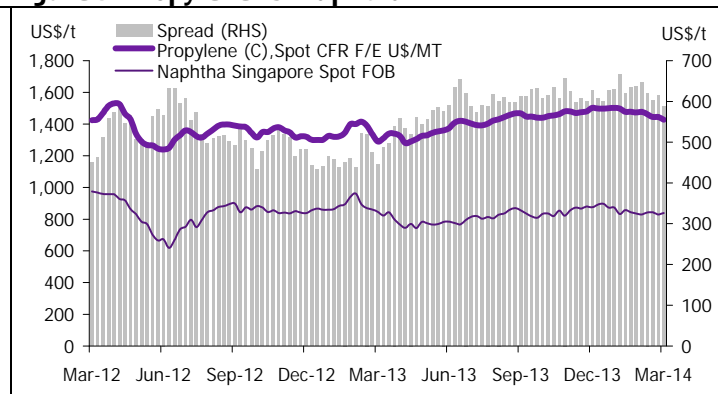
Note: Impact to related stocks is based on WoW performance

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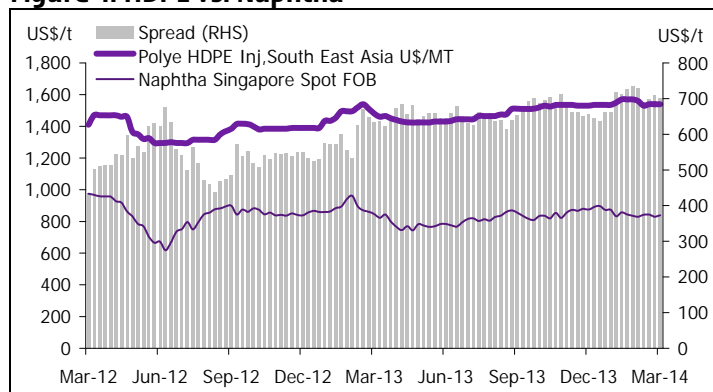
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Figure 2: Ethylene vs. Naphtha

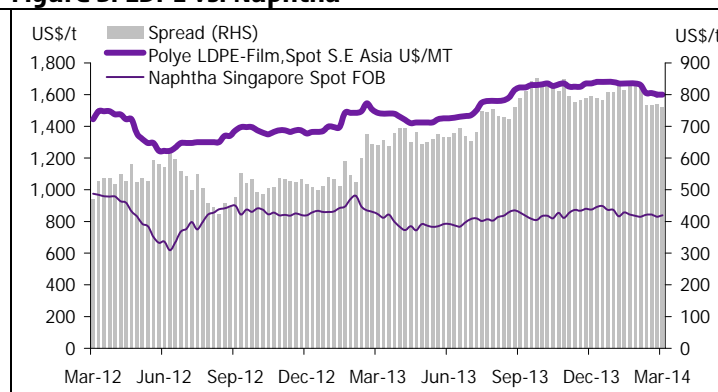
Source: Datastream, SCBS Investment Research

Figure 3: Propylene vs. Naphtha

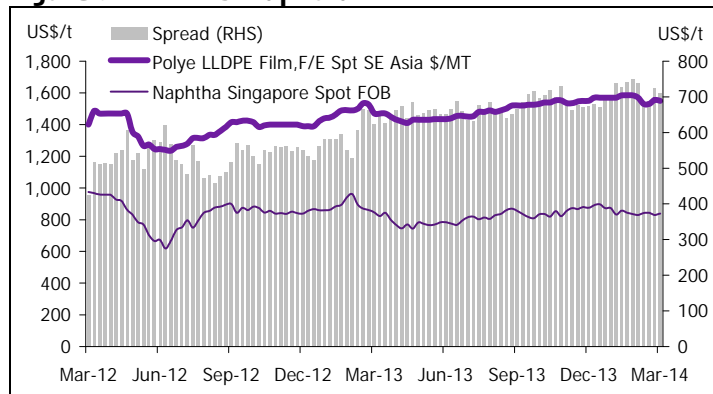
Source: Datastream, SCBS Investment Research

