

Petrochemical price monitor

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- **Product spread for olefins and derivatives expanded WoW.** Naphtha-based PE producers enjoyed a 2.5-2.8% WoW wider product spread on lower naphtha cost (-2.2% WoW), thanks to softening oil price and stable product prices. PE prices were flat WoW ahead of Labor Day but remained on the high side of the 52-week range, boding well for naphtha-based producers SCC and IRPC. Though gas-based producers like PTTGC will also benefit from high PE prices, the extent is less.
- **Weak buying sentiment continues to depress PX price.** PX price fell 2.1% WoW, the largest decline in nine weeks, to US\$1,181/t. PX-naphtha spread also fell 1.9% WoW to only US\$331/t vs. the YTD average of US\$418/t. PX has steadily fallen by 22% since its 52-week high at US\$1,515/t. We see limited downside risk since product spread now is still far better than the lowest point of US\$284/t during the previous cycle extending from November 2008 to July 2010.
- **PET/PTA margin swung back above US\$300/t.** Integrated PET/PTA spread rose 5.3% WoW on a fall in PX price to US\$301/t despite lower PTA price (-0.6% WoW). Lower PTA also pulled down price of PET bottle grade by 1.6% WoW in NEA market and 0.7% WoW in SEA market amidst strong demand and limited product availability, suggesting product margin should expand in coming weeks.

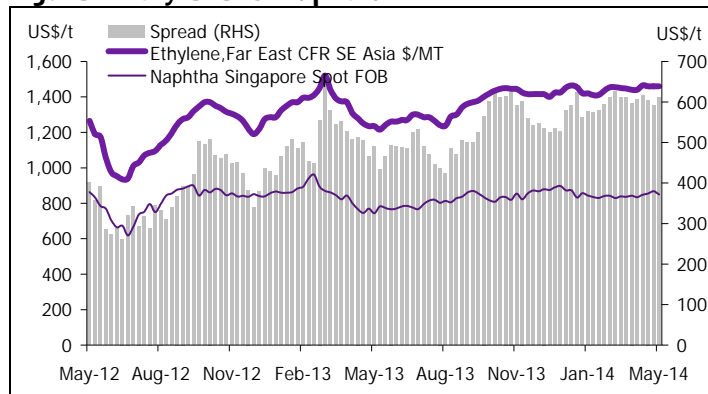
Investment view: The Petrochemical sector (+0.4% WoW) outperformed the overall market (-0.6% WoW), led by IVL (+2.2% WoW) on the expectation of strong 1Q14F results, which it is expected to announce on 12 May. Market concerns on a weak 1Q14 performance for PTTGC continued to depress share price, which was unchanged WoW. Despite downside risk to the 2014 earnings forecast, PTTGC's valuation remains attractive with MT outlook for olefins to continue to support 2014-15F earnings.

