

## Petrochemical price monitor

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- **PE prices down WoW but low inventory could spark prices.** Ethylene price was steady WoW after a 3-week slide, but most PE prices fell 0.3-0.6% WoW on lower ethylene price in previous weeks and weaker demand. We see higher PE prices ahead, especially HDPE, on lower inventory in China. There are reports of plant shutdowns in the region, i.e. Sinopec plants in China with combined HDPE capacity of 550ktpa. Both integrated and non-integrated producers will be hit by narrower PE margin this week, but with some offset by higher PP and PP-naphththa spread of 0.3% and 1.9%, respectively, the first rise in 10 weeks. IRPC and SCC will benefit since PP accounts for more than 20% of their total capacity.
- **Weaker PX price urges more shutdowns.** PX price turned back down, slipping 2% WoW to US\$1,218/t, weakening margin and causing producers to cut operating rates. There was news that at least two PX plants in China with combined capacity of nearly 1mtpa would suspend production with no restart date. This could give near-term support for PX price before the new wave of new capacity in 2H14.
- **PET/PTA producers continue to enjoy cheaper feedstock.** Integrated PET/PTA spread swung back 2.9% WoW to US\$297/t after a brief slide last week. Behind this was cheaper feedstock cost, although PTA and PET prices softened 0.4-1.6% WoW on improved product availability in the region after several plants returned from maintenance and PX and MEG cost fell. PET bottle-grade resin price rose WoW as demand trends were robust in key markets like China.

**Investment view:** Weaker product spread pushed the Petrochemical sector index down 3.9% WoW, underperforming the SET (-0.6% WoW). Share prices of PTTGC (BUY, TP: Bt92) and IVL (Neutral, TP: Bt24) dropped 4.2% and 4.9% WoW, respectively. We see more downside in the near term as product price and spread for PE continue to weaken. We also expect to see more interest in IVL at this level since the company should benefit from the better outlook for PET (bottle grade) during the summer.

