

Petrochemical price monitor

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- **Higher feedstock cost raises ethylene price WoW.** Ethylene price rose 1.7% WoW, driven by higher feedstock cost while PE prices were steady WoW. An industry source reports purchase interest in China in spot markets as buyers begin to replenish depleted stocks. Still, the positive for SE Asia was small. Regional plant shutdowns (Sinopec plants in China with combined HDPE capacity of ~500ktpa) will reduce supply and this will be key for PE price for some weeks.
- **PX price up as more PTA plants back up.** Demand for PX edged up after regional PTA plants started back up after maintenance shutdowns. This led PX price up 0.4% WoW to US\$1,223/t but did not overturn the downward trend of PX price as QTD average is down 5.2% QoQ. Overall margin for aromatics producers was offset by higher BZ price (+2% WoW) on stronger demand in the west.
- **Lower PET and PTA prices narrowed integrated spread.** Integrated PET/PTA spread fell 3.2% WoW to US\$289/t as PET and PTA prices declined 0.6-0.8% WoW due to weak regional buying sentiment and poor polyester demand trend. Further, several PTA plants have resumed operations after maintenance shutdowns in late March. Price of PET bottle grade resin prices were steady in Asia.

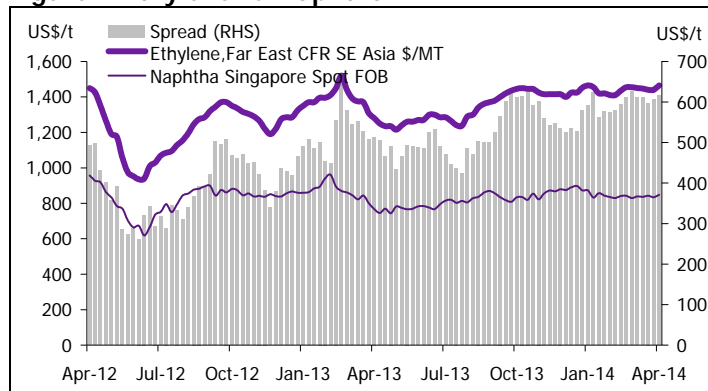
Investment view: The Petrochemical sector index was stable WoW, outperforming the SET (-0.2% WoW) on a quiet week ahead of the long Songkran weekend. We expect to see share price for companies in the sector ease this week on lower product spread and light trade as investors will stay on the sidelines in the holiday. We stick with PTTGC (BUY, TP: Bt92) as our top pick since expected weak 1Q14 earnings should be largely priced in. The valuation at 8x P/E is undemanding vs. >15x for regional peers.

