

Petrochemical price monitor

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- **Ethylene and derivative prices steady WoW at 52-week highs.** Ethylene price was US\$1,465/t on higher feedstock cost (naphtha) and tight availability in the region. PE prices were unchanged WoW and remain high amidst steady demand and limited product availability. Propylene price rose 0.9% WoW on improved regional buying trends while the price of downstream PP was steady WoW as buyers were reluctant to restock and adopted a wait-and-see strategy. Weaker demand from China remained the key factor hindering PE prices.
- **Production cut and higher feedstock cost drove PX price.** PX price rose 4.7% WoW to a 13-week high of US\$1,260/t. This was the highest WoW change since March 2014 due to higher feedstock cost, especially for Isomer MX for stand-alone producers that have to import feedstock from others. We believe another factor is the production cuts by regional PX producers. According to an industry source, the operating rate of PX plants in Asia may be slashed from 89% in 2013 to 82% in 2014 in response to the excess supply in the region.
- **PET/PTA spread fell to 22-week low.** Integrated PET/PTA spread continued to plunge 13% WoW to a 22-week low of US\$244/t due to higher feedstock cost, both PX and MEG. This was despite higher PTA price (+3.5% WoW) due to production cuts at several regional PTA plants in response to weak margins driven by the high cost of feedstock PX and weak downstream polyester demand trends.

Investment view: The petrochemical sector (-2.1% WoW) underperformed the market (-1.6% WoW), as prices of two key players, PTTGC and IVL, fell 2.4-2.5% WoW. We believe the sell-off of petrochemical stocks is overdone given the marginal impact from domestic politics. The weaker Thai baht will also benefit these operators since most product prices are quoted in US\$. We continue to like PTTGC best due to its undemanding valuation at only 9x 2014'sP/E vs. >15x of regional peers.

