

## Petrochemical price monitor

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- **Slimmer product spread WoW on higher naphtha cost.** Higher oil price in recent weeks coupled with refinery turnarounds pushed up naphtha cost and reduced PE production spread by 1.2-4.4% WoW, except for HDPE. HDPE price continued to tick up 0.3% WoW amidst cautious buying in the region. The slowing economy in China has been depressing PE price recently despite tight regional product availability. We expect production cuts by non-integrated PE producers to continue on higher ethylene cost while PE prices still hover around low levels.
- **PX price still heading south.** PX price inched up 0.3% to US\$1,185/t WoW. We believe this was due to lower regional supply from refinery turnarounds. Also pushing up PX price was higher feedstock cost and higher demand for gasoline, which is an alternative product for integrated producers. PX-naphtha spread, however, fell 4.5% WoW on higher naphtha cost. We maintain our bearish view on PX, with the huge excess PX supply the key negative for this year.
- **Lower PET/PTA price hurt margin.** Weak PTA and PET prices coupled with higher PX cost bit into integrated PET/PTA spread, which fell 0.5% WoW to below US\$300/t again. PTA buying sentiment was dull on weak demand for downstream polyester in China. According to an industry source, the month of May is usually a difficult time for PTA as it is a lower season for polyester. Also, plants which were shut down previously have gradually resumed operation and new capacity has continued to enter the market.

**Investment view:** The petrochemical sector index (-1.9% WoW) was pulled down by the weakness of the overall market although it did outperform the SET (-3.3% WoW). The latest price and spread numbers are positive for PTTGC (BUY, TP: Bt85), in our view. We believe its weak earnings are behind it after 1Q14 earnings beat estimates. Despite our recent cut in TP, it remains the top pick for the sector given the ST positive outlook for olefins chain and it could also benefit from the higher prices for PE products amidst more plant turnarounds in Asia.

