

## Petrochemical price monitor

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- **PE price flat WoW on dull sentiment.** Polyethylene prices did not change WoW for the third week, with demand lackluster, especially in North Asia. Buyers are more cautious in rebuilding inventory ahead of high season in 3Q14 as they are well stocked. The slow demand also pushed ethylene price down 0.7% WoW. PE product spread rose 1% WoW as feedstock cost (naphtha) fell with oil price.
- **PX price down WoW after 3-week increase.** PX price edged down 0.2% WoW to US\$1,257/t, still 10% above its 52-week low. This ended the steady three-week rise as regional integrated oil refinery and aromatic plants returned from maintenance shutdowns. This will lead producers to reduce production rates in weeks ahead to avoid price and margin collapse.
- **Stable PET/PTA spread WoW despite higher PTA price.** Higher feedstock cost and maintenance shutdown pushed PTA price up (+2.2% WoW) to a 9-week high of US\$915/t. Together with tighter supply due to plant shutdowns, integrated PET/PTA spread was maintained at US\$244/t. More plant shutdowns or production cuts can be expected in the near term in response to weak PTA-PX margin of below US\$100/t and weaker demand for downstream polyester.

**Investment view:** The petrochemical sector (+1.2% WoW) underperformed the market (+3.8% WoW) which was boosted by more positive sentiment after the issue of the roadmap by the National Council for Peace and Order. The sector was led by PTTGC (Buy, TP:Bt85), rising 1.8% WoW while IVL (Neutral, TP:Bt24) fell 0.4% WoW on a ST correction. The NCPO roadmap will have only small impact on the sector, in our view, with the benefit lying mainly in the improved market sentiment. We still see PTTGC's valuation as undemanding at only 9x 2014 P/E vs. >15x for regional peers and the bottoming of quarterly earnings in 1Q14.