Figure 1: Petrochemical price update

	Current 23-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	874	897/767	3.1%	0.6%	3.8%	0.1%	14.0%	856	844	1.3%	849	13	1.6%	842
Ethylene, Far East CFR SE Asia \$/MT	1,465	1,465/1,238	0.0%	0.3%	2.1%	3.5%	16.3%	1,460	1,440	1.4%	1,447	105	7.9%	1,440
Propylene (C), Spot CFR F/E US/MT	1,428	1,503/1,355	0.9%	-0.3%	-2.4%	-2.9%	6.1%	1,415	1,458	-2.9%	1,442	107	8.0%	1,430
Polye HDPE Inj, South East Asia US/MT	1,580	1,580/1,430	0.0%	1.9%	3.3%	2.9%	10.9%	1,558	1,548	0.6%	1,552	94	6.5%	1,570
Polye LDPE-Film, Spot S.E Asia US/MT	1,600	1,680/1,445	0.0%	-1.2%	-0.6%	-3.0%	12.3%	1,609	1,642	-2.0%	1,629	177	12.2%	1,640
Polye LLDPE Film, F/E Spot SE Asia \$/MT	1,590	1,590/1,435	0.0%	1.6%	3.9%	3.6%	11.2%	1,569	1,562	0.4%	1,565	105	7.2%	1,580
PP Film, Spot South East Asia US/MT	1,590	1,590/1,480	0.0%	0.6%	1.9%	3.9%	10.4%	1,576	1,562	0.9%	1,567	62	4.1%	1,570
Related stocks			PTTGC (Neutral) IRPC (-) SCC (-) TPIPL (Neutral)											
Para-Xylene CFR Chin M. Por Spot \$/MT	1,260	1,515/1,143	4.7%	4.5%	-1.0%	-10.6%	-10.5%	1,211	1,286	-5.8%	1,258	-302	-19.4%	1,190
Benzene, Far East CFR Spot F/E US/MT	1,285	1,368/1,218	0.6%	1.6%	-1.2%	-1.0%	-0.8%	1,271	1,304	-2.5%	1,291	-76	-5.6%	1,240
Related stocks			PTTGC (+) TOP (+) ESSO (+)											
MEG, Far East Spot CFR F/E US/MT	914	1,124/889	2.0%	-0.2%	-2.8%	-10.1%	-8.2%	916	967	-5.3%	947	-130	-12.0%	1,110
PTA CFR South East Asia	895	1,125/865	3.5%	1.1%	-3.2%	-9.6%	-15.2%	885	936	-5.4%	916	-200	-17.9%	900
PET (Fibre Grade)A/P Spot CFR NEA \$/MT	1,185	1,420/1,185	0.0%	-0.8%	-6.7%	-8.8%	-12.5%	1,199	1,267	-5.4%	1,241	-214	-14.7%	n.a.
Related stocks			PTTGC (+) IVL (-)											
ABS Asia Pac. India Spot CFR US/MT	1,905	1,955/1,870	0.0%	0.5%	0.5%	1.3%	-0.8%	1,898	1,886	0.6%	1,890	-91	-4.6%	n.a.
Polystyrene-GP, Spot Hong Kong US/MT	1,725	1,915/1,725	-0.6%	-1.4%	-2.5%	-2.8%	-3.9%	1,743	1,778	-1.9%	1,765	-76	-4.1%	n.a.
Related stocks			IRPC (-)											
PVC, Spot South East Asia US/MT	1,055	1,070/980	3.9%	2.4%	-1.4%	7.7%	7.1%	1,024	1,040	-1.5%	1,034	15	1.5%	1,070
Related stocks			VNT (+) TPC (+)											
Product spread														
Ethylene - naphtha	591	626/424	-4.3%	0.0%	-0.3%	9.1%	19.8%	604	595	1.5%	599	92	18.2%	598
Propylene - naphtha	554	665/530	-2.5%	-1.8%	-10.8%	-7.3%	-4.3%	560	614	-8.8%	593	94	18.8%	588
HDPE - naphtha	706	735/615	-3.6%	3.7%	2.6%	6.7%	7.2%	702	704	-0.2%	703	81	13.0%	728
LDPE - naphtha	726	851/655	-3.5%	-3.3%	-5.5%	-6.5%	10.3%	754	797	-5.4%	781	164	26.5%	798
LDPE - Ethylene	135	323/135	0.0%	-15.6%	-22.9%	-42.6%	-18.2%	149	202	-26.0%	182	71	64.5%	200
LLDPE - naphtha	716	750/633	-3.6%	2.9%	4.1%	8.2%	7.9%	713	717	-0.6%	716	92	14.8%	738
PP - naphtha	716	743/657	-3.6%	0.7%	-0.3%	9.0%	6.3%	720	717	0.3%	718	49	7.3%	728
PX - naphtha	386	697/304	8.4%	14.5%	-10.4%	-28.0%	-39.7%	355	442	-19.6%	409	-315	-43.6%	348
BZ - naphtha	411	535/381	-4.4%	3.8%	-10.2%	-3.2%	-22.2%	415	459	-9.6%	442	-89	-16.8%	398
MEG - Ethylene	5	324/-20	-140.6%	-46.9%	-89.6%	-96.3%	-97.6%	10	74	-86.1%	50	-195	-79.7%	217
PTA - PX	76	155/65	-8.1%	-24.7%	-22.0%	2.5%	-45.8%	98	100	-1.9%	99	-4	-3.6%	103
PET spread	167	253/128	-15.1%	-9.4%	-23.9%	-2.8%	-9.1%	188	199	-5.5%	195	-12	-6.0%	n.a.
Integrated PET/PTA spread	244	352/211	-13.0%	-14.8%	-23.3%	-1.2%	-25.0%	286	299	-4.3%	294	-16	-5.2%	n.a.
ABS spread	1,115	1,272/1,070	0.3%	2.2%	3.2%	-3.0%	0.7%	1,102	1,087	1.4%	1,093	-30	-2.7%	n.a.
PS spread	285	565/285	-5.3%	-12.9%	-12.8%	-16.1%	-29.9%	316	330	-4.4%	325	-46	-12.4%	n.a.
PVC - ethylene	323	398/258	14.2%	7.5%	-8.5%	18.3%	-9.2%	294	320	-8.0%	310	-37	-10.7%	350