Figure 1: Petrochemical price update

	Current 4-Apr-14	52-week High/Low	-1W	-1M	-3M	-6M	-12M	2Q14 QTD	1Q14	QoQ%	YTD	Chg.	%YoY	2014F projection
Price														
Naphtha Singapore Spot FOB	834	897/744	-1.0%	0.5%	-4.4%	3.1%	4.3%	834	844	-1.2%	844	-28	-3.2%	822
Ethylene, Far East CFR SE Asia \$/MT	1,440	1,465/1,215	0.0%	-1.0%	-0.9%	0.3%	10.1%	1,440	1,440	0.0%	1,440	49	3.5%	1,320
Propylene (C), Spot CFR F/E US/MT	1,375	1,503/1,280	0.2%	-4.8%	-8.3%	-4.5%	2.6%	1,375	1,458	-5.7%	1,452	107	8.0%	1,370
Polye HDPE Inj, South East Asia US/MT	1,545	1,570/1,425	-0.3%	0.3%	0.7%	2.3%	6.6%	1,545	1,548	-0.2%	1,548	75	5.1%	1,440
Polye LDPE-Film, Spot S.E Asia US/MT	1,610	1,680/1,420	-0.6%	0.6%	-4.2%	-3.0%	8.8%	1,610	1,642	-1.9%	1,639	176	12.0%	1,490
Polye LLDPE Film, F/E Spot SE Asia \$/MT	1,555	1,585/1,410	0.0%	0.0%	-1.0%	2.0%	7.2%	1,555	1,562	-0.4%	1,561	86	5.8%	1,480
PP Film, Spot South East Asia US/MT	1,555	1,570/1,440	0.3%	-0.3%	0.0%	0.6%	3.3%	1,555	1,562	-0.4%	1,561	28	1.8%	1,490
Related stocks			PTTGC (-)   IRPC (Neutral)   SCC (Neutral)   TPIPL (-)											
Para-Xylene CFR Chin M. Por Spot \$/MT	1,218	1,515/1,143	-2.0%	-2.3%	-14.4%	-17.7%	-16.8%	1,218	1,286	-5.3%	1,281	-335	-20.7%	1,390
Benzene, Far East CFR Spot F/E US/MT	1,250	1,368/1,218	2.0%	-1.0%	-7.6%	-4.0%	-5.7%	1,250	1,304	-4.1%	1,300	-93	-6.7%	1,220
Related stocks			PTTGC (Neutral)   TOP (-)   ESSO (-)											
MEG, Far East Spot CFR F/E US/MT	942	1,124/905	-0.1%	1.7%	-8.4%	-11.3%	-4.7%	942	967	-2.5%	965	-152	-13.6%	1,040
PTA CFR South East Asia	900	1,125/865	-1.6%	-1.1%	-10.4%	-14.7%	-15.5%	900	936	-3.8%	933	-216	-18.8%	1,050
PET (Fibre Grade)A/P Spot CFR NEA \$/MT	1,220	1,420/1,220	-0.4%	-2.4%	-6.9%	-12.9%	-10.6%	1,220	1,267	-3.7%	1,264	-238	-15.9%	n.a.
Related stocks			PTTGC (-)   IVL (+)											
ABS Asia Pac. India Spot CFR US/MT	1,895	1,955/1,870	0.8%	1.1%	0.0%	-3.1%	-2.3%	1,895	1,886	0.5%	1,887	-129	-6.4%	n.a.
Polystyrene-GP, Spot Hong Kong US/MT	1,750	1,915/1,740	0.3%	0.6%	-2.8%	-7.7%	-3.8%	1,750	1,778	-1.6%	1,776	-86	-4.6%	n.a.
Related stocks			IRPC (+)											
PVC, Spot South East Asia US/MT	1,018	1,070/950	-0.7%	-3.1%	0.7%	-1.7%	2.3%	1,018	1,040	-2.1%	1,038	-6	-0.5%	1,030
Related stocks			VNT (-)   TPC (-)											
Product spread														
Ethylene - naphtha	606	626/424	1.4%	-3.1%	4.5%	-3.2%	19.4%	606	595	1.8%	596	77	14.8%	498
Propylene - naphtha	541	665/520	2.1%	-12.1%	-13.8%	-14.3%	0.2%	541	614	-11.8%	608	135	28.4%	548
HDPE - naphtha	711	735/615	0.5%	0.1%	7.3%	1.4%	9.4%	711	704	1.0%	705	103	17.1%	618
LDPE - naphtha	776	851/643	-0.2%	0.7%	-3.9%	-8.8%	14.1%	776	797	-2.7%	796	204	34.4%	668
LDPE - Ethylene	170	323/145	-5.6%	17.2%	-25.3%	-24.4%	-1.4%	170	202	-15.8%	200	127	174.7%	170
LLDPE - naphtha	721	750/633	1.2%	-0.6%	3.4%	0.7%	10.9%	721	717	0.5%	718	113	18.7%	658
PP - naphtha	721	740/657	1.9%	-1.3%	5.7%	-2.1%	2.3%	721	717	0.5%	718	56	8.4%	668
PX - naphtha	383	739/304	-4.1%	-7.9%	-30.3%	-42.8%	-42.1%	383	442	-13.2%	438	-308	-41.3%	568
BZ - naphtha	416	594/381	8.8%	-3.9%	-13.3%	-15.8%	-20.8%	416	459	-9.4%	456	-66	-12.6%	398
MEG - Ethylene	49	324/2	-2.0%	101.6%	-61.4%	-71.5%	-72.3%	49	74	-33.5%	72	-182	-71.6%	222
PTA - PX	109	155/65	1.2%	8.5%	35.1%	16.0%	-5.0%	109	100	9.0%	100	2	2.3%	119
PET spread	188	253/128	3.9%	-12.8%	13.2%	-8.2%	0.0%	188	199	-5.3%	198	-17	-7.9%	n.a.
Integrated PET/PTA spread	297	352/211	2.9%	-6.0%	20.4%	-0.7%	-1.9%	297	299	-0.6%	298	-15	-4.7%	n.a.
ABS spread	1,108	1,272/1,040	0.4%	3.0%	-1.4%	-9.3%	2.5%	1,108	1,087	1.9%	1,089	-57	-5.0%	n.a.
PS spread	345	565/303	-4.1%	7.6%	11.2%	-23.3%	-12.5%	345	330	4.4%	331	-27	-7.4%	n.a.
PVC - ethylene	298	398/258	-2.5%	-7.8%	4.8%	-6.3%	-12.8%	298	320	-7.0%	318	-30	-8.7%	370