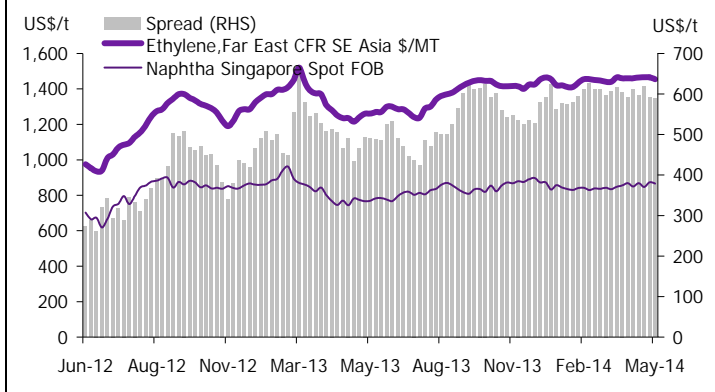
Figure 1: Petrochemical price update

	Current 30-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	866	897/767	-0.8%	1.9%	2.8%	-0.2%	12.6%	857	844	1.5%	850	17	2.0%	842
Ethylene, Far East CFR SE Asia \$/MT	1,455	1,465/1,238	-0.7%	-0.3%	0.0%	2.8%	15.5%	1,459	1,440	1.4%	1,448	109	8.2%	1,440
Propylene (C), Spot CFR F/E US\$/MT	1,425	1,503/1,360	-0.2%	-0.3%	-1.4%	-3.4%	5.2%	1,416	1,458	-2.9%	1,441	105	7.9%	1,430
Polye HDPE Inj, South East Asia US\$/MT	1,580	1,580/1,430	0.0%	1.9%	2.6%	3.3%	10.5%	1,561	1,548	0.8%	1,553	97	6.6%	1,570
Polye LDPE-Film, Spot S.E Asia US\$/MT	1,600	1,680/1,450	0.0%	-1.2%	-0.6%	-3.0%	10.7%	1,608	1,642	-2.0%	1,628	176	12.1%	1,640
Polye LLDPE Film, F/E Spot SE Asia \$/MT	1,590	1,590/1,435	0.0%	1.6%	3.9%	2.9%	10.8%	1,571	1,562	0.6%	1,566	108	7.4%	1,580
PP Film, Spot South East Asia US\$/MT	1,590	1,590/1,485	0.0%	0.6%	1.9%	3.9%	7.4%	1,577	1,562	1.0%	1,568	64	4.2%	1,570
Related stocks			PTTGC (Neutral)   IRPC (+)   SCC (+)   TPIPL (+)											
Para-Xylene CFR Chin M. Por Spot \$/MT	1,257	1,515/1,143	-0.2%	6.5%	2.4%	-11.5%	-13.2%	1,216	1,286	-5.5%	1,258	-297	-19.1%	1,190
Benzene, Far East CFR Spot F/E US\$/MT	1,290	1,368/1,218	0.4%	2.0%	1.2%	-2.3%	-0.4%	1,273	1,304	-2.3%	1,291	-73	-5.4%	1,240
Related stocks			PTTGC (+)   TOP (+)   ESSO (+)											
MEG, Far East Spot CFR F/E US\$/MT	930	1,124/889	1.8%	1.6%	2.8%	-8.8%	-4.7%	917	967	-5.1%	946	-126	-11.7%	1,110
PTA CFR South East Asia	915	1,125/865	2.2%	4.0%	3.4%	-7.6%	-13.7%	888	936	-5.1%	916	-198	-17.7%	900
PET (Fibre Grade)A/P Spot CFR NEA \$/MT	1,185	1,420/1,185	0.0%	-0.8%	-6.0%	-8.1%	-12.5%	1,197	1,267	-5.5%	1,239	-212	-14.6%	n.a.
Related stocks			PTTGC (+)   IVL (+)											
ABS Asia Pac. India Spot CFR US\$/MT	1,905	1,955/1,870	0.0%	0.5%	0.8%	1.9%	-0.8%	1,898	1,886	0.6%	1,891	-88	-4.4%	n.a.
Polystyrene-GP, Spot Hong Kong US\$/MT	1,715	1,915/1,715	-0.6%	-2.0%	-2.3%	-3.1%	-4.5%	1,740	1,778	-2.1%	1,762	-76	-4.1%	n.a.
Related stocks			IRPC (-)											
PVC, Spot South East Asia US\$/MT	1,055	1,070/980	0.0%	3.9%	0.0%	5.5%	7.7%	1,028	1,040	-1.1%	1,035	18	1.8%	1,070
Related stocks			VNT (+)   TPC (+)											
Product spread														
Ethylene - naphtha	589	626/424	-0.5%	-3.5%	-3.8%	7.6%	20.0%	603	595	1.2%	598	93	18.3%	598
Propylene - naphtha	559	665/530	0.9%	-3.7%	-7.2%	-8.0%	-4.6%	560	614	-8.8%	591	88	17.6%	588
HDPE - naphtha	714	735/615	1.0%	1.9%	2.4%	7.8%	8.0%	704	704	0.0%	704	80	12.8%	728
LDPE - naphtha	734	851/655	1.0%	-4.7%	-4.3%	-6.2%	8.6%	751	797	-5.7%	778	159	25.6%	798
LDPE - Ethylene	145	323/135	7.4%	-9.4%	-6.5%	-38.3%	-21.6%	149	202	-26.3%	180	66	58.1%	200
LLDPE - naphtha	724	750/633	1.0%	1.2%	5.3%	6.9%	8.7%	714	717	-0.5%	716	91	14.5%	738
PP - naphtha	724	743/657	1.0%	-0.9%	0.9%	9.3%	1.9%	720	717	0.4%	719	47	7.0%	728
PX - naphtha	391	697/304	1.2%	18.2%	1.6%	-29.3%	-42.4%	359	442	-18.7%	408	-314	-43.5%	348
BZ - naphtha	424	535/381	3.0%	2.1%	-1.9%	-6.3%	-19.4%	416	459	-9.4%	442	-90	-16.9%	398
MEG - Ethylene	27	324/-20	426.9%	179.6%	1041.7%	-80.7%	-85.9%	12	74	-83.5%	49	-194	-79.9%	217
PTA - PX	98	155/65	28.3%	-13.1%	12.4%	46.2%	-17.8%	98	100	-1.9%	99	-4	-4.3%	103
PET spread	146	253/128	-12.7%	-22.5%	-42.3%	-9.3%	-21.9%	183	199	-7.8%	193	-14	-6.6%	n.a.
Integrated PET/PTA spread	244	352/211	0.2%	-19.0%	-28.3%	7.0%	-20.3%	281	299	-5.8%	291	-18	-5.9%	n.a.
ABS spread	1,118	1,272/1,070	0.3%	1.0%	2.9%	-1.0%	0.2%	1,104	1,087	1.5%	1,094	-28	-2.5%	n.a.
PS spread	274	565/274	-3.9%	-16.3%	-15.9%	-13.5%	-32.6%	311	330	-5.8%	322	-50	-13.4%	n.a.
PVC - ethylene	328	398/258	1.6%	14.9%	0.0%	12.0%	-6.4%	298	320	-6.8%	311	-37	-10.5%	350

