

Petrochemical price monitor

Chaipat Thanawattano

(66-2) 949-1005

chaipat.thanawattano@scb.co.th

- **PE spread recovers on lower naphtha cost.** Product spread of PE/PP improved 2.2-5.2%, thanks to a decline 2.5% WoW in naphtha cost. Price movement of PE/PP was mixed with HDPE and LLDPE rising 0.6-1% WoW on tight product availability and LDPE slipping 0.3% WoW to close the gap with LLDPE. With steady ethylene price, LDPE-ethylene spread fell 3.6% WoW to a 14-month low of US\$135/t. This will lead to greater production cuts by non-integrated producers in the near term as the slowing economy in China continues to depress PE price as buyers become more cautious in building up inventory.
- **PX price inches up WoW.** PX price continued to crawl back up 1.6% WoW to US\$1,203/t on higher demand from PTA plants that resumed operations after maintenance shutdowns, coupled with lower regional supply from refinery turnarounds. PX-naphtha spread jumped 12.6% WoW on lower naphtha cost. Although PX price will remain weak for the remaining of this year, we see limited downside risk as the current price is already below cash cost. More production cuts will continue in the near term.
- **PET/PTA margin depressed by higher feedstock cost.** Integrated PET/PTA spread declined 6.5% WoW to a 15-week low of US\$280/t due to higher PX and MEG prices (+0.8% WoW). Price of bottle-grade PET also fell 0.7% WoW to US\$1,340/t in the SEA market as demand turned sluggish and reports surfaced of large volumes of unsold cargoes in China, according to an industry source.

Investment view: The petrochemical sector index (+2.9% WoW) still outperformed the market (+2.6% WoW). This was led by a jump in IVL's share price (+8.1% WoW) to a new 52-week high while PTTGC's share price edged up 1.5% WoW. This has widened the valuation gap between the two stocks. We continue to prefer PTTGC (BUY, TP: Bt85) as the weakest quarter in 1Q14 is past.