Figure 1: Petrochemical price update

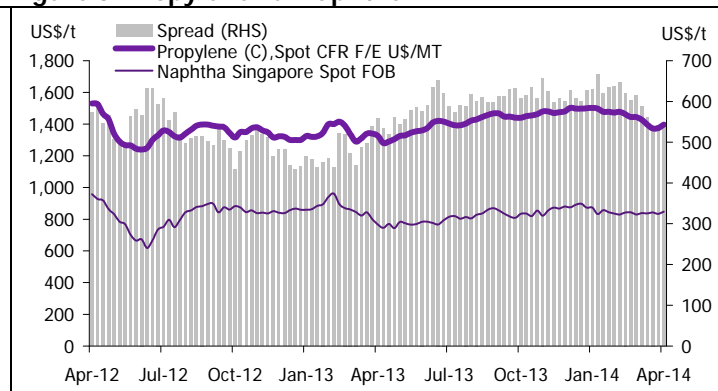
	Current 11-Apr-14	52-week High/Low	-1W	-1M	-3M	-6M	-12M	2Q14 QTD	1Q14	QoQ%	YTD	Chg.	%YoY	2014F projection
Price														
Naphtha Singapore Spot FOB	848	897/744	1.7%	1.1%	-2.9%	1.7%	10.7%	841	844	-0.4%	844	-20	-2.4%	822
Ethylene, Far East CFR SE Asia \$/MT	1,465	1,465/1,215	1.7%	1.0%	0.0%	1.4%	14.5%	1,453	1,440	0.9%	1,441	58	4.2%	1,320
Propylene (C), Spot CFR F/E US\$/MT	1,398	1,503/1,280	1.6%	-2.1%	-7.0%	-3.0%	5.5%	1,386	1,458	-4.9%	1,449	105	7.8%	1,370
Polye HDPE Inj, South East Asia US\$/MT	1,545	1,570/1,425	0.0%	0.3%	0.7%	1.6%	7.3%	1,545	1,548	-0.2%	1,548	77	5.2%	1,440
Polye LDPE-Film, Spot S.E Asia US\$/MT	1,610	1,680/1,420	0.0%	0.6%	-4.2%	-3.3%	10.3%	1,610	1,642	-1.9%	1,637	174	11.9%	1,490
Polye LLDPE Film, F/E Spot SE Asia \$/MT	1,555	1,585/1,410	0.0%	0.3%	-1.0%	1.6%	8.7%	1,555	1,562	-0.4%	1,561	88	6.0%	1,480
PP Film, Spot South East Asia US\$/MT	1,555	1,570/1,440	0.0%	-0.3%	-0.3%	1.3%	4.7%	1,555	1,562	-0.4%	1,561	31	2.0%	1,490
Related stocks														
PTTGC (Neutral) IRPC (-) SCC (-) TPIPL (-)														
Para-Xylene CFR Chin M. Por Spot \$/MT	1,223	1,515/1,143	0.4%	7.0%	-11.3%	-17.6%	-18.8%	1,220	1,286	-5.2%	1,277	-332	-20.6%	1,390
Benzene, Far East CFR Spot F/E US\$/MT	1,275	1,368/1,218	2.0%	4.5%	-5.2%	-2.1%	-3.8%	1,263	1,304	-3.2%	1,298	-90	-6.5%	1,220
Related stocks														
PTTGC (Neutral) TOP (-) ESSO (-)														
MEG, Far East Spot CFR F/E US\$/MT	928	1,124/905	-1.5%	1.3%	-7.3%	-12.4%	-8.7%	935	967	-3.3%	962	-147	-13.3%	1,040
PTA CFR South East Asia	895	1,125/865	-0.6%	3.5%	-8.2%	-15.2%	-16.4%	898	936	-4.1%	931	-213	-18.6%	1,050
PET (Fibre Grade) A/P Spot CFR NEA \$/MT	1,210	1,420/1,210	-0.8%	-1.2%	-7.8%	-13.6%	-12.0%	1,215	1,267	-4.1%	1,260	-234	-15.6%	n.a.
Related stocks														
PTTGC (-) IVL (-)														
ABS Asia Pac, India Spot CFR US\$/MT	1,895	1,955/1,870	0.0%	1.1%	0.0%	-2.8%	-1.8%	1,895	1,886	0.5%	1,887	-122	-6.1%	n.a.
Polystyrene-GP, Spot Hong Kong US\$/MT	1,750	1,915/1,740	0.0%	0.6%	-3.6%	-7.7%	-3.8%	1,750	1,778	-1.6%	1,774	-85	-4.6%	n.a.
Related stocks														
IRPC (-)														
PVC, Spot South East Asia US\$/MT	1,018	1,070/950	0.0%	-3.1%	-1.7%	-1.7%	2.3%	1,018	1,040	-2.1%	1,037	-4	-0.4%	1,030
Related stocks														
VNT (-) TPC (Neutral)														
Product spread														
Ethylene - naphtha	617	626/424	1.8%	1.0%	4.3%	0.9%	20.1%	611	595	2.7%	597	79	15.1%	498
Propylene - naphtha	549	665/520	1.6%	-6.6%	-12.6%	-9.4%	-1.7%	545	614	-11.2%	604	125	26.1%	548
HDPE - naphtha	697	735/615	-2.0%	-0.6%	5.4%	1.6%	3.4%	704	704	0.0%	704	97	16.1%	618
LDPE - naphtha	762	851/643	-1.8%	0.1%	-5.5%	-8.3%	9.8%	769	797	-3.5%	793	195	32.5%	668
LDPE - Ethylene	145	323/145	-14.7%	-3.3%	-32.6%	-34.1%	-19.4%	158	202	-22.0%	196	116	145.5%	170
LLDPE - naphtha	707	750/633	-1.9%	-0.6%	1.5%	1.5%	6.5%	714	717	-0.5%	717	109	17.8%	658
PP - naphtha	707	740/657	-1.9%	-2.0%	3.0%	0.8%	-1.6%	714	717	-0.5%	717	51	7.7%	668
PX - naphtha	374	710/304	-2.3%	23.3%	-25.7%	-42.4%	-49.3%	379	442	-14.2%	433	-311	-41.8%	568
BZ - naphtha	427	594/381	2.7%	12.0%	-9.4%	-8.9%	-23.6%	421	459	-8.2%	454	-70	-13.4%	398
MEG - Ethylene	20	324/2	-60.0%	12.6%	-78.9%	-87.9%	-91.2%	34	74	-53.5%	69	-184	-72.8%	222
PTA - PX	100	155/65	-7.6%	-18.0%	26.1%	10.6%	9.8%	105	100	4.8%	100	3	2.8%	119
PET spread	187	253/128	-0.6%	-18.5%	-7.1%	-9.4%	1.3%	188	199	-5.6%	197	-16	-7.4%	n.a.
Integrated PET/PTA spread	287	352/211	-3.2%	-18.3%	2.3%	-3.3%	4.1%	292	299	-2.1%	298	-13	-4.2%	n.a.
ABS spread	1,098	1,272/1,040	-1.0%	-0.3%	0.3%	-9.8%	2.4%	1,103	1,087	1.4%	1,089	-51	-4.5%	n.a.
PS spread	318	565/303	-7.8%	-10.6%	-3.0%	-28.9%	-20.9%	331	330	0.3%	330	-30	-8.4%	n.a.
PVC - ethylene	285	398/258	-4.2%	-12.3%	-5.8%	-8.8%	-19.7%	291	320	-8.9%	316	-33	-9.4%	370