Figure 1: Petrochemical price update

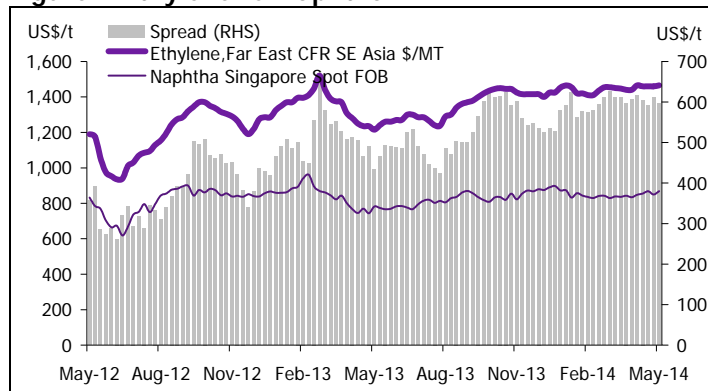
	Current 9-May-14	52-week High/Low	-1W	-1M	-3M	-6M	-12M	2Q14 QTD	1Q14	QoQ%	YTD	Chg.	%YoY	2014F projection
Price														
Naphtha Singapore Spot FOB	869	897/766	2.2%	2.4%	4.0%	5.6%	11.0%	854	844	1.1%	848	5	0.6%	822
Ethylene, Far East CFR SE Asia \$/MT	1,465	1,465/1,238	0.3%	0.0%	3.9%	2.8%	20.6%	1,458	1,440	1.3%	1,446	94	6.9%	1,320
Propylene (C), Spot CFR F/E US/MT	1,423	1,503/1,330	-0.5%	1.8%	-3.4%	-3.9%	7.4%	1,413	1,458	-3.1%	1,444	109	8.2%	1,370
Polye HDPE Inj, South East Asia US/MT	1,570	1,570/1,425	1.3%	1.6%	0.0%	2.3%	10.2%	1,551	1,548	0.2%	1,549	88	6.0%	1,440
Polye LDPE-Film, Spot S.E Asia US/MT	1,605	1,680/1,425	-0.9%	-0.3%	-3.9%	-3.9%	12.6%	1,613	1,642	-1.8%	1,632	177	12.1%	1,490
Polye LLDPE Film, F/E Spot SE Asia \$/MT	1,575	1,585/1,430	0.6%	1.3%	-0.6%	1.4%	10.1%	1,562	1,562	0.0%	1,562	100	6.8%	1,480
PP Film, Spot South East Asia US/MT	1,590	1,590/1,440	0.6%	2.3%	1.3%	3.6%	10.4%	1,571	1,562	0.6%	1,565	52	3.5%	1,490
Related stocks														
			PTTGC (+)   IRPC (-)   SCC (-)   TPIPL (-)											
Para-Xylene CFR Chin M. Por Spot \$/MT	1,185	1,515/1,143	0.3%	-3.1%	-9.8%	-17.3%	-18.2%	1,204	1,286	-6.4%	1,260	-315	-20.0%	1,390
Benzene, Far East CFR Spot F/E US/MT	1,278	1,368/1,218	1.0%	0.2%	-4.7%	3.0%	-2.1%	1,268	1,304	-2.8%	1,292	-83	-6.0%	1,220
Related stocks														
			PTTGC (-)   TOP (-)   ESSO (-)											
MEG, Far East Spot CFR F/E US/MT	889	1,124/889	-2.9%	-4.3%	-10.3%	-14.3%	-11.3%	919	967	-4.9%	952	-133	-12.3%	1,040
PTA CFR South East Asia	865	1,125/865	-1.7%	-3.4%	-9.9%	-13.5%	-18.8%	887	936	-5.2%	920	-203	-18.0%	1,050
PET (Fibre Grade)A/P Spot CFR NEA \$/MT	1,190	1,420/1,190	-0.4%	-1.7%	-7.0%	-10.5%	-12.2%	1,203	1,267	-5.0%	1,247	-219	-14.9%	n.a.
Related stocks														
			PTTGC (-)   IVL (-)											
ABS Asia Pac. India Spot CFR US/MT	1,895	1,955/1,870	0.0%	0.0%	0.5%	-0.5%	-1.0%	1,895	1,886	0.5%	1,889	-99	-5.0%	n.a.
Polystyrene-GP, Spot Hong Kong US/MT	1,735	1,915/1,735	-0.9%	-0.9%	-3.9%	-2.5%	-3.3%	1,748	1,778	-1.7%	1,768	-77	-4.2%	n.a.
Related stocks														
			IRPC (-)											
PVC, Spot South East Asia US/MT	1,015	1,070/950	0.0%	-0.2%	-1.9%	3.6%	6.8%	1,021	1,040	-1.8%	1,034	10	1.0%	1,030
Related stocks														
			VNT (-)   TPC (Neutral)											
Product spread														
Ethylene - naphtha	596	626/424	-2.3%	-3.3%	3.8%	-1.0%	37.8%	604	595	1.5%	598	89	17.4%	498
Propylene - naphtha	554	665/530	-4.5%	0.8%	-13.0%	-15.8%	2.1%	559	614	-8.9%	596	104	21.2%	548
HDPE - naphtha	701	735/615	0.2%	0.6%	-4.5%	-1.6%	9.1%	697	704	-1.0%	702	83	13.4%	618
LDPE - naphtha	736	851/651	-4.4%	-3.4%	-11.8%	-13.1%	14.6%	758	797	-4.9%	785	172	28.0%	668
LDPE - Ethylene	140	323/140	-12.5%	-3.4%	-46.2%	-42.9%	-33.3%	154	202	-23.7%	187	83	80.0%	170
LLDPE - naphtha	706	750/633	-1.2%	-0.1%	-5.8%	-3.2%	9.1%	708	717	-1.4%	714	95	15.3%	658
PP - naphtha	721	740/657	-1.2%	2.0%	-1.8%	1.2%	9.7%	717	717	-0.1%	717	47	7.1%	668
PX - naphtha	316	697/304	-4.5%	-15.6%	-33.8%	-48.2%	-52.5%	350	442	-20.7%	413	-320	-43.7%	568
BZ - naphtha	409	535/381	-1.5%	-4.2%	-19.0%	-2.1%	-21.8%	413	459	-10.0%	445	-88	-16.5%	398
MEG - Ethylene	-20	324/-20	-302.0%	-200.5%	-117.1%	-112.9%	-108.0%	15	74	-79.7%	55	-191	-77.6%	222
PTA - PX	95	155/65	-15.6%	-5.3%	-11.0%	38.0%	-23.4%	104	100	4.2%	101	2	2.1%	119
PET spread	204	253/128	8.5%	9.2%	10.6%	9.1%	17.6%	190	199	-4.5%	196	-14	-6.6%	n.a.
Integrated PET/PTA spread	299	352/211	-0.5%	4.1%	2.7%	16.9%	0.5%	294	299	-1.6%	297	-12	-3.8%	n.a.
ABS spread	1,101	1,272/1,070	-0.5%	0.4%	3.0%	-8.1%	1.1%	1,099	1,087	1.0%	1,091	-34	-3.0%	n.a.
PS spread	301	565/301	-8.0%	-5.3%	-10.8%	-22.3%	-26.9%	323	330	-2.1%	328	-39	-10.5%	n.a.
PVC - ethylene	283	398/258	-0.9%	-0.9%	-14.4%	5.6%	-17.5%	292	320	-8.8%	311	-37	-10.6%	370