Source: Datastream, SCBS Investment Research

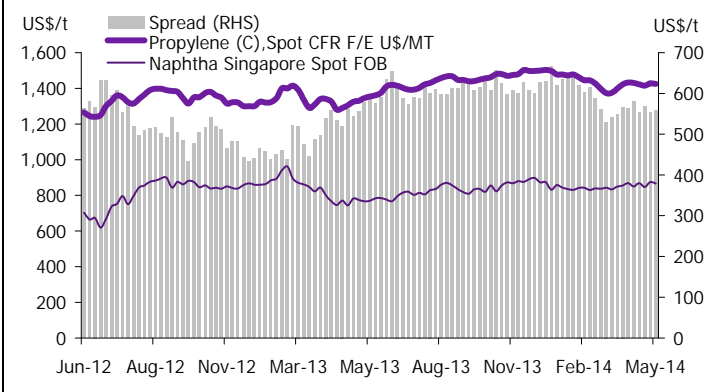
Note: Impact to related stocks is based on WoW performance

Figure 2: Ethylene vs. Naphtha



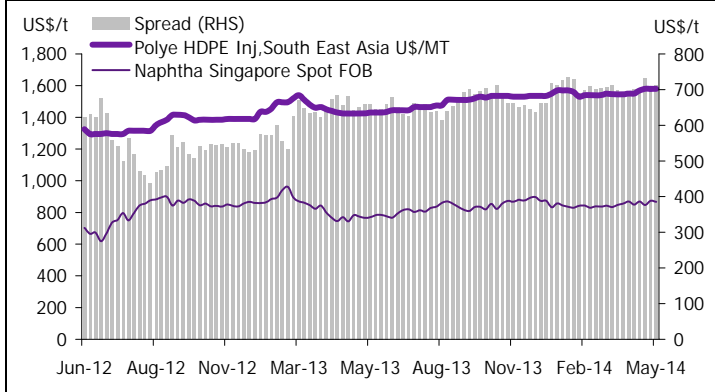
Source: Datastream, SCBS Investment Research