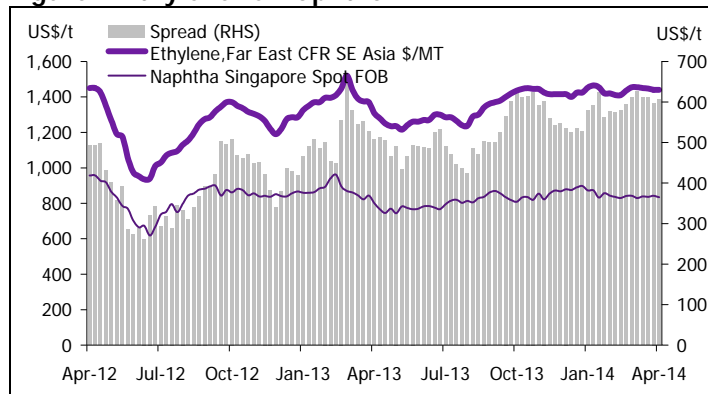
Source: Datastream, SCBS Investment Research

Note: Impact to related stocks is based on WoW performance

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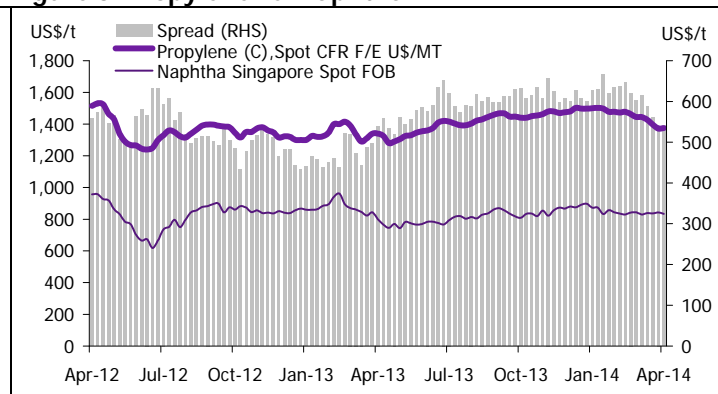
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Figure 2: Ethylene vs. Naphtha



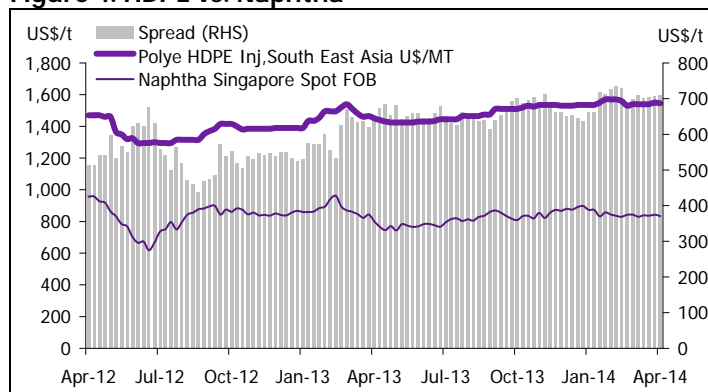
Source: Datastream, SCBS Investment Research