Figure 4: HDPE vs. Naphtha

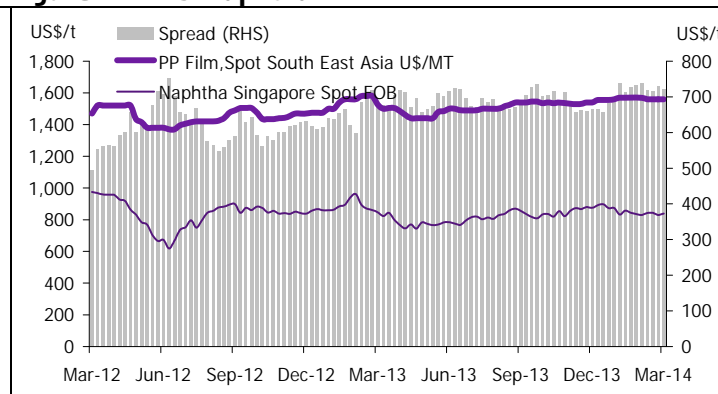
Source: Datastream, SCBS Investment Research

Figure 5: LDPE vs. Naphtha

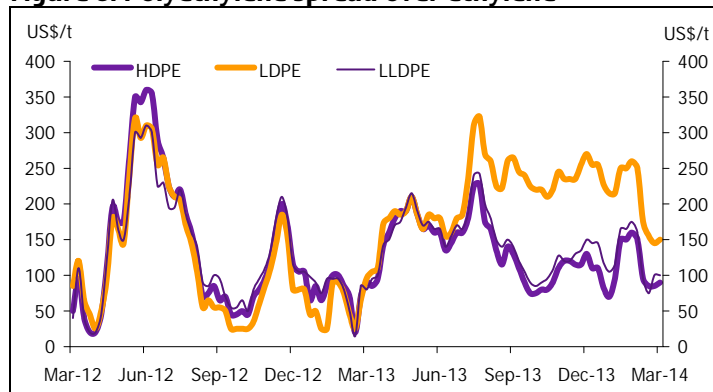
Source: Datastream, SCBS Investment Research

Figure 6: LLDPE vs. Naphtha

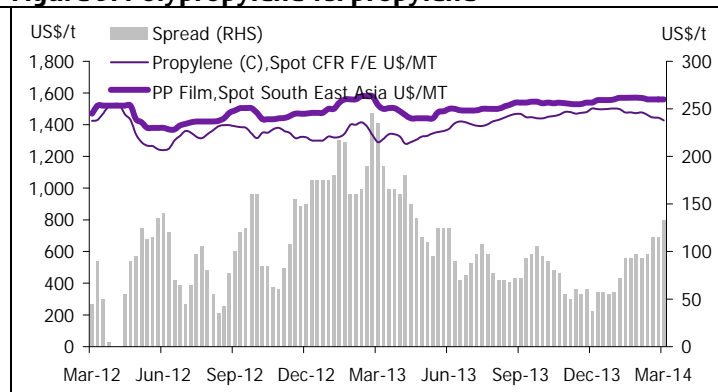
Source: Datastream, SCBS Investment Research

Figure 7: PP vs. Naphtha

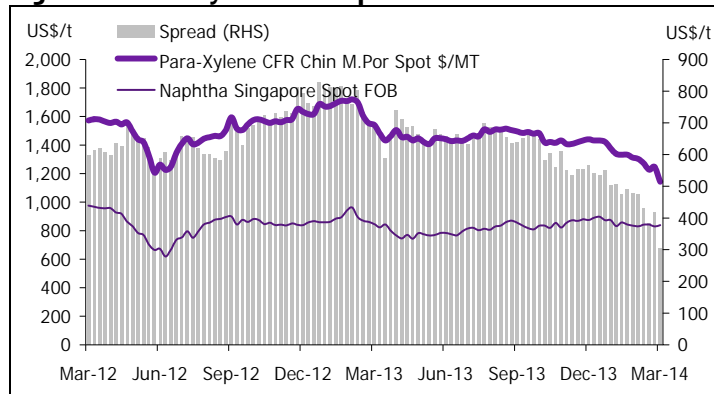
Source: Datastream, SCBS Investment Research

Figure 8: Polyethylene spread over ethylene

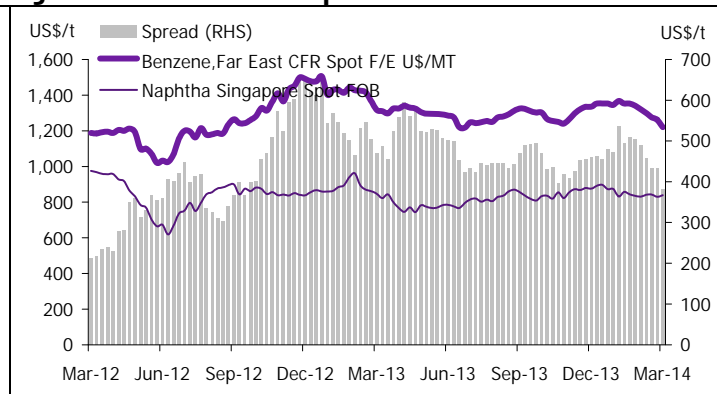
Source: Datastream, SCBS Investment Research