Figure 1: Petrochemical price update

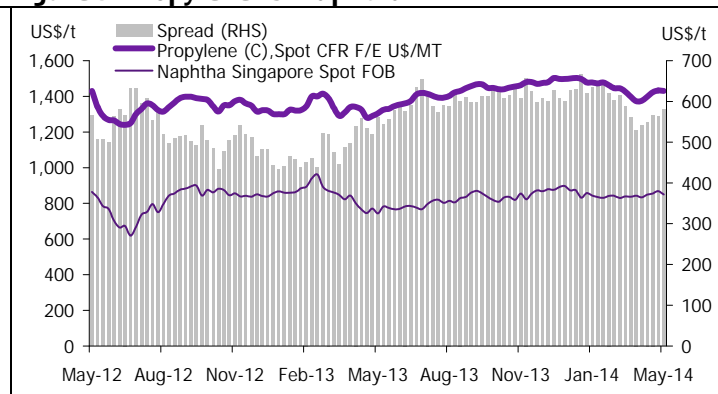
	Current 2-May-14	52-week High/Low	-1W	-1M	-3M	-6M	-12M	2Q14 QTD	1Q14	QoQ%	YTD	Chg.	%YoY	2014F projection
Price														
Naphtha Singapore Spot FOB	850	897/766	-2.2%	1.9%	0.7%	-0.5%	14.2%	851	844	0.8%	846	0	0.1%	822
Ethylene, Far East CFR SE Asia \$/MT	1,460	1,465/1,215	0.0%	1.4%	2.8%	1.0%	18.2%	1,457	1,440	1.2%	1,444	85	6.3%	1,320
Propylene (C), Spot CFR F/E US\$/MT	1,430	1,503/1,325	-0.2%	4.0%	-3.2%	-2.2%	9.6%	1,412	1,458	-3.2%	1,445	110	8.2%	1,370
Polye HDPE Inj, South East Asia US\$/MT	1,550	1,570/1,425	0.0%	0.3%	-1.3%	1.0%	8.8%	1,547	1,548	-0.1%	1,548	84	5.8%	1,440
Polye LDPE-Film, Spot S.E Asia US\$/MT	1,620	1,680/1,425	0.0%	0.6%	-3.0%	-2.7%	13.7%	1,614	1,642	-1.7%	1,634	177	12.1%	1,490
Polye LLDPE Film, F/E Spot SE Asia \$/MT	1,565	1,585/1,430	0.0%	0.6%	-1.3%	0.8%	9.4%	1,559	1,562	-0.2%	1,561	97	6.6%	1,480
PP Film, Spot South East Asia US\$/MT	1,580	1,580/1,440	0.0%	1.6%	0.6%	2.6%	9.7%	1,567	1,562	0.3%	1,563	47	3.1%	1,490
Related stocks														
PTTGC (Neutral) IRPC (+) SCC (+) TPIPL (Neutral)														
Para-Xylene CFR Chin M. Por Spot \$/MT	1,181	1,515/1,143	-2.1%	-3.0%	-11.4%	-16.6%	-17.6%	1,208	1,286	-6.1%	1,265	-318	-20.1%	1,390
Benzene, Far East CFR Spot F/E US\$/MT	1,265	1,368/1,218	0.0%	1.2%	-6.5%	1.2%	-4.5%	1,266	1,304	-2.9%	1,293	-86	-6.2%	1,220
Related stocks														
PTTGC (Neutral) TOP (-) ESSO (-)														
MEG, Far East Spot CFR F/E US\$/MT	915	1,124/905	0.0%	-2.9%	-9.2%	-10.7%	-6.9%	925	967	-4.3%	955	-134	-12.3%	1,040
PTA CFR South East Asia	880	1,125/865	-0.6%	-2.2%	-8.3%	-12.4%	-15.8%	891	936	-4.8%	923	-203	-18.0%	1,050
PET (Fibre Grade) A/P Spot CFR NEA \$/MT	1,195	1,420/1,195	0.0%	-2.0%	-6.6%	-10.5%	-11.8%	1,206	1,267	-4.8%	1,250	-222	-15.1%	n.a.
Related stocks														
PTTGC (Neutral) IVL (+)														