Source: Datastream, SCBS Investment Research

Note: Impact to related stocks is based on WoW performance

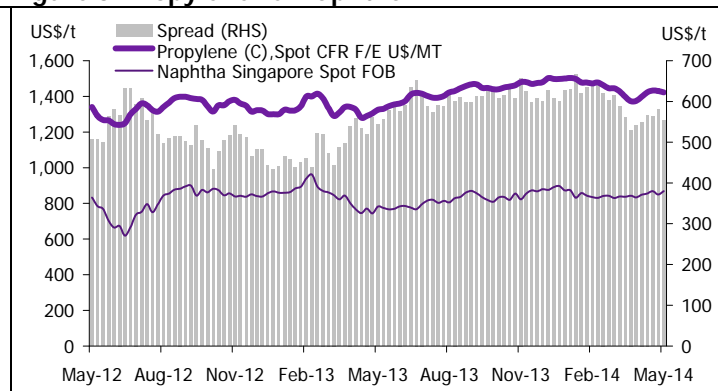
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Figure 2: Ethylene vs. Naphtha



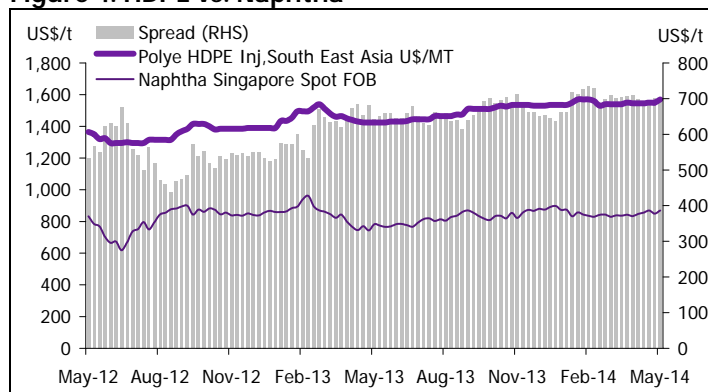
Source: Datastream, SCBS Investment Research