Figure 9: Polypropylene vs. propylene

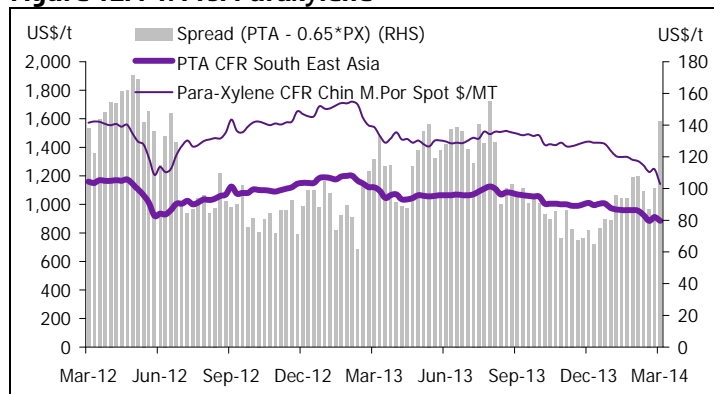
Source: Datastream, SCBS Investment Research

Figure 10: Paraxylene vs. Naphtha

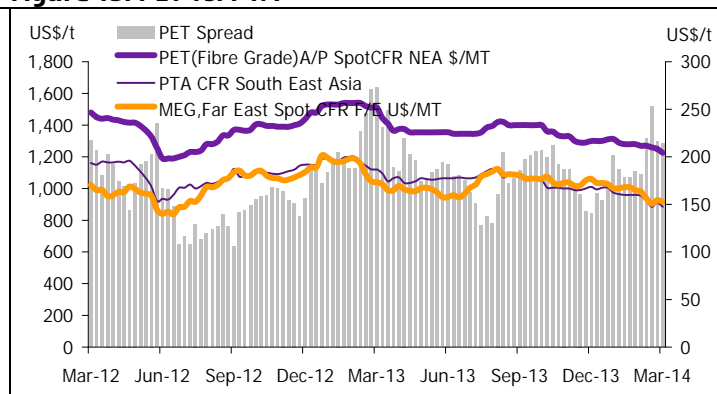
Source: Datastream, SCBS Investment Research

Figure 11: Benzene vs. Naphtha

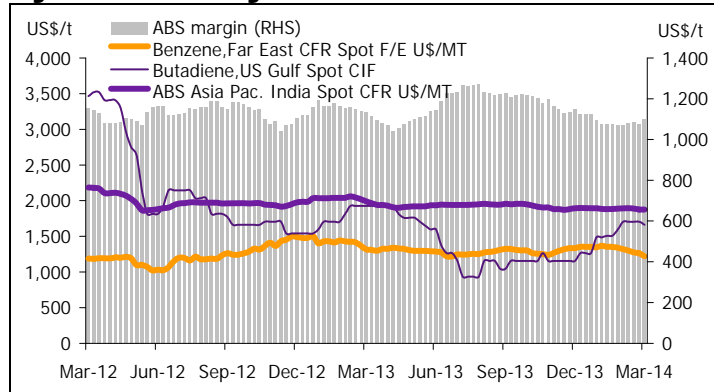
Source: Datastream, SCBS Investment Research

Figure 12: PTA vs. Paraxylene

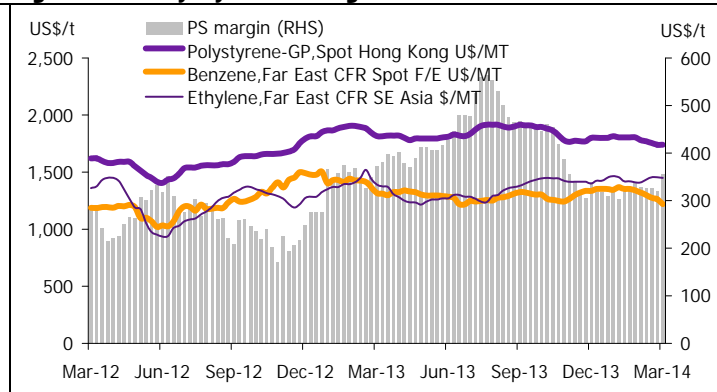
Source: Datastream, SCBS Investment Research