Figure 1: Petrochemical price update

	Current 16-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	847	897/766	-2.5%	-1.0%	2.0%	-1.0%	9.4%	853	844	1.0%	847	8	1.0%	822
Ethylene, Far East CFR SE Asia \$/MT	1,465	1,465/1,238	0.0%	0.3%	3.9%	3.5%	18.1%	1,459	1,440	1.4%	1,447	100	7.5%	1,320
Propylene (C), Spot CFR F/E U\$/MT	1,415	1,503/1,345	-0.5%	-0.5%	-4.2%	-4.4%	6.4%	1,414	1,458	-3.1%	1,443	108	8.1%	1,370
Polye HDPE Inj, South East Asia U\$/MT	1,580	1,580/1,425	0.6%	2.3%	1.3%	2.9%	10.9%	1,555	1,548	0.4%	1,551	91	6.2%	1,440
Polye LDPE-Film, Spot S.E Asia U\$/MT	1,600	1,680/1,425	-0.3%	-0.6%	-3.6%	-3.0%	12.3%	1,611	1,642	-1.9%	1,631	177	12.2%	1,490
Polye LLDPE Film, F/E Spot SE Asia \$/MT	1,590	1,590/1,430	1.0%	2.3%	1.3%	3.6%	11.2%	1,566	1,562	0.2%	1,563	103	7.0%	1,480
PP Film, Spot South East Asia U\$/MT	1,590	1,590/1,440	0.0%	1.6%	1.3%	3.9%	10.4%	1,574	1,562	0.7%	1,566	57	3.8%	1,490
Related stocks														
			PTTGC (+) IRPC (+) SCC (+) TPIPL (-)											
Para-Xylene CFR Chin M. Por Spot \$/MT	1,203	1,515/1,143	1.6%	-1.0%	-7.7%	-14.4%	-15.4%	1,204	1,286	-6.4%	1,258	-310	-19.8%	1,390
Benzene, Far East CFR Spot F/E U\$/MT	1,278	1,368/1,218	0.0%	0.4%	-3.2%	1.0%	-1.4%	1,269	1,304	-2.7%	1,292	-80	-5.8%	1,220
Related stocks														
			PTTGC (+) TOP (+) ESSO (+)											
MEG, Far East Spot CFR F/E U\$/MT	896	1,124/889	0.8%	-3.3%	-8.7%	-13.6%	-10.9%	916	967	-5.3%	949	-132	-12.2%	1,040
PTA CFR South East Asia	865	1,125/865	0.0%	-3.4%	-9.4%	-13.5%	-18.4%	884	936	-5.6%	918	-202	-18.1%	1,050
PET(Fibre Grade)A/P Spot CFR NEA \$/MT	1,185	1,420/1,185	-0.4%	-2.1%	-6.7%	-10.9%	-12.5%	1,201	1,267	-5.2%	1,244	-216	-14.8%	n.a.
Related stocks														
			PTTGC (+) IVL (-)											
ABS Asia Pac. India Spot CFR U\$/MT	1,905	1,955/1,870	0.5%	0.5%	0.5%	1.3%	-0.8%	1,896	1,886	0.5%	1,890	-95	-4.8%	n.a.
Polystyrene-GP, Spot Hong Kong U\$/MT	1,735	1,915/1,735	0.0%	-0.9%	-2.5%	-1.7%	-3.3%	1,746	1,778	-1.8%	1,767	-76	-4.1%	n.a.
Related stocks														
			IRPC (+)											
PVC, Spot South East Asia U\$/MT	1,015	1,070/980	0.0%	-1.5%	-1.5%	3.6%	6.8%	1,020	1,040	-1.9%	1,033	13	1.2%	1,030
Related stocks														
			VNT (Neutral) TPC (Neutral)											
Product spread														
Ethylene - naphtha	618	626/424	3.6%	2.2%	6.6%	10.4%	32.7%	606	595	1.8%	599	92	18.1%	498
Propylene - naphtha	568	665/530	2.5%	0.2%	-12.3%	-9.1%	2.2%	560	614	-8.7%	595	100	20.1%	548
HDPE - naphtha	733	735/615	4.5%	6.3%	0.4%	7.8%	12.6%	702	704	-0.3%	703	83	13.3%	618
LDPE - naphtha	753	851/655	2.2%	-0.2%	-9.3%	-5.3%	15.7%	758	797	-5.0%	783	168	27.4%	668
LDPE - Ethylene	135	323/135	-3.6%	-10.0%	-46.0%	-42.6%	-27.0%	151	202	-25.0%	184	76	70.8%	170
LLDPE - naphtha	743	750/633	5.2%	6.2%	0.4%	9.3%	13.3%	713	717	-0.7%	716	94	15.2%	658
PP - naphtha	743	743/657	3.0%	4.7%	0.4%	10.1%	11.6%	720	717	0.4%	719	49	7.3%	668
PX - naphtha	356	697/304	12.6%	-1.1%	-24.8%	-35.3%	-45.0%	351	442	-20.6%	410	-319	-43.7%	568
BZ - naphtha	430	535/381	5.2%	3.2%	-12.1%	5.1%	-17.4%	416	459	-9.5%	444	-88	-16.5%	398
MEG - Ethylene	-13	324/-20	-35.4%	-160.1%	-112.0%	-108.0%	-105.4%	11	74	-85.1%	52	-194	-78.9%	222
PTA - PX	83	155/65	-12.6%	-20.8%	-22.9%	-3.9%	-38.9%	101	100	1.2%	100	-1	-0.6%	119
PET spread	197	253/128	-3.6%	4.9%	8.3%	5.3%	11.7%	191	199	-4.0%	196	-12	-5.8%	n.a.
Integrated PET/PTA spread	280	352/211	-6.5%	-4.3%	-3.3%	2.4%	-10.4%	292	299	-2.2%	296	-13	-4.1%	n.a.
ABS spread	1,111	1,272/1,070	0.9%	2.2%	3.7%	-4.4%	1.1%	1,100	1,087	1.2%	1,092	-32	-2.8%	n.a.
PS spread	301	565/301	0.0%	-6.3%	-8.3%	-15.3%	-27.0%	320	330	-3.1%	327	-42	-11.4%	n.a.
PVC - ethylene	283	398/258	0.0%	-5.8%	-13.1%	3.7%	-14.4%	290	320	-9.2%	310	-38	-10.8%	370