Figure 3: Propylene vs. Naphtha



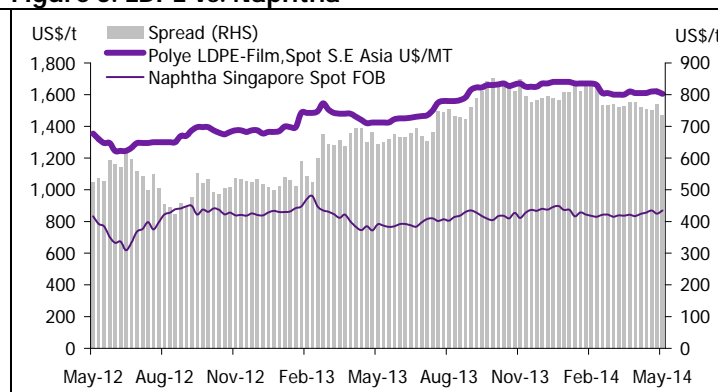
Source: Datastream, SCBS Investment Research

Figure 4: HDPE vs. Naphtha



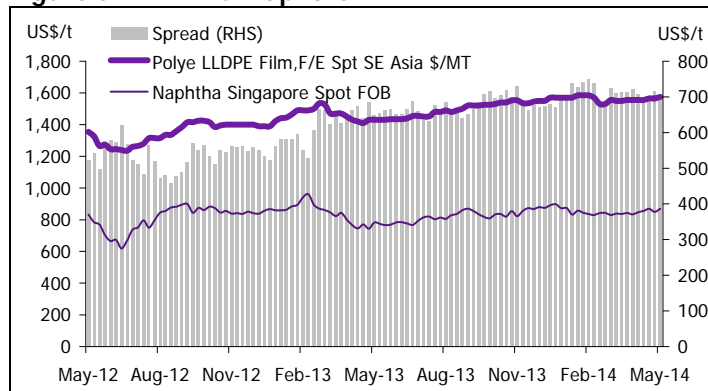
Source: Datastream, SCBS Investment Research

Figure 5: LDPE vs. Naphtha



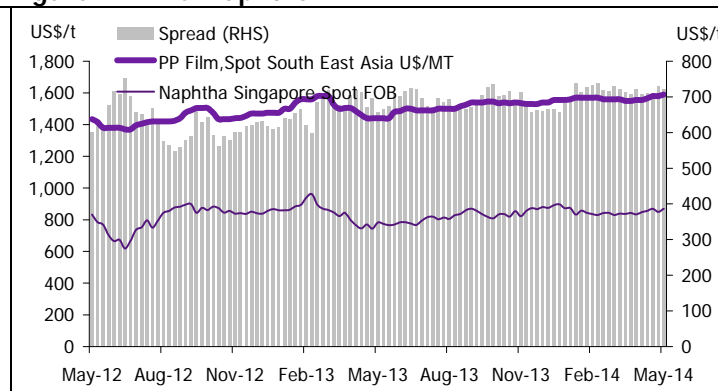
Source: Datastream, SCBS Investment Research

Figure 6: LLDPE vs. Naphtha



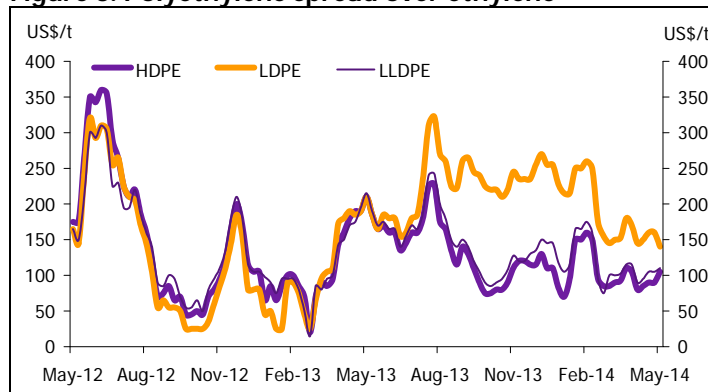
Source: Datastream, SCBS Investment Research