Source: Datastream, SCBS Investment Research

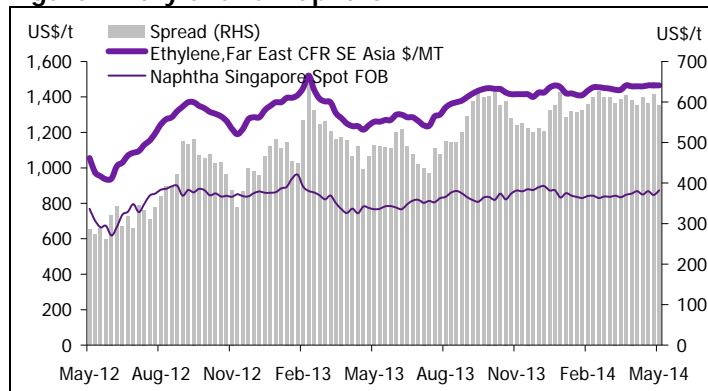
Note: Impact to related stocks is based on WoW performance

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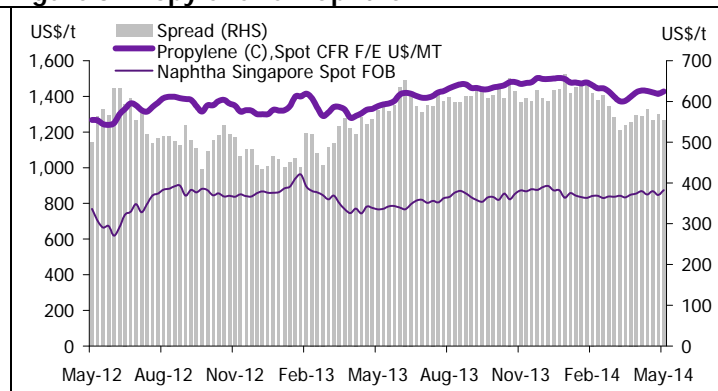
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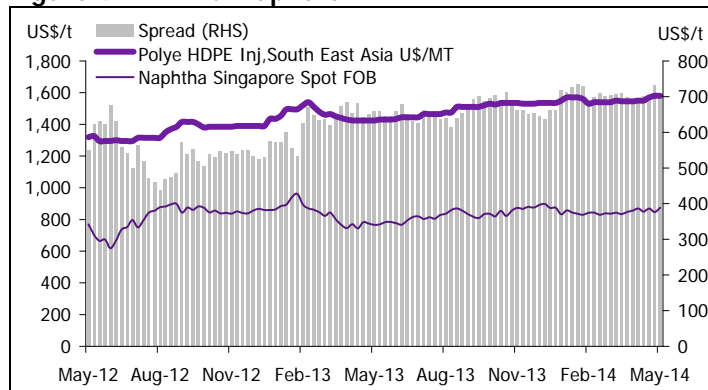
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Figure 2: Ethylene vs. Naphtha

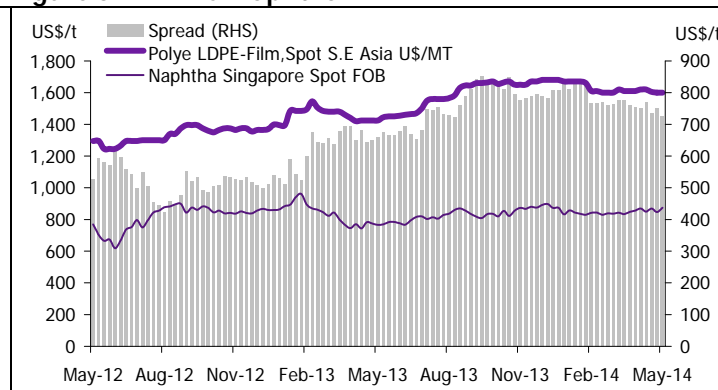
Source: Datastream, SCBS Investment Research