Source: Datastream, SCBS Investment Research

Note: Impact to related stocks is based on WoW performance

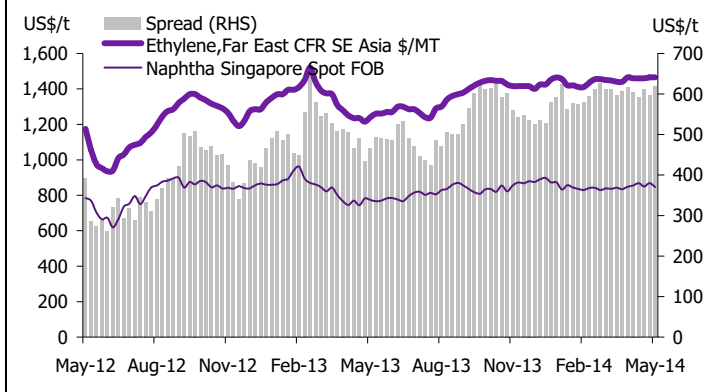
Tel. (662) 949-1000

Fax: (662) 949-1030

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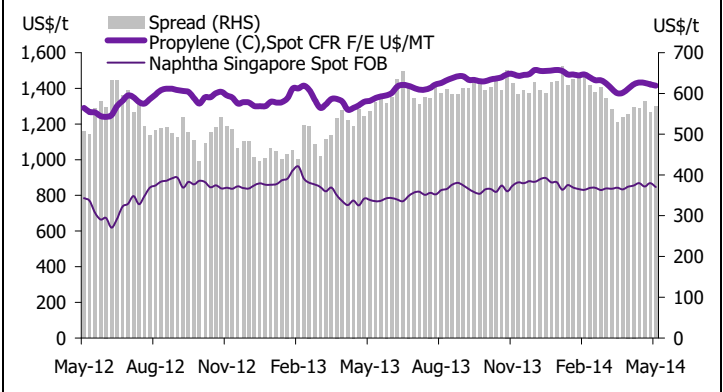
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Figure 2: Ethylene vs. Naphtha



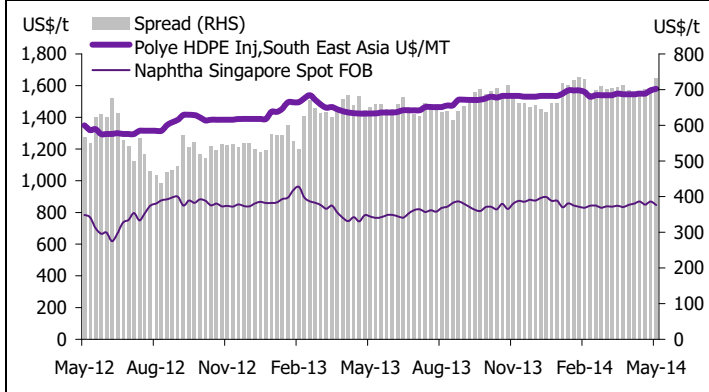
Source: Datastream, SCBS Investment Research