ABS Asia Pac. India Spot CFR US\$/MT	1,895	1,955/1,870	0.0%	0.0%	0.5%	-0.5%	-0.8%	1,895	1,886	0.5%	1,889	-104	-5.2%	n.a.
Polystyrene-GP, Spot Hong Kong US\$/MT	1,750	1,915/1,740	0.0%	0.0%	-3.0%	-4.1%	-2.5%	1,750	1,778	-1.6%	1,770	-78	-4.2%	n.a.
Related stocks														
IRPC (Neutral)														
PVC, Spot South East Asia US\$/MT	1,015	1,070/950	-1.5%	-0.2%	-1.9%	3.6%	5.7%	1,022	1,040	-1.7%	1,035	7	0.7%	1,030
Related stocks														
VNT (-) TPC (-)														
Product spread														
Ethylene - naphtha	610	626/424	3.2%	0.7%	5.9%	3.3%	24.2%	606	595	1.8%	598	85	16.5%	498
Propylene - naphtha	580	665/530	2.9%	7.3%	-8.5%	-4.6%	3.4%	560	614	-8.7%	599	110	22.4%	548
HDPE - naphtha	700	735/615	2.8%	-1.5%	-3.6%	2.9%	2.8%	696	704	-1.2%	702	84	13.6%	618
LDPE - naphtha	770	851/643	2.5%	-0.7%	-6.8%	-5.0%	13.1%	763	797	-4.3%	788	176	28.8%	668
LDPE - Ethylene	160	323/145	0.0%	-5.9%	-36.0%	-27.3%	-15.8%	157	202	-22.2%	189	92	93.5%	170
LLDPE - naphtha	715	750/633	2.7%	-0.8%	-3.5%	2.4%	4.2%	708	717	-1.4%	715	97	15.6%	658
PP - naphtha	730	740/657	2.6%	1.3%	0.5%	6.5%	4.9%	716	717	-0.2%	717	46	6.9%	668
PX - naphtha	331	697/304	-1.9%	-13.8%	-32.4%	-41.0%	-52.0%	357	442	-19.2%	418	-318	-43.2%	568
BZ - naphtha	415	535/381	4.7%	-0.2%	-18.4%	4.9%	-28.6%	414	459	-9.8%	447	-86	-16.2%	398
MEG - Ethylene	10	324/2	0.0%	-80.1%	-92.3%	-92.4%	-95.5%	22	74	-70.3%	60	-187	-75.9%	222
PTA - PX	113	155/65	11.1%	3.7%	20.0%	32.2%	-1.1%	106	100	6.0%	101	4	3.9%	119
PET spread	188	253/128	2.1%	0.0%	5.6%	-2.1%	-3.9%	187	199	-5.9%	196	-16	-7.7%	n.a.
Integrated PET/PTA spread	301	352/211	5.3%	1.4%	10.6%	8.4%	-2.9%	293	299	-1.9%	297	-13	-4.0%	n.a.
ABS spread	1,107	1,272/1,070	1.5%	-0.1%	2.7%	-6.0%	2.8%	1,098	1,087	1.0%	1,090	-37	-3.3%	n.a.
PS spread	327	565/303	0.0%	-5.1%	0.8%	-21.8%	-16.1%	328	330	-0.8%	330	-35	-9.5%	n.a.
PVC - ethylene	285	398/258	-5.0%	-4.2%	-12.3%	10.7%	-16.8%	294	320	-8.2%	313	-36	-10.3%	370