Figure 3: Propylene vs. Naphtha

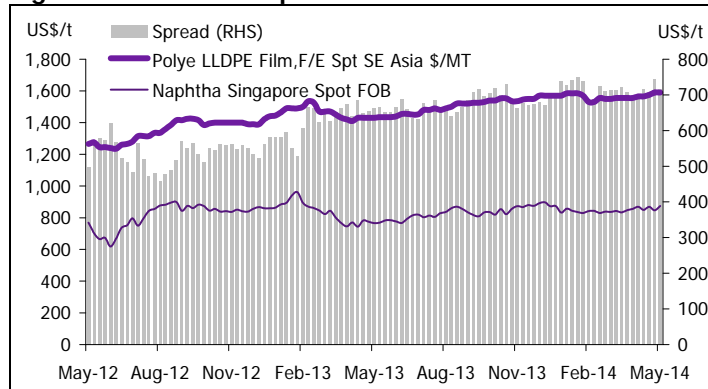
Source: Datastream, SCBS Investment Research

Figure 4: HDPE vs. Naphtha

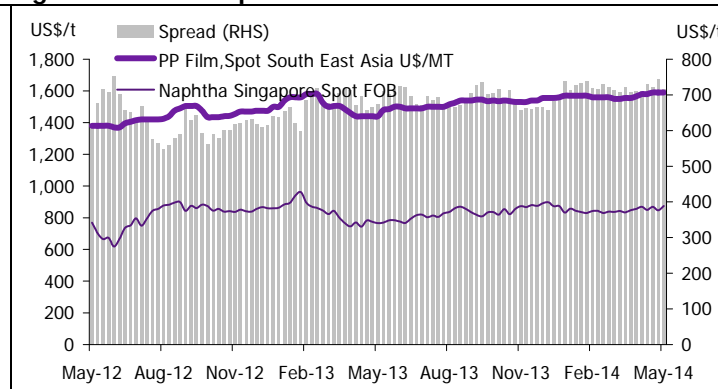
Source: Datastream, SCBS Investment Research

Figure 5: LDPE vs. Naphtha

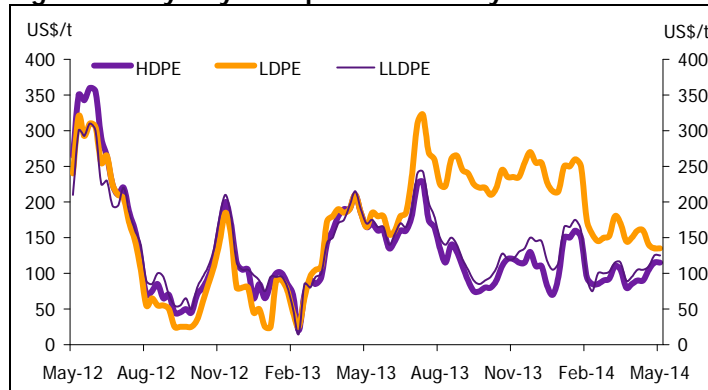
Source: Datastream, SCBS Investment Research