Figure 3: Propylene vs. Naphtha



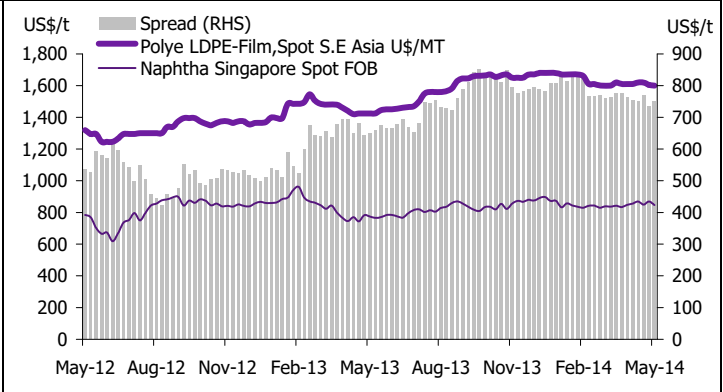
Source: Datastream, SCBS Investment Research

Figure 4: HDPE vs. Naphtha



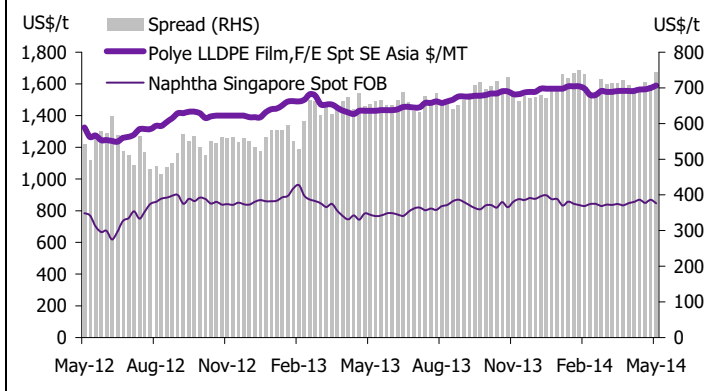
Source: Datastream, SCBS Investment Research

Figure 5: LDPE vs. Naphtha



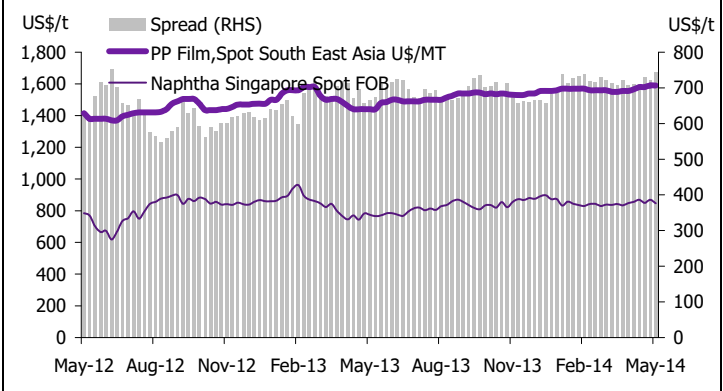
Source: Datastream, SCBS Investment Research

Figure 6: LLDPE vs. Naphtha



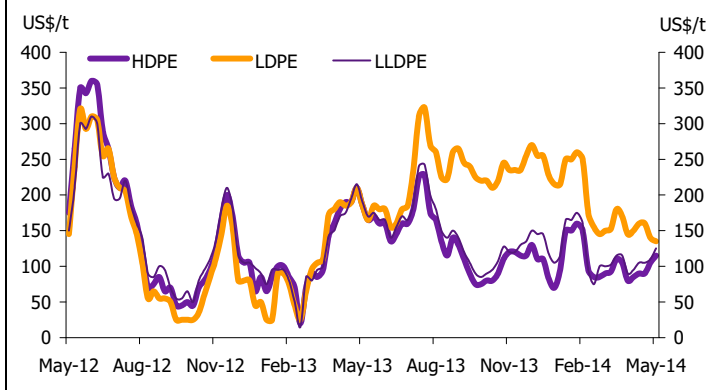
Source: Datastream, SCBS Investment Research