Source: Datastream, SCBS Investment Research

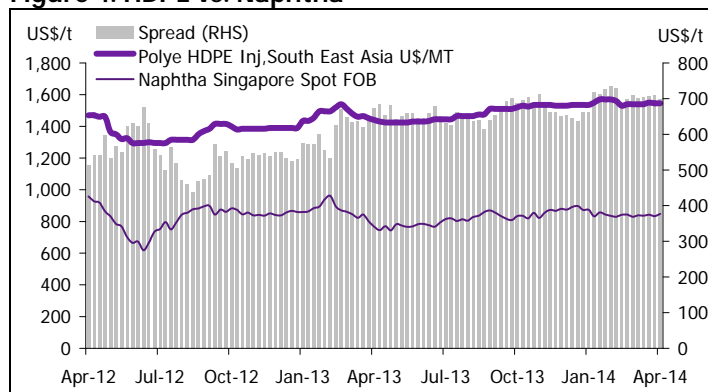
Note: Impact to related stocks is based on WoW performance

Figure 2: Ethylene vs. Naphtha

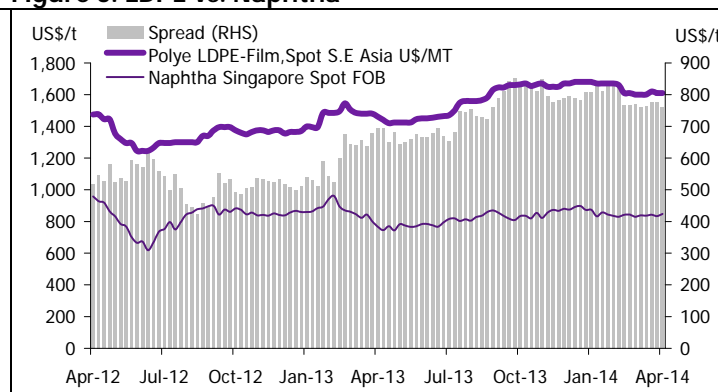
Source: Datastream, SCBS Investment Research