Figure 7: PP vs. Naphtha



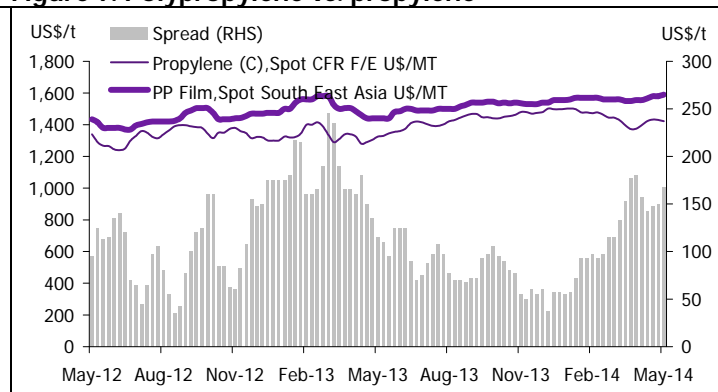
Source: Datastream, SCBS Investment Research

Figure 8: Polyethylene spread over ethylene



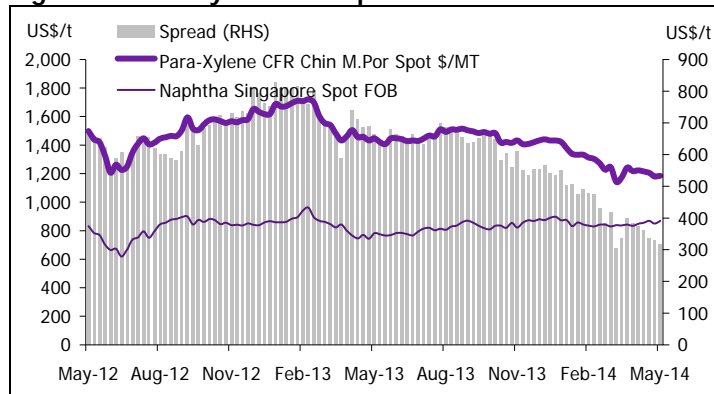
Source: Datastream, SCBS Investment Research

Figure 9: Polypropylene vs. propylene



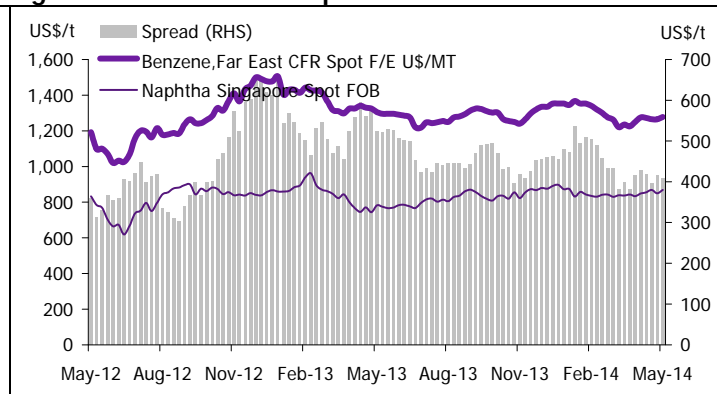
Source: Datastream, SCBS Investment Research

Figure 10: Paraxylene vs. Naphtha



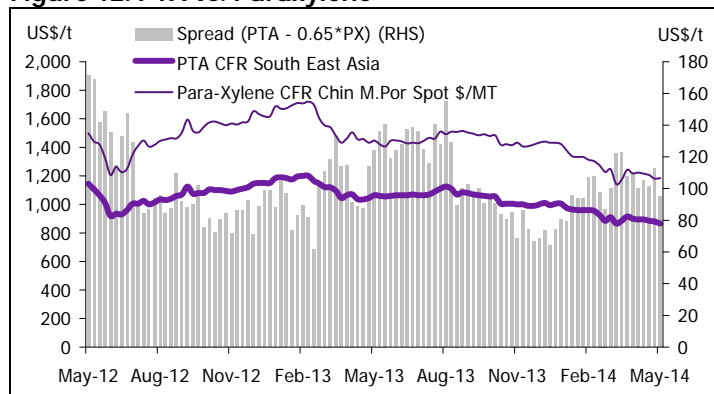
Source: Datastream, SCBS Investment Research