Figure 7: PP vs. Naphtha



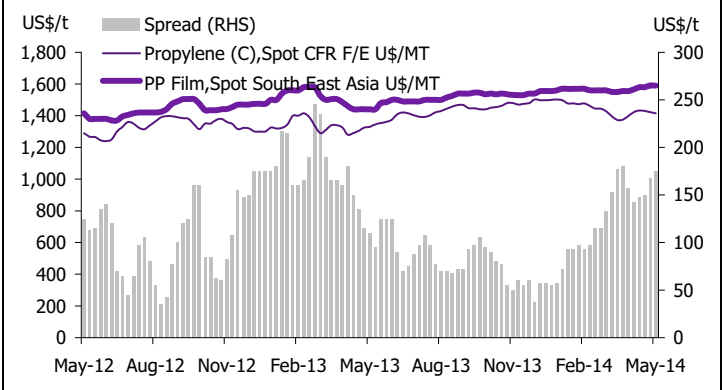
Source: Datastream, SCBS Investment Research

Figure 8: Polyethylene spread over ethylene

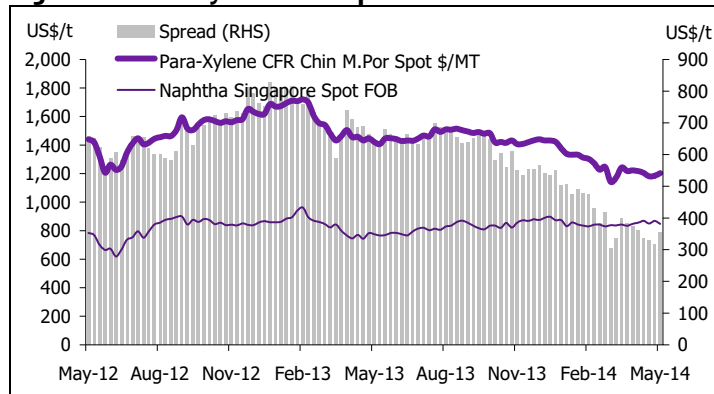


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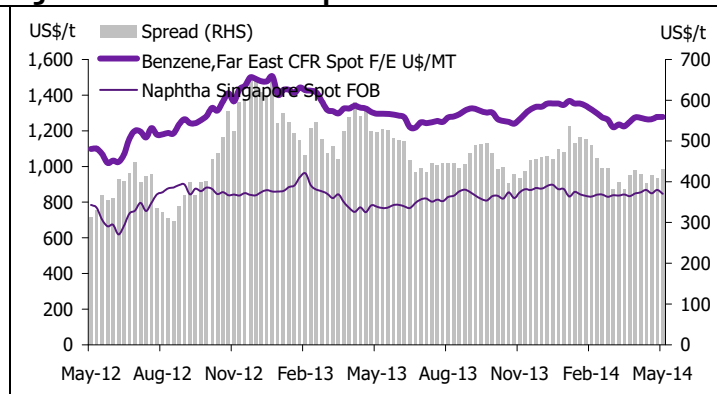
Figure 9: Polypropylene vs. propylene



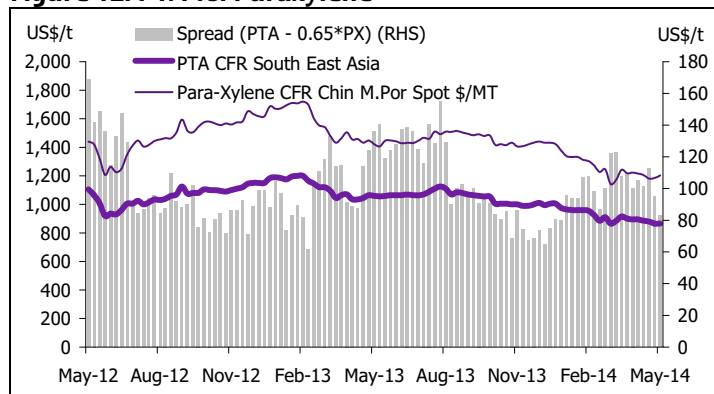
Source: Datastream, SCBS Investment Research