Figure 3: Propylene vs. Naphtha

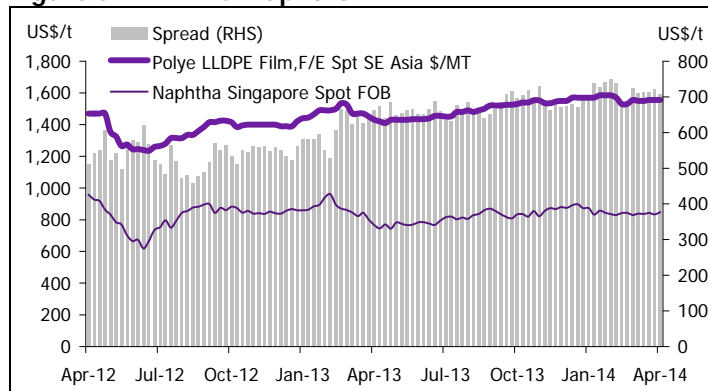
Source: Datastream, SCBS Investment Research

Figure 4: HDPE vs. Naphtha

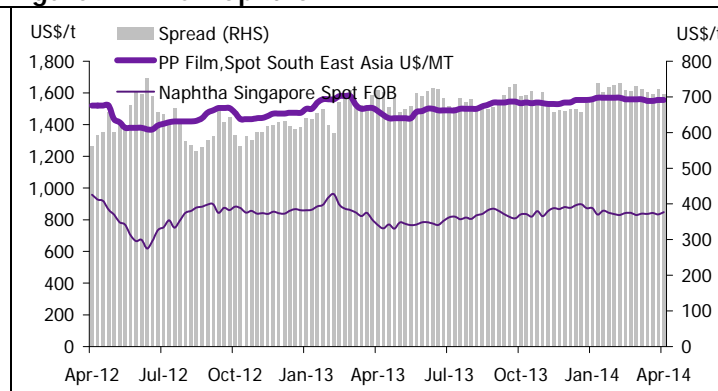
Source: Datastream, SCBS Investment Research

Figure 5: LDPE vs. Naphtha

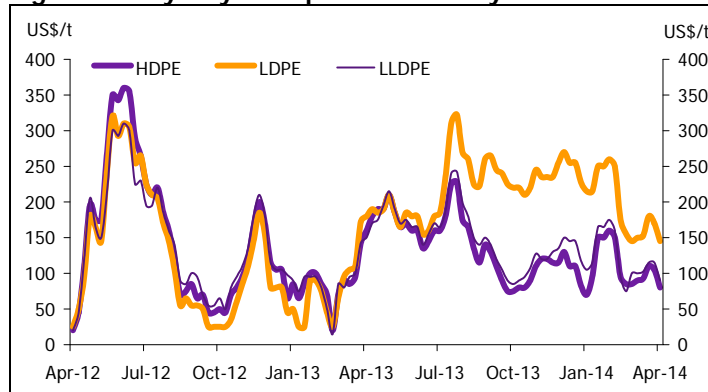
Source: Datastream, SCBS Investment Research