Figure 6: LLDPE vs. Naphtha

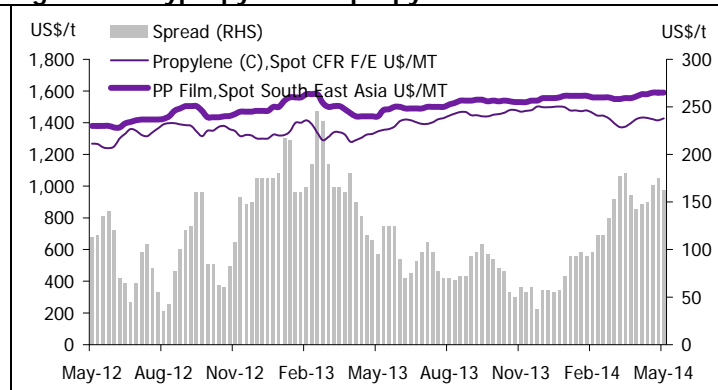
Source: Datastream, SCBS Investment Research

Figure 7: PP vs. Naphtha

Source: Datastream, SCBS Investment Research

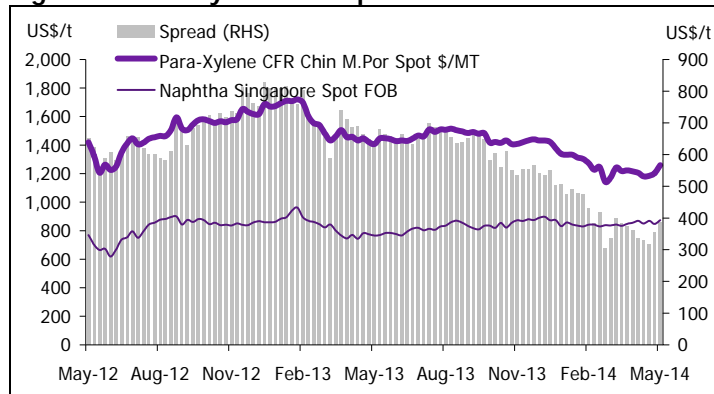
Figure 8: Polyethylene spread over ethylene

Source: Datastream, SCBS Investment Research

Figure 9: Polypropylene vs. propylene

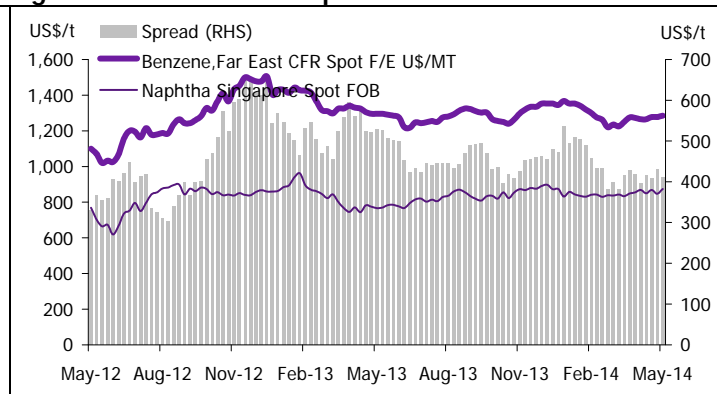
Source: Datastream, SCBS Investment Research

Figure 10: Paraxylene vs. Naphtha



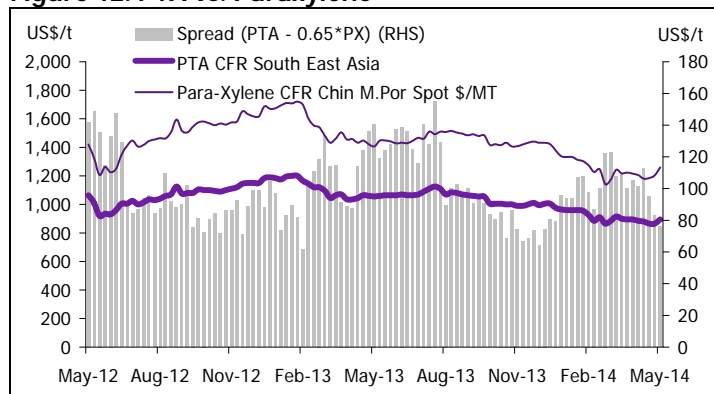
Source: Datastream, SCBS Investment Research