Figure 10: Paraxylene vs. Naphtha

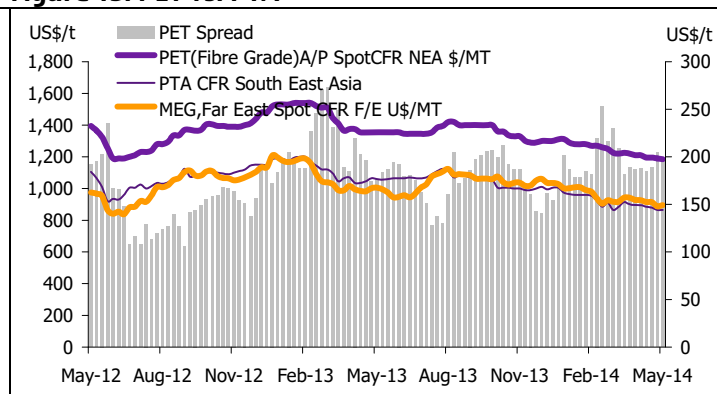
Source: Datastream, SCBS Investment Research

Figure 11: Benzene vs. Naphtha

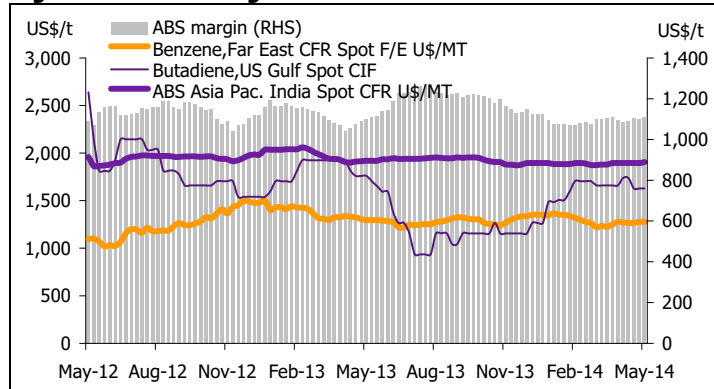
Source: Datastream, SCBS Investment Research

Figure 12: PTA vs. Paraxylene

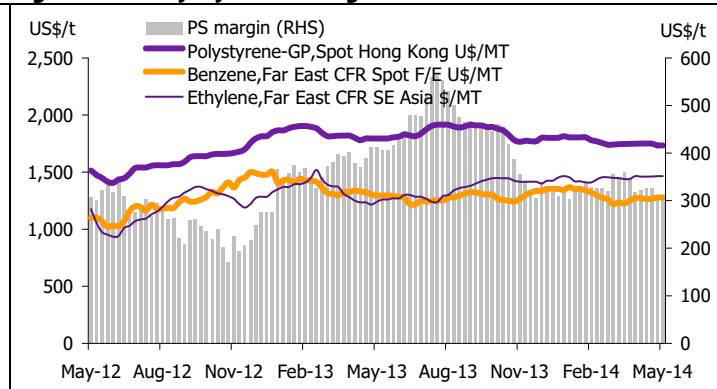
Source: Datastream, SCBS Investment Research

Figure 13: PET vs. PTA

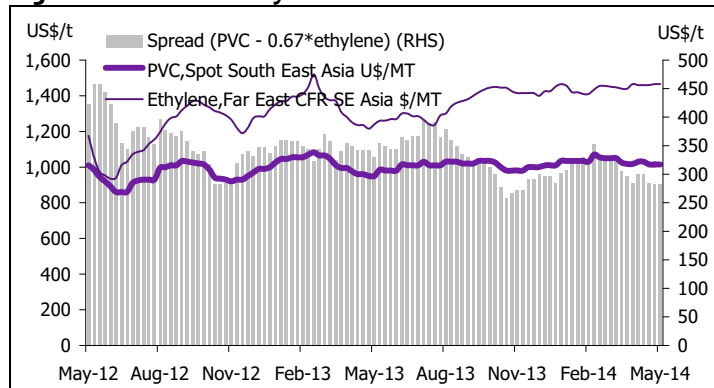
Source: Datastream, SCBS Investment Research