Figure 3: Propylene vs. Naphtha



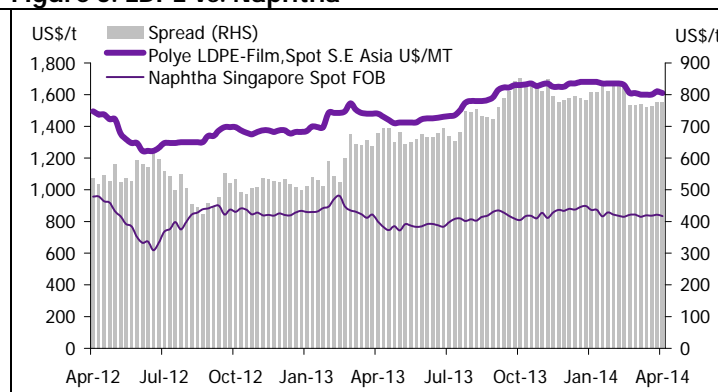
Source: Datastream, SCBS Investment Research

Figure 4: HDPE vs. Naphtha



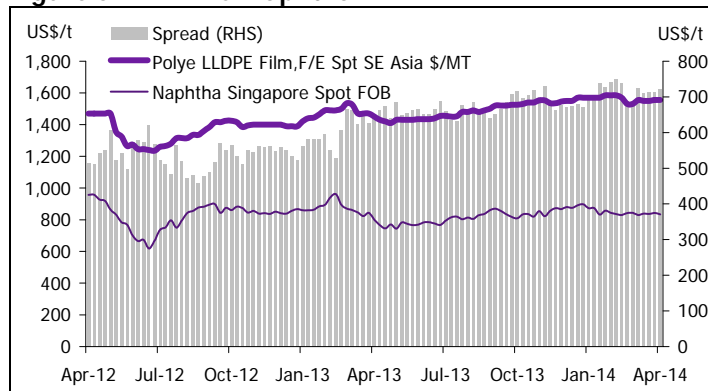
Source: Datastream, SCBS Investment Research

Figure 5: LDPE vs. Naphtha



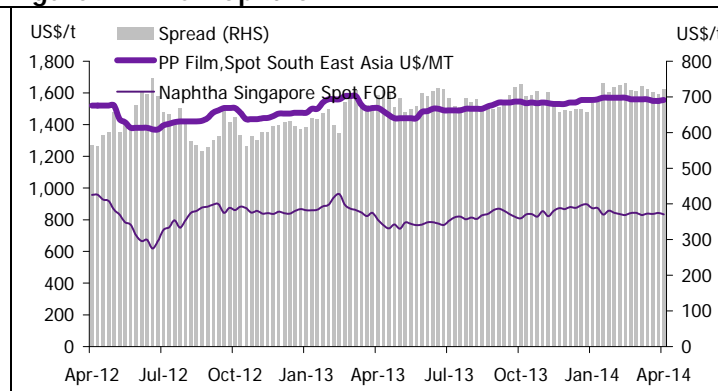
Source: Datastream, SCBS Investment Research

Figure 6: LLDPE vs. Naphtha



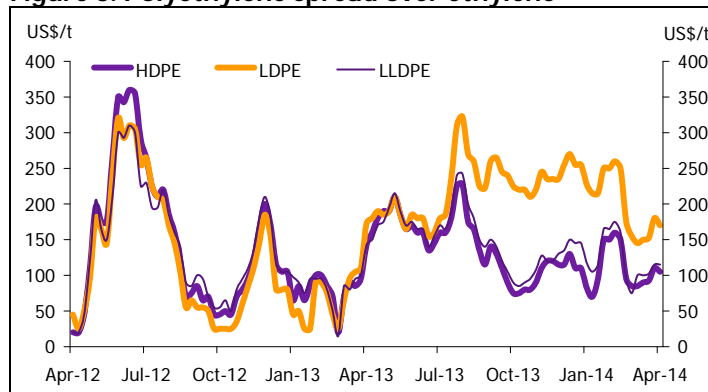
Source: Datastream, SCBS Investment Research