Figure 11: Benzene vs. Naphtha



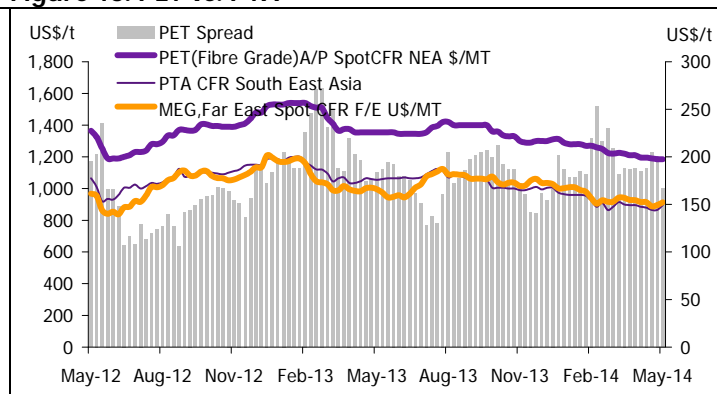
Source: Datastream, SCBS Investment Research

Figure 12: PTA vs. Paraxylene



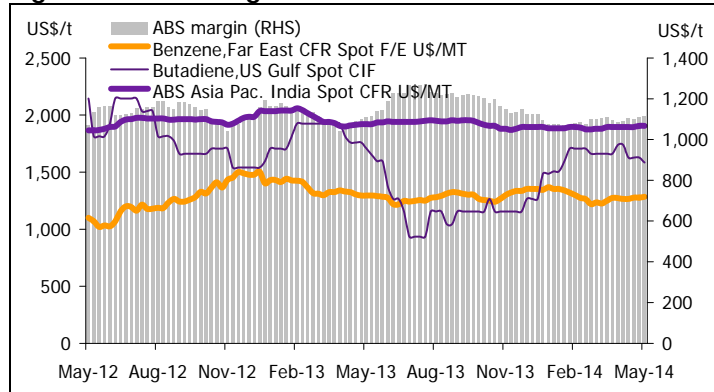
Source: Datastream, SCBS Investment Research

Figure 13: PET vs. PTA



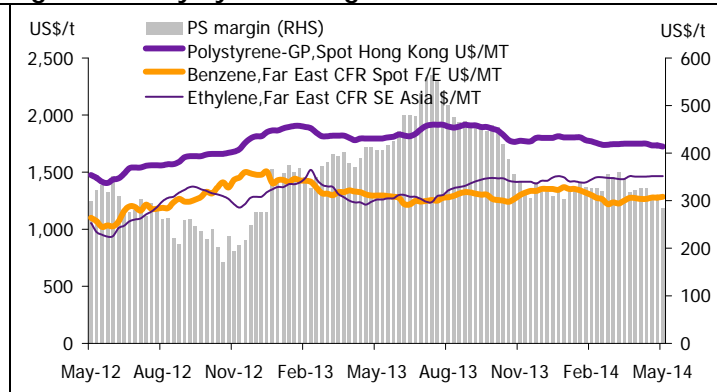
Source: Datastream, SCBS Investment Research

Figure 14: ABS margin



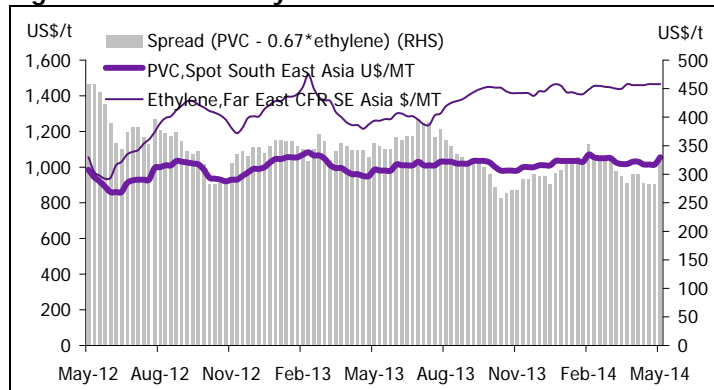
Source: Datastream, SCBS Investment Research