Source: Datastream, SCBS Investment Research

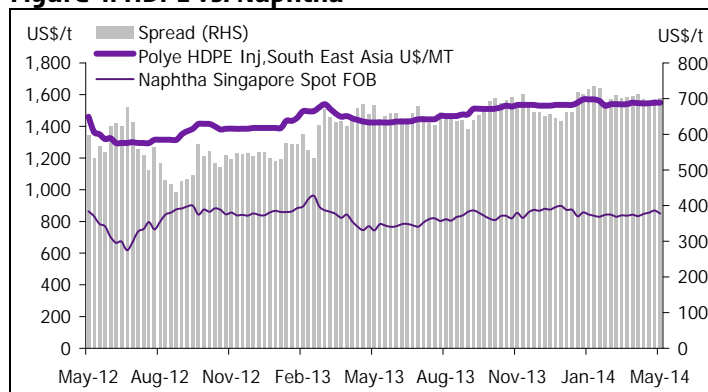
Note: Impact to related stocks is based on WoW performance

Figure 2: Ethylene vs. Naphtha

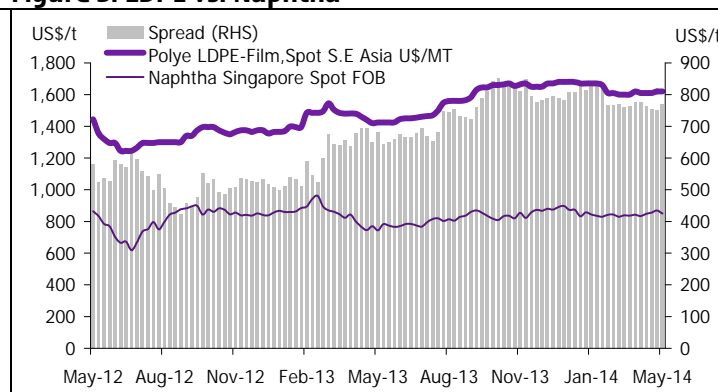
Source: Datastream, SCBS Investment Research

Figure 3: Propylene vs. Naphtha

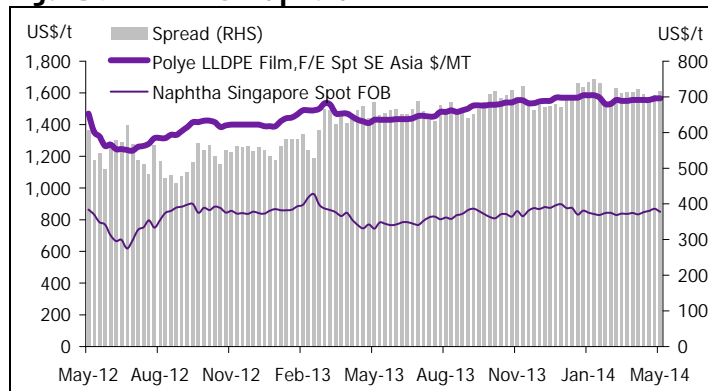
Source: Datastream, SCBS Investment Research

Figure 4: HDPE vs. Naphtha

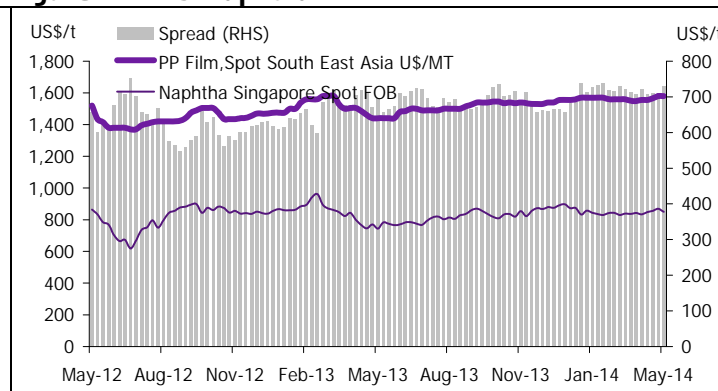
Source: Datastream, SCBS Investment Research

Figure 5: LDPE vs. Naphtha

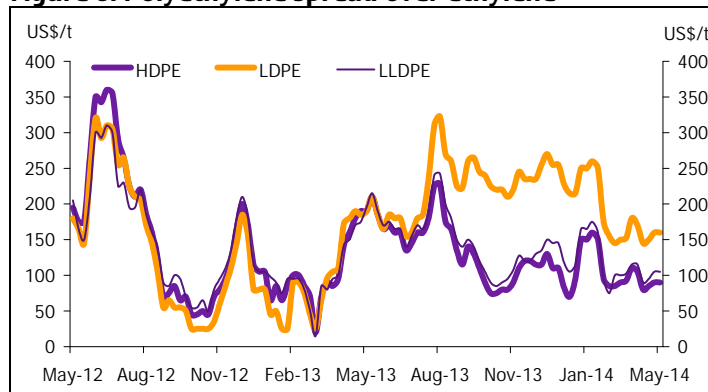
Source: Datastream, SCBS Investment Research