Figure 7: PP vs. Naphtha



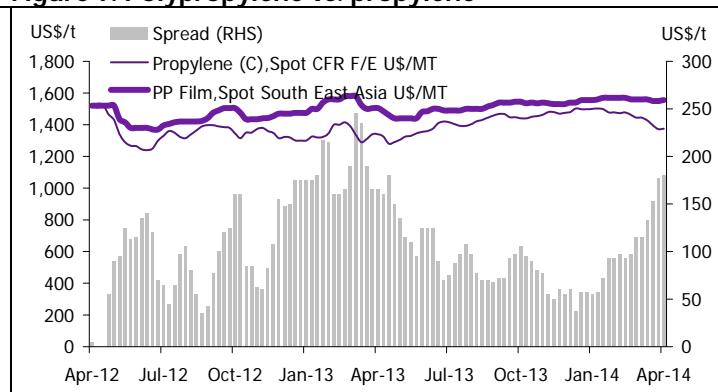
Source: Datastream, SCBS Investment Research

Figure 8: Polyethylene spread over ethylene



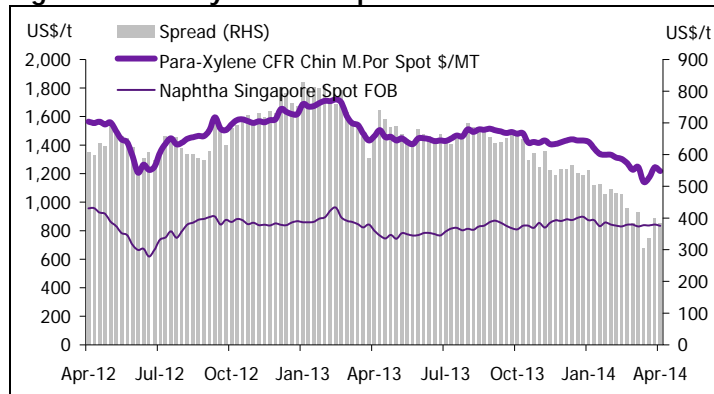
Source: Datastream, SCBS Investment Research

Figure 9: Polypropylene vs. propylene



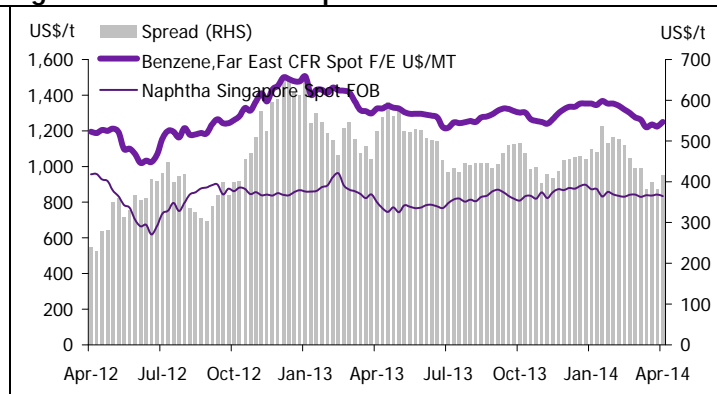
Source: Datastream, SCBS Investment Research

Figure 10: Paraxylene vs. Naphtha



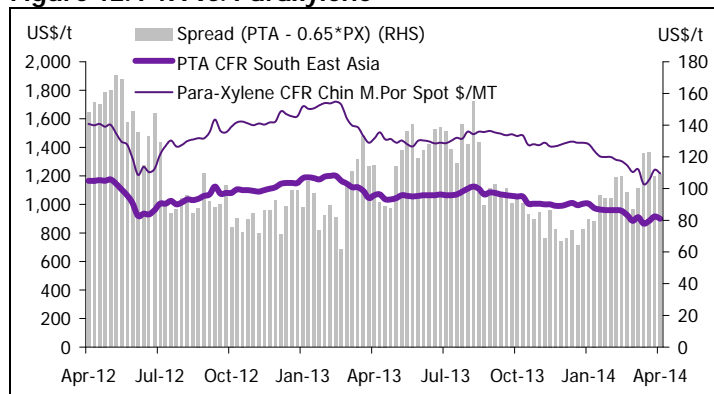
Source: Datastream, SCBS Investment Research