Figure 13: PET vs. PTA

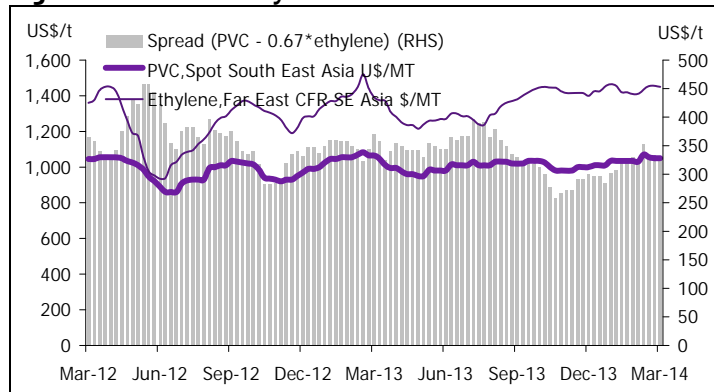
Source: Datastream, SCBS Investment Research

Figure 14: ABS margin

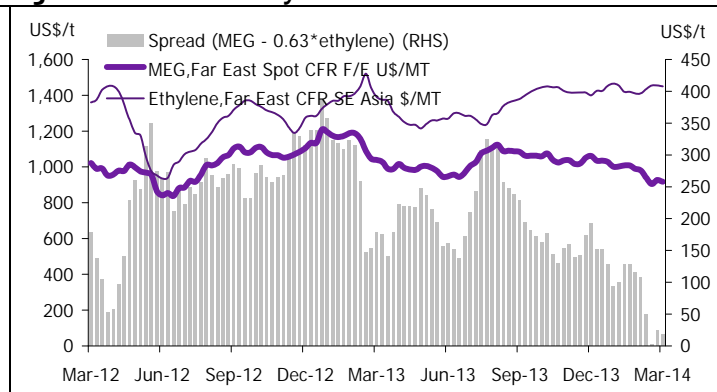
Source: Datastream, SCBS Investment Research

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	1,439	1,427	1%	1,439	1,360	1,320	↗
			Propylene (C), Spot CFR F/E US/MT	1,471	1,472	0%	1,471	1,423	1,370	↘
	HDPE	19%	Polye HDPE Inj, South East Asia US/MT	1,549	1,530	1%	1,549	1,493	1,440	→
	LLDPE	7%	Polye LLDPE Film, F/E Spt SE Asia \$/MT	1,564	1,546	1%	1,564	1,504	1,480	↗
	LDPE	4%	Polye LDPE-Film, Spot S.E Asia US/MT	1,647	1,664	-1%	1,647	1,574	1,490	↗
	MEG	6%	MEG, Far East Spot CFR F/E US/MT	973	1,043	-7%	973	1,017	1,040	↘
	PX	28%	PX - naphtha	455	577	-21%	455	598	568	↘
IRPC	BZ	15%	BZ - naphtha	472	443	6%	472	473	398	↘
	Ethylene/Propylene	15%	Ethylene - naphtha	594	572	4%	594	536	498	↗
			Propylene - naphtha	626	617	2%	626	599	548	↘
	HDPE	12%	HDPE - naphtha	704	675	4%	704	669	618	→
	PP	28%	PP - naphtha	719	684	5%	719	695	668	→
	ABS	7%	ABS spread	1,085	1,169	-7%	1,085	1,151	n.a.	→
	BTX	23%	BZ - naphtha	472	443	6%	472	473	398	↘
SCC	PS	12%	PS spread	326	378	-14%	326	407	n.a.	↗
	HDPE	40%	HDPE - naphtha	704	675	4%	704	669	618	→
	LDPE	3%	LDPE - naphtha	802	809	-1%	802	750	668	↘
	LLDPE	3%	LLDPE - naphtha	718	691	4%	718	680	658	→
	PP	25%	PP - naphtha	719	684	5%	719	695	668	→
	PVC	28%	PVC - Ethylene/EDC	430	521	-18%	430	460	n.a.	→
TPIPL	LDPE	60%	LDPE - Ethylene	208	237	-12%	208	214	170	↘
TOP	PX	60%	PX - naphtha	455	577	-21%	455	598	568	↘
	BZ	21%	BZ - naphtha	472	443	6%	472	473	398	↘
IVL	PTA	25%	PTA - PX	99	78	27%	99	104	119	↗
	PET/Polyester	67%	PET spread	198	179	11%	198	185	n.a.	↗
	MEG	8%								
VNT	PVC	63%	PVC - ethylene	321	289	11%	321	330	370	→
TPC	PVC	100%	PVC - Ethylene/EDC	430	521	-18%	430	460	n.a.	→

Source: Datastream, SCBS Investment Research

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