Figure 3: Propylene vs. Naphtha



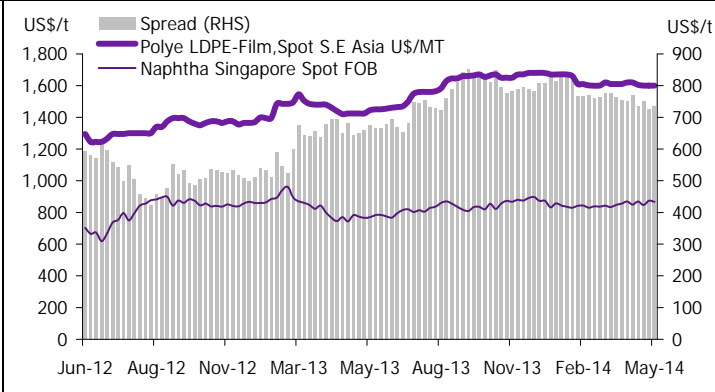
Source: Datastream, SCBS Investment Research

Figure 4: HDPE vs. Naphtha



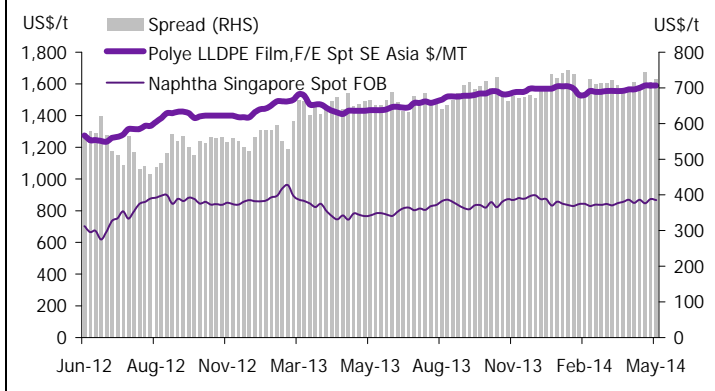
Source: Datastream, SCBS Investment Research

Figure 5: LDPE vs. Naphtha



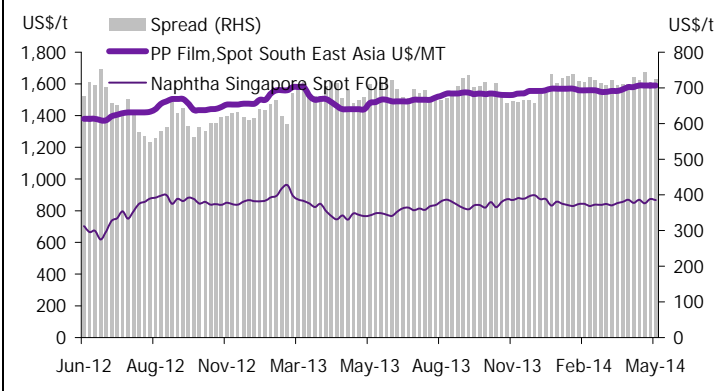
Source: Datastream, SCBS Investment Research

Figure 6: LLDPE vs. Naphtha



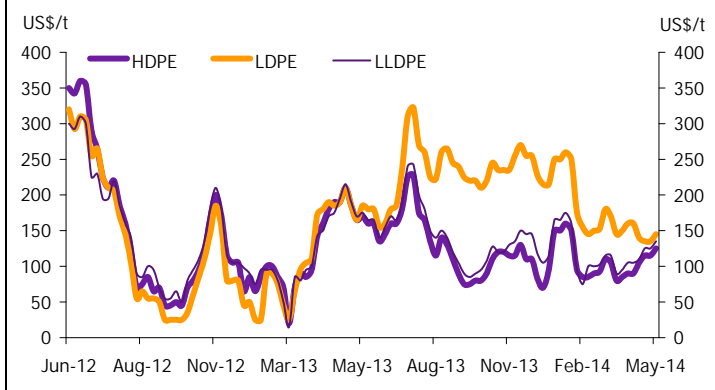
Source: Datastream, SCBS Investment Research