Figure 6: LLDPE vs. Naphtha

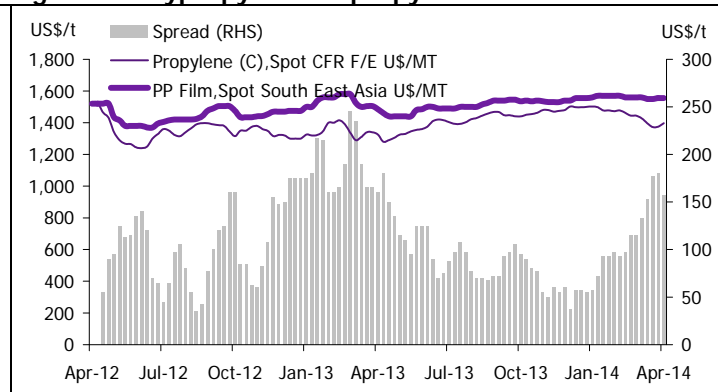
Source: Datastream, SCBS Investment Research

Figure 7: PP vs. Naphtha

Source: Datastream, SCBS Investment Research

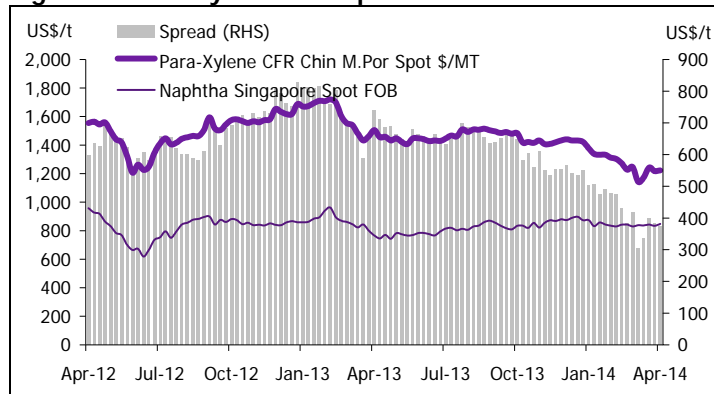
Figure 8: Polyethylene spread over ethylene

Source: Datastream, SCBS Investment Research

Figure 9: Polypropylene vs. propylene

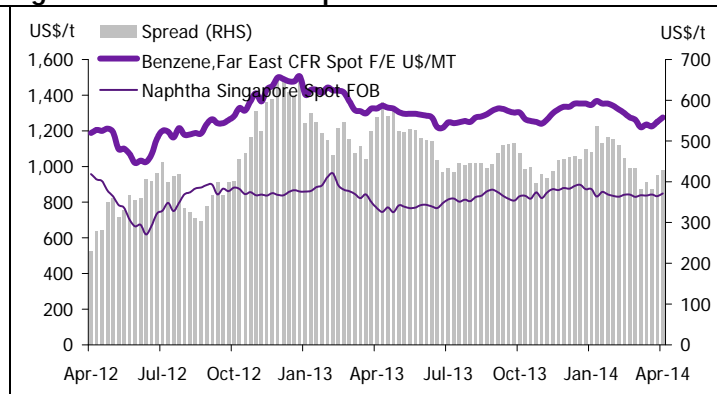
Source: Datastream, SCBS Investment Research

Figure 10: Paraxylene vs. Naphtha



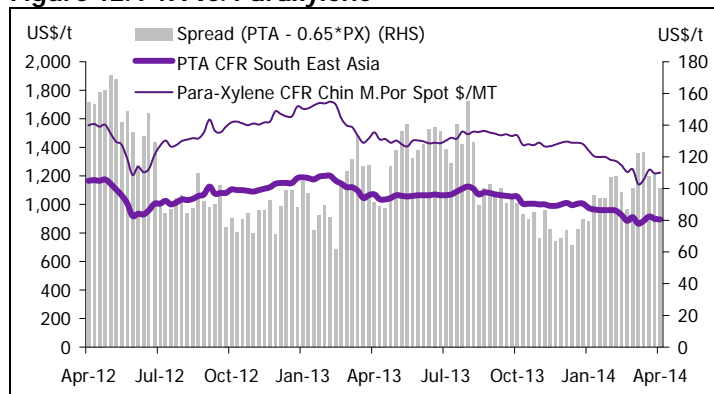
Source: Datastream, SCBS Investment Research