Figure 11: Benzene vs. Naphtha



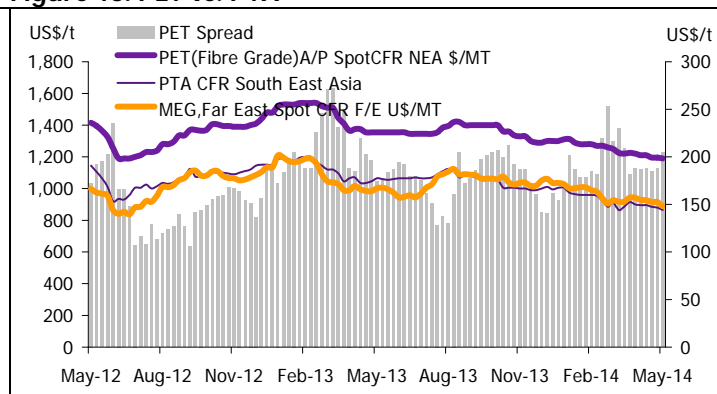
Source: Datastream, SCBS Investment Research

Figure 12: PTA vs. Paraxylene



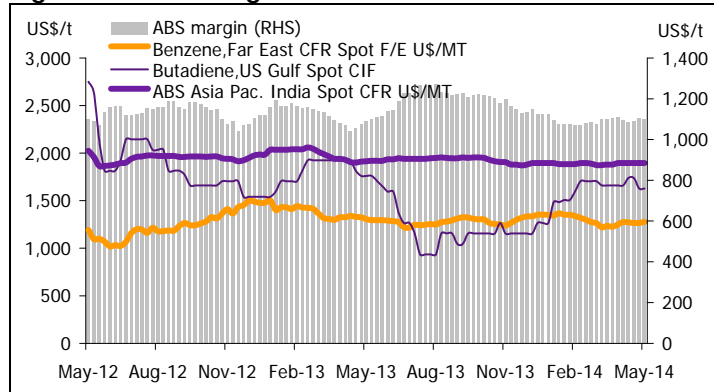
Source: Datastream, SCBS Investment Research

Figure 13: PET vs. PTA



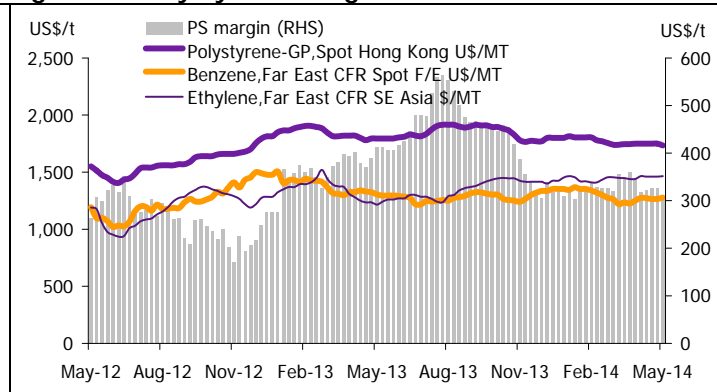
Source: Datastream, SCBS Investment Research

Figure 14: ABS margin



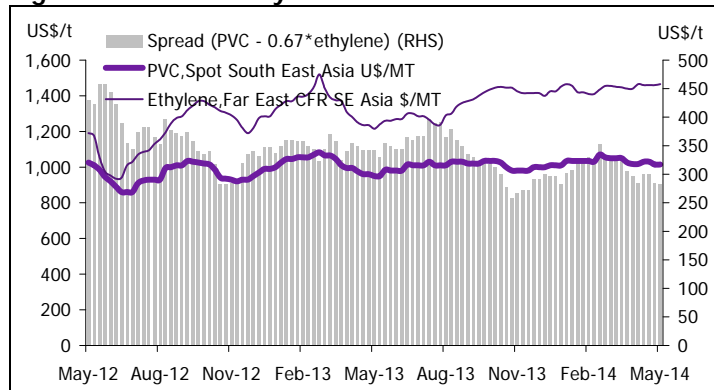
Source: Datastream, SCBS Investment Research