Figure 6: LLDPE vs. Naphtha

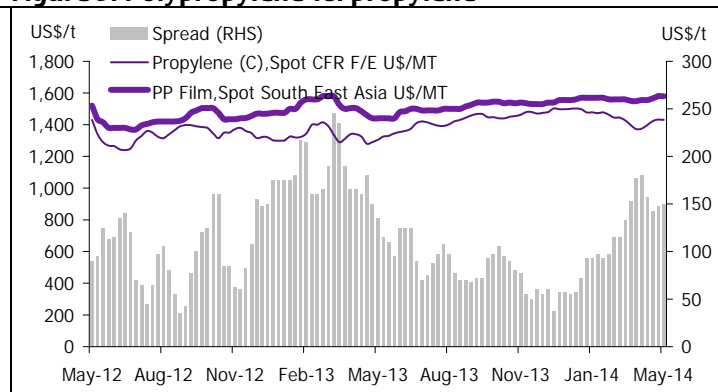
Source: Datastream, SCBS Investment Research

Figure 7: PP vs. Naphtha

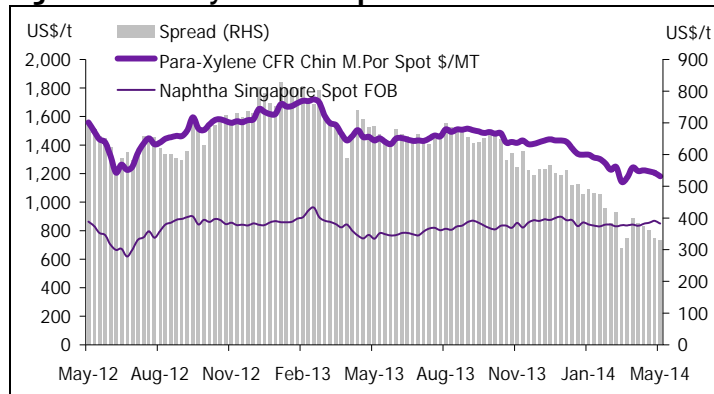
Source: Datastream, SCBS Investment Research

Figure 8: Polyethylene spread over ethylene

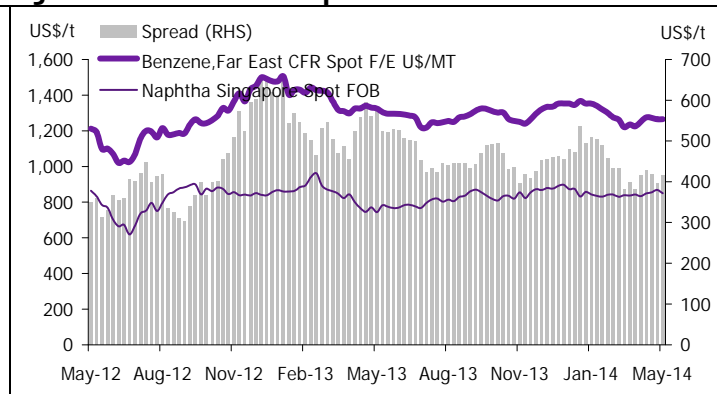
Source: Datastream, SCBS Investment Research

Figure 9: Polypropylene vs. propylene

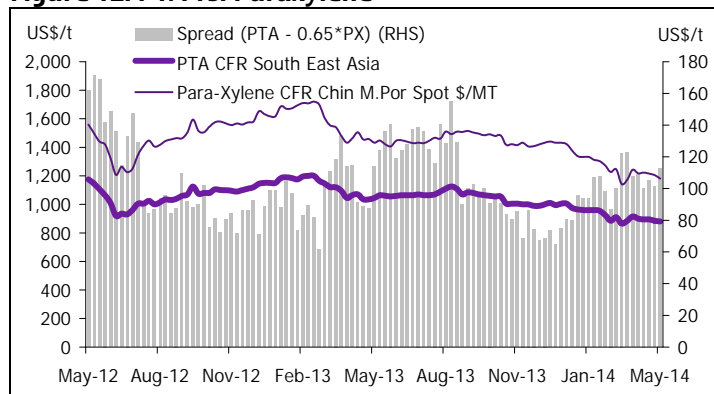
Source: Datastream, SCBS Investment Research