Figure 15: Polystyrene margin



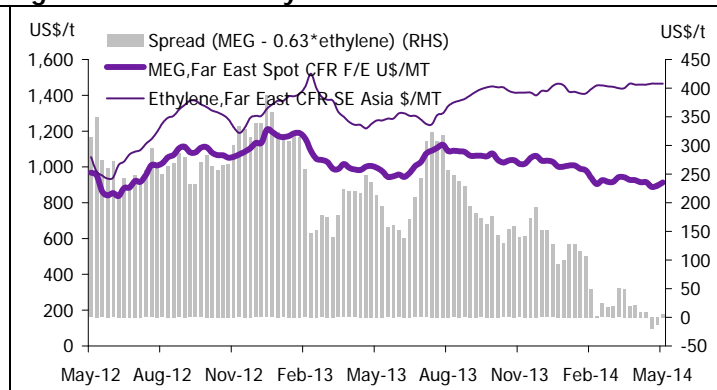
Source: Datastream, SCBS Investment Research

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	1,460	1,440	1%	1,447	1,395	1,440	↗
			Propylene (C), Spot CFR F/E US/MT	1,415	1,458	-3%	1,442	1,441	1,430	↘
	HDPE	19%	Polye HDPE Inj, South East Asia US/MT	1,558	1,548	1%	1,552	1,516	1,570	↗
	LLDPE	7%	Polye LLDPE Film, F/E Spt SE Asia \$/MT	1,569	1,562	0%	1,565	1,529	1,580	↗
	LDPE	4%	Polye LDPE-Film, Spot S.E Asia US/MT	1,609	1,642	-2%	1,629	1,606	1,640	↘
	MEG	6%	MEG, Far East Spot CFR F/E US/MT	916	967	-5%	947	1,002	1,110	↘
	PX	28%	PX - naphtha	355	442	-20%	409	538	348	→
IRPC	BZ	15%	BZ - naphtha	415	459	-10%	442	449	398	→
	Ethylene/Propylene	15%	Ethylene - naphtha	604	595	2%	599	557	598	↘
			Propylene - naphtha	560	614	-9%	593	603	588	↘
	HDPE	12%	HDPE - naphtha	702	704	0%	703	678	728	↗
	PP	28%	PP - naphtha	720	717	0%	718	702	728	→
	ABS	7%	ABS spread	1,102	1,087	1%	1,093	1,155	n.a.	↗
	BTX	23%	BZ - naphtha	415	459	-10%	442	449	398	→
SCC	PS	12%	PS spread	316	330	-4%	325	393	n.a.	↘
	HDPE	40%	HDPE - naphtha	702	704	0%	703	678	728	↗
	LDPE	3%	LDPE - naphtha	754	797	-5%	781	768	798	↘
	LLDPE	3%	LLDPE - naphtha	713	717	-1%	716	691	738	↗
	PP	25%	PP - naphtha	720	717	0%	718	702	728	→
	PVC	28%	PVC - Ethylene/EDC	387	420	-8%	407	436	n.a.	→
	TPIPL	60%	LDPE - Ethylene	149	202	-26%	182	211	200	↘
TOP	PX	60%	PX - naphtha	355	442	-20%	409	538	348	→
	BZ	21%	BZ - naphtha	415	459	-10%	442	449	398	→
IVL	PTA	25%	PTA - PX	98	100	-2%	99	101	103	↘
	PET/Polyester	67%	PET spread	188	199	-5%	195	183	n.a.	↘
	MEG	8%								
VNT	PVC	63%	PVC - ethylene	294	320	-8%	310	321	350	→
TPC	PVC	100%	PVC - Ethylene/EDC	387	420	-8%	407	436	n.a.	→

Source: Datastream, SCBS Investment Research

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