Figure 11: Benzene vs. Naphtha



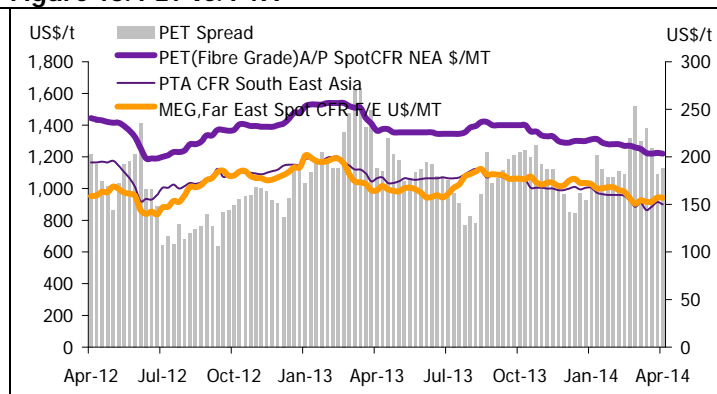
Source: Datastream, SCBS Investment Research

Figure 12: PTA vs. Paraxylene



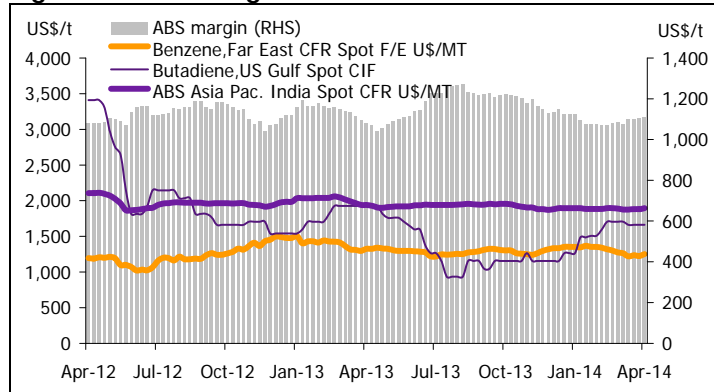
Source: Datastream, SCBS Investment Research

Figure 13: PET vs. PTA



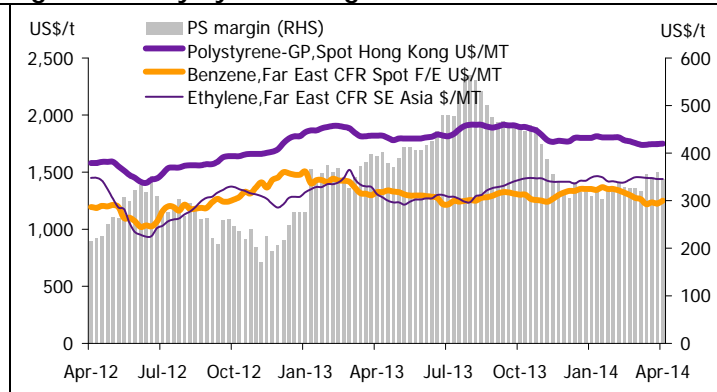
Source: Datastream, SCBS Investment Research

Figure 14: ABS margin



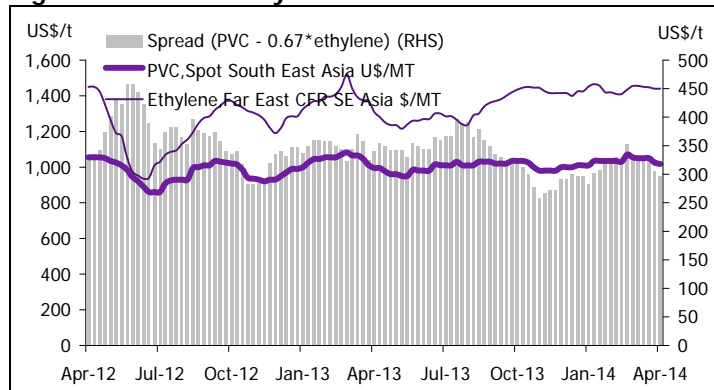
Source: Datastream, SCBS Investment Research