Figure 15: Polystyrene margin



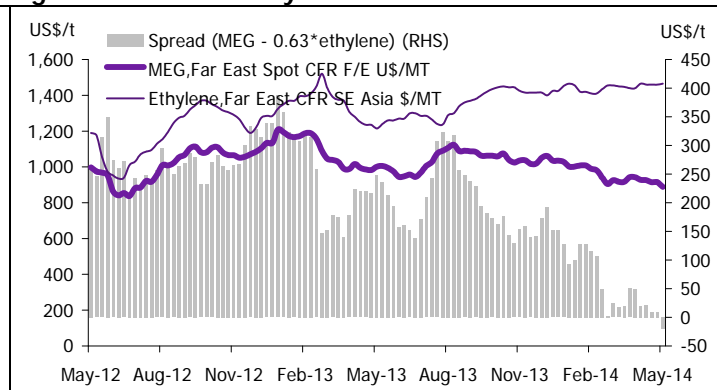
Source: Datastream, SCBS Investment Research

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	1,458	1,440	1%	1,446	1,386	1,320	→
			Propylene (C), Spot CFR F/E US\$/MT	1,413	1,458	-3%	1,444	1,438	1,370	→
	HDPE	19%	Polye HDPE Inj, South East Asia US\$/MT	1,551	1,548	0%	1,549	1,510	1,440	→
	LLDPE	7%	Polye LLDPE Film, F/E Spot SE Asia \$/MT	1,562	1,562	0%	1,562	1,523	1,480	→
	LDPE	4%	Polye LDPE-Film, Spot S.E Asia US\$/MT	1,613	1,642	-2%	1,632	1,599	1,490	↘
	MEG	6%	MEG, Far East Spot CFR F/E US\$/MT	919	967	-5%	952	1,005	1,040	↘
	PX	28%	PX - naphtha	350	442	-21%	413	548	568	↘
	BZ	15%	BZ - naphtha	413	459	-10%	445	453	398	↘
IRPC	Ethylene/Propylene	15%	Ethylene - naphtha	604	595	2%	598	552	498	→
			Propylene - naphtha	559	614	-9%	596	603	548	→
	HDPE	12%	HDPE - naphtha	697	704	-1%	702	676	618	→
	PP	28%	PP - naphtha	717	717	0%	717	699	668	→
	ABS	7%	ABS spread	1,099	1,087	1%	1,091	1,154	n.a.	↗
	BTX	23%	BZ - naphtha	413	459	-10%	445	453	398	↘
	PS	12%	PS spread	323	330	-2%	328	397	n.a.	↘
SCC	HDPE	40%	HDPE - naphtha	697	704	-1%	702	676	618	→
	LDPE	3%	LDPE - naphtha	758	797	-5%	785	765	668	↘
	LLDPE	3%	LLDPE - naphtha	708	717	-1%	714	689	658	↘
	PP	25%	PP - naphtha	717	717	0%	717	699	668	→
	PVC	28%	PVC - Ethylene/EDC	381	420	-9%	407	440	n.a.	↘
TPIPL	LDPE	60%	LDPE - Ethylene	154	202	-24%	187	213	170	↘
TOP	PX	60%	PX - naphtha	350	442	-21%	413	548	568	↘
	BZ	21%	BZ - naphtha	413	459	-10%	445	453	398	↘
IVL	PTA	25%	PTA - PX	104	100	4%	101	103	119	↗
	PET/Polyester	67%	PET spread	190	199	-4%	196	183	n.a.	↗
	MEG - NA	8%								
VNT	PVC	63%	PVC - ethylene	292	320	-9%	311	323	370	↘
TPC	PVC	100%	PVC - Ethylene/EDC	381	420	-9%	407	440	n.a.	↘

Source: Datastream, SCBS Investment Research

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