Figure 10: Paraxylene vs. Naphtha

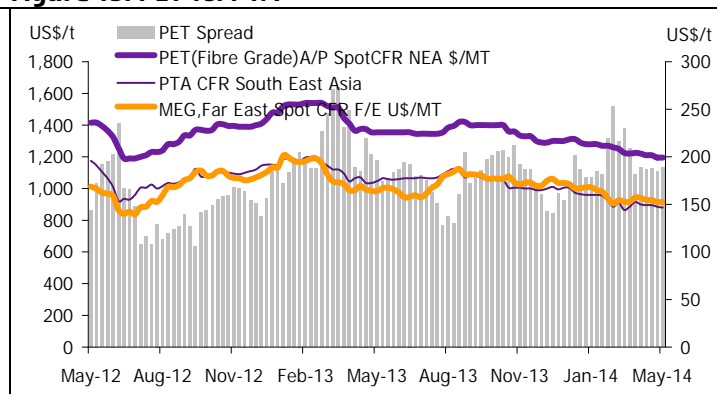
Source: Datastream, SCBS Investment Research

Figure 11: Benzene vs. Naphtha

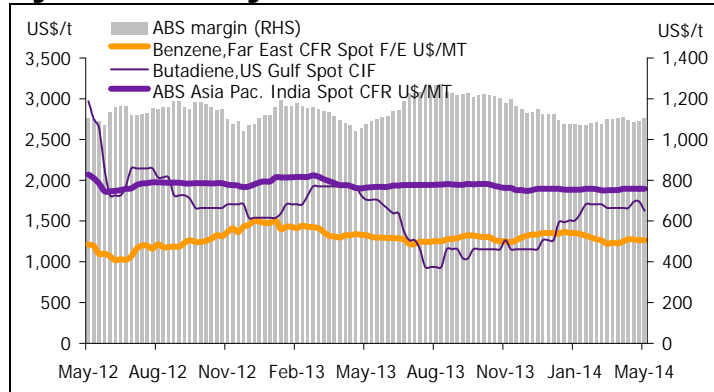
Source: Datastream, SCBS Investment Research

Figure 12: PTA vs. Paraxylene

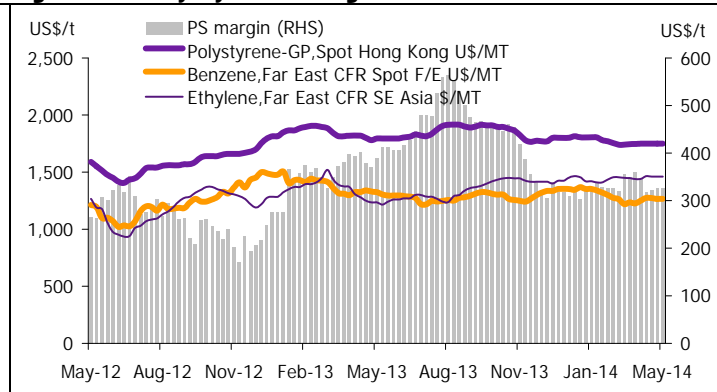
Source: Datastream, SCBS Investment Research

Figure 13: PET vs. PTA

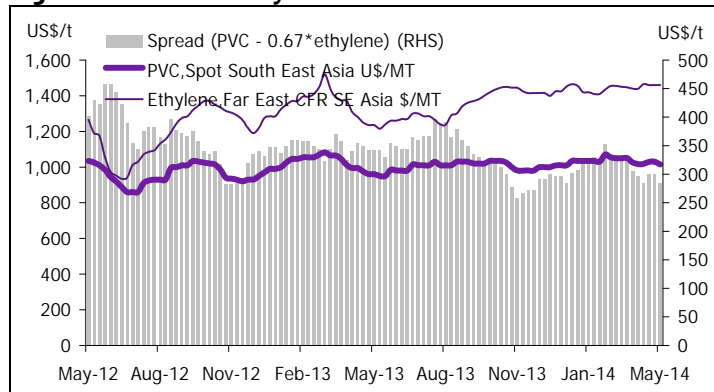
Source: Datastream, SCBS Investment Research