Figure 14: ABS margin

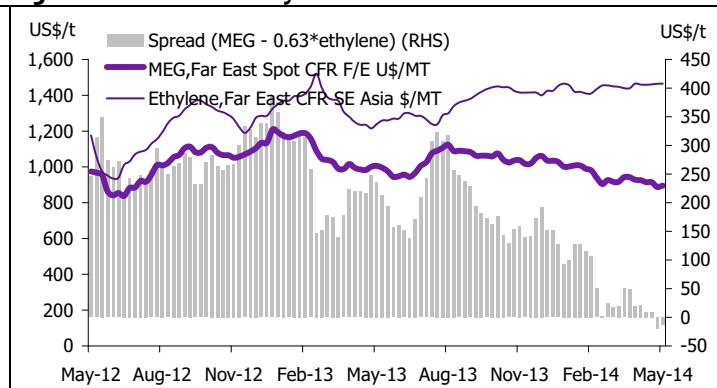
Source: Datastream, SCBS Investment Research

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	1,459	1,440	1%	1,447	1,391	1,320	↗
			Propylene (C), Spot CFR F/E U\$/MT	1,414	1,458	-3%	1,443	1,439	1,370	↘
	HDPE	19%	Polye HDPE Inj, South East Asia U\$/MT	1,555	1,548	0%	1,551	1,513	1,440	↗
	LLDPE	7%	Polye LLDPE Film, F/E Spot SE Asia \$/MT	1,566	1,562	0%	1,563	1,526	1,480	↗
	LDPE	4%	Polye LDPE-Film, Spot S.E Asia U\$/MT	1,611	1,642	-2%	1,631	1,602	1,490	↘
	MEG	6%	MEG, Far East Spot CFR F/E U\$/MT	916	967	-5%	949	1,003	1,040	↘
	PX	28%	PX - naphtha	351	442	-21%	410	543	568	↘
IRPC	BZ	15%	BZ - naphtha	416	459	-9%	444	451	398	→
	Ethylene/Propylene	15%	Ethylene - naphtha	606	595	2%	599	555	498	↗
			Propylene - naphtha	560	614	-9%	595	603	548	→
	HDPE	12%	HDPE - naphtha	702	704	0%	703	677	618	↗
	PP	28%	PP - naphtha	720	717	0%	719	701	668	↗
	ABS	7%	ABS spread	1,100	1,087	1%	1,092	1,155	n.a.	↗
	BTX	23%	BZ - naphtha	416	459	-9%	444	451	398	→
SCC	PS	12%	PS spread	320	330	-3%	327	395	n.a.	↘
	HDPE	40%	HDPE - naphtha	702	704	0%	703	677	618	↗
	LDPE	3%	LDPE - naphtha	758	797	-5%	783	767	668	↘
	LLDPE	3%	LLDPE - naphtha	713	717	-1%	716	690	658	↗
	PP	25%	PP - naphtha	720	717	0%	719	701	668	↗
	PVC	28%	PVC - Ethylene/EDC	380	420	-9%	406	438	n.a.	↘
	TPIPL	60%	LDPE - Ethylene	151	202	-25%	184	212	170	↘
TOP	PX	60%	PX - naphtha	351	442	-21%	410	543	568	↘
	BZ	21%	BZ - naphtha	416	459	-9%	444	451	398	→
IVL	PTA	25%	PTA - PX	101	100	1%	100	102	119	↘
	PET/Polyester	67%	PET spread	191	199	-4%	196	184	n.a.	↗
	MEG - NA	8%								□
VNT	PVC	63%	PVC - ethylene	290	320	-9%	310	322	370	↘
TPC	PVC	100%	PVC - Ethylene/EDC	380	420	-9%	406	438	n.a.	↘

Source: Datastream, SCBS Investment Research

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