Figure 11: Benzene vs. Naphtha



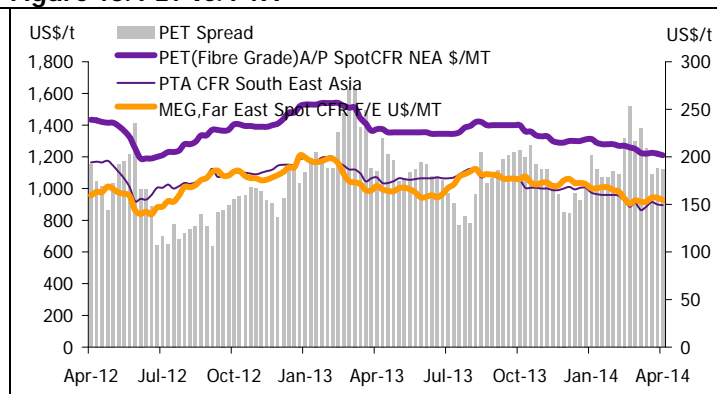
Source: Datastream, SCBS Investment Research

Figure 12: PTA vs. Paraxylene



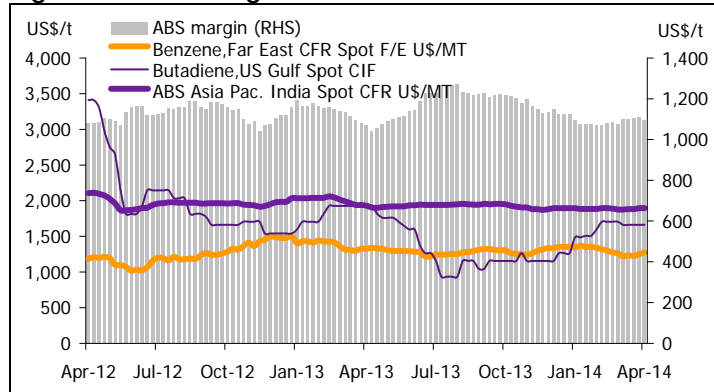
Source: Datastream, SCBS Investment Research

Figure 13: PET vs. PTA



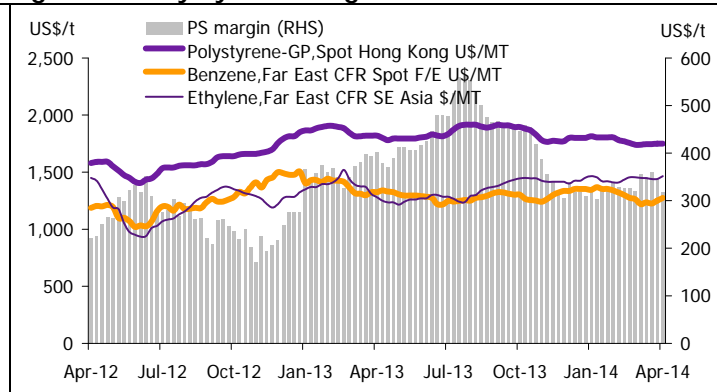
Source: Datastream, SCBS Investment Research

Figure 14: ABS margin



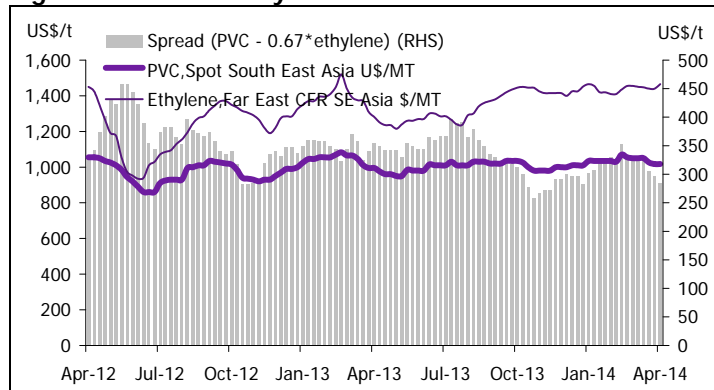
Source: Datastream, SCBS Investment Research