Figure 15: Polystyrene margin



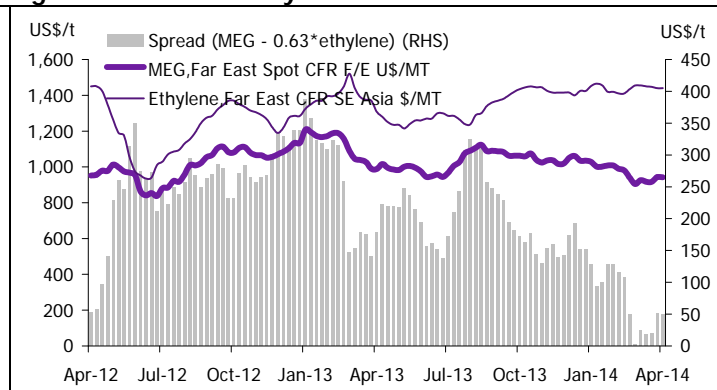
Source: Datastream, SCBS Investment Research

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	2Q14 QTD	1Q14	QoQ%	YTD	12MMA	2014F projection	Momentum
PTTGC	Ethylene/Propylene	21%	Ethylene, Far East CFR SE Asia \$/MT	1,440	1,440	0%	1,440	1,365	1,320	↗
			Propylene (C), Spot CFR F/E US/MT	1,375	1,458	-6%	1,452	1,426	1,370	↘
	HDPE	19%	Polye HDPE Inj, South East Asia US/MT	1,545	1,548	0%	1,548	1,498	1,440	↗
	LLDPE	7%	Polye LLDPE Film, F/E Spt SE Asia \$/MT	1,555	1,562	0%	1,561	1,510	1,480	→
	LDPE	4%	Polye LDPE-Film, Spot S.E Asia US/MT	1,610	1,642	-2%	1,639	1,582	1,490	→
	MEG	6%	MEG, Far East Spot CFR F/E US/MT	942	967	-3%	965	1,013	1,040	→
	PX	28%	PX - naphtha	383	442	-13%	438	582	568	↘
IRPC	BZ	15%	BZ - naphtha	416	459	-9%	456	468	398	↘
	Ethylene/Propylene	15%	Ethylene - naphtha	606	595	2%	596	540	498	→
			Propylene - naphtha	541	614	-12%	608	601	548	↘
	HDPE	12%	HDPE - naphtha	711	704	1%	705	673	618	↗
	PP	28%	PP - naphtha	721	717	0%	718	697	668	→
	ABS	7%	ABS spread	1,108	1,087	2%	1,089	1,151	n.a.	→
	BTX	23%	BZ - naphtha	416	459	-9%	456	468	398	↘
SCC	PS	12%	PS spread	345	330	4%	331	404	n.a.	↗
	HDPE	40%	HDPE - naphtha	711	704	1%	705	673	618	↗
	LDPE	3%	LDPE - naphtha	776	797	-3%	796	757	668	→
	LLDPE	3%	LLDPE - naphtha	721	717	0%	718	684	658	→
	PP	25%	PP - naphtha	721	717	0%	718	697	668	→
	PVC	28%	PVC - Ethylene/EDC	378	420	-10%	417	452	n.a.	↘
	TPIPL	60%	LDPE - Ethylene	170	202	-16%	200	217	170	→
TOP	PX	60%	PX - naphtha	383	442	-13%	438	582	568	↘
	BZ	21%	BZ - naphtha	416	459	-9%	456	468	398	↘
IVL	PTA	25%	PTA - PX	109	100	9%	100	103	119	↗
	PET/Polyester	67%	PET spread	188	199	-5%	198	184	n.a.	→
	MEG	8%								
VNT	PVC	63%	PVC - ethylene	298	320	-7%	318	328	370	↘
TPC	PVC	100%	PVC - Ethylene/EDC	378	420	-10%	417	452	n.a.	↘

Source: Datastream, SCBS Investment Research

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