Figure 14: ABS margin

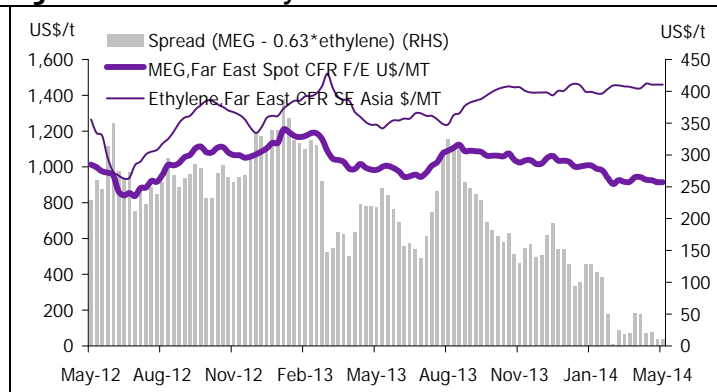
Source: Datastream, SCBS Investment Research

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	1,457	1,440	1%	1,444	1,382	1,320	↗
			Propylene (C), Spot CFR F/E US/MT	1,412	1,458	-3%	1,445	1,436	1,370	→
	HDPE	19%	Polye HDPE Inj, South East Asia US/MT	1,547	1,548	0%	1,548	1,507	1,440	→
	LLDPE	7%	Polye LLDPE Film, F/E Spt SE Asia \$/MT	1,559	1,562	0%	1,561	1,520	1,480	→
	LDPE	4%	Polye LDPE-Film, Spot S.E Asia US/MT	1,614	1,642	-2%	1,634	1,596	1,490	→
	MEG	6%	MEG, Far East Spot CFR F/E US/MT	925	967	-4%	955	1,008	1,040	↘
	PX	28%	PX - naphtha	357	442	-19%	418	555	568	↘
IRPC	BZ	15%	BZ - naphtha	414	459	-10%	447	455	398	↘
	Ethylene/Propylene	15%	Ethylene - naphtha	606	595	2%	598	549	498	↗
			Propylene - naphtha	560	614	-9%	599	603	548	→
	HDPE	12%	HDPE - naphtha	696	704	-1%	702	675	618	↘
	PP	28%	PP - naphtha	716	717	0%	717	698	668	↗
	ABS	7%	ABS spread	1,098	1,087	1%	1,090	1,154	n.a.	→
	BTX	23%	BZ - naphtha	414	459	-10%	447	455	398	↘
SCC	PS	12%	PS spread	328	330	-1%	330	399	n.a.	→
	HDPE	40%	HDPE - naphtha	696	704	-1%	702	675	618	↘
	LDPE	3%	LDPE - naphtha	763	797	-4%	788	763	668	↘
	LLDPE	3%	LLDPE - naphtha	708	717	-1%	715	687	658	↘
	PP	25%	PP - naphtha	716	717	0%	717	698	668	↗
	PVC	28%	PVC - Ethylene/EDC	382	420	-9%	409	442	n.a.	↘
TPIPL	LDPE	60%	LDPE - Ethylene	157	202	-22%	189	214	170	↘
TOP	PX	60%	PX - naphtha	357	442	-19%	418	555	568	↘
	BZ	21%	BZ - naphtha	414	459	-10%	447	455	398	↘
IVL	PTA	25%	PTA - PX	106	100	6%	101	104	119	↗
	PET/Polyester	67%	PET spread	187	199	-6%	196	183	n.a.	↗
	MEG	8%								
VNT	PVC	63%	PVC - ethylene	294	320	-8%	313	324	370	↘
TPC	PVC	100%	PVC - Ethylene/EDC	382	420	-9%	409	442	n.a.	↘

Source: Datastream, SCBS Investment Research

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