Figure 15: Polystyrene margin



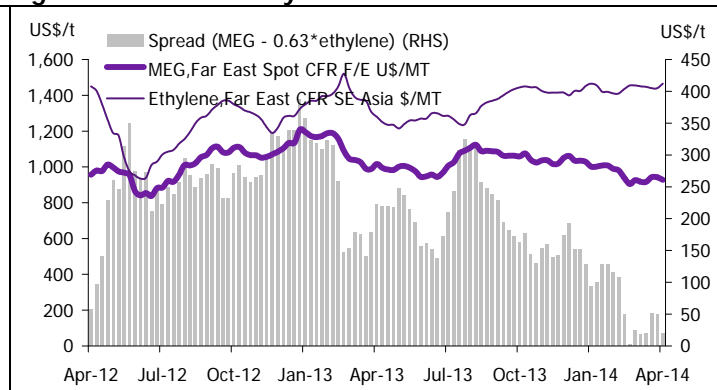
Source: Datastream, SCBS Investment Research

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	1,453	1,440	1%	1,441	1,369	1,320	→
			Propylene (C), Spot CFR F/E US/MT	1,386	1,458	-5%	1,449	1,428	1,370	↘
	HDPE	19%	Polye HDPE Inj, South East Asia US/MT	1,545	1,548	0%	1,548	1,500	1,440	↗
	LLDPE	7%	Polye LLDPE Film, F/E Spt SE Asia \$/MT	1,555	1,562	0%	1,561	1,512	1,480	→
	LDPE	4%	Polye LDPE-Film, Spot S.E Asia US/MT	1,610	1,642	-2%	1,637	1,585	1,490	→
	MEG	6%	MEG, Far East Spot CFR F/E US/MT	935	967	-3%	962	1,011	1,040	→
	PX	28%	PX - naphtha	379	442	-14%	433	575	568	→
IRPC	BZ	15%	BZ - naphtha	421	459	-8%	454	465	398	→
	Ethylene/Propylene	15%	Ethylene - naphtha	611	595	3%	597	542	498	↗
			Propylene - naphtha	545	614	-11%	604	601	548	↘
	HDPE	12%	HDPE - naphtha	704	704	0%	704	674	618	→
	PP	28%	PP - naphtha	714	717	0%	717	697	668	→
	ABS	7%	ABS spread	1,103	1,087	1%	1,089	1,152	n.a.	→
	BTX	23%	BZ - naphtha	421	459	-8%	454	465	398	→
SCC	PS	12%	PS spread	331	330	0%	330	403	n.a.	↘
	HDPE	40%	HDPE - naphtha	704	704	0%	704	674	618	→
	LDPE	3%	LDPE - naphtha	769	797	-4%	793	758	668	→
	LLDPE	3%	LLDPE - naphtha	714	717	0%	717	685	658	→
	PP	25%	PP - naphtha	714	717	0%	717	697	668	→
	PVC	28%	PVC - Ethylene/EDC	378	420	-10%	414	449	n.a.	↘
TPIPL	LDPE	60%	LDPE - Ethylene	158	202	-22%	196	216	170	↘
TOP	PX	60%	PX - naphtha	379	442	-14%	433	575	568	→
	BZ	21%	BZ - naphtha	421	459	-8%	454	465	398	→
IVL	PTA	25%	PTA - PX	107	100	7%	101	103	119	→
	PET/Polyester	67%	PET spread	186	199	-7%	197	184	n.a.	↘
	MEG	8%								
VNT	PVC	63%	PVC - ethylene	291	320	-9%	316	327	370	↘
TPC	PVC	100%	PVC - Ethylene/EDC	378	420	-10%	414	449	n.a.	↘

Source: Datastream, SCBS Investment Research

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