Figure 7: PP vs. Naphtha



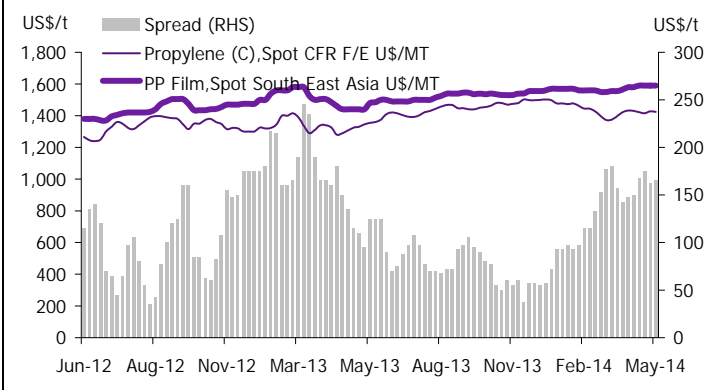
Source: Datastream, SCBS Investment Research

Figure 8: Polyethylene spread over ethylene

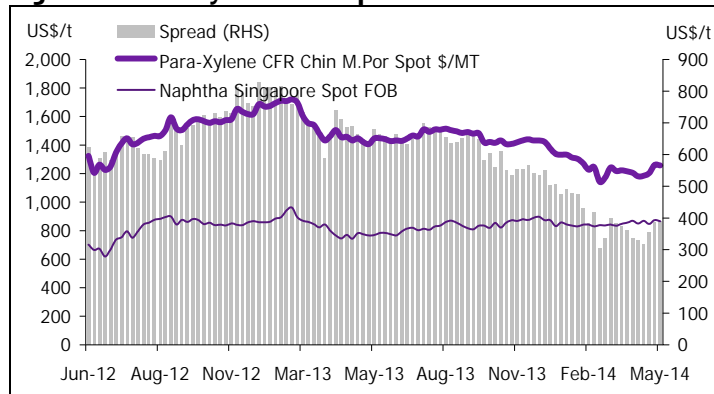


Source: Datastream, SCBS Investment Research

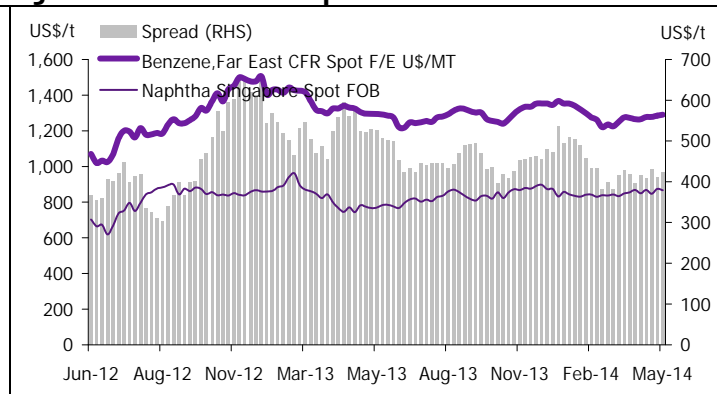
Figure 9: Polypropylene vs. propylene



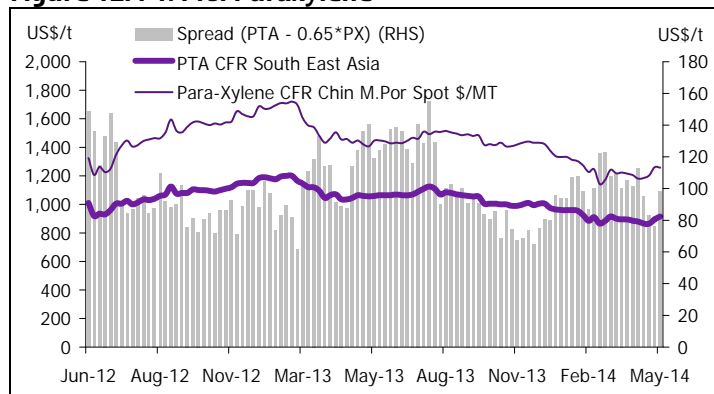
Source: Datastream, SCBS Investment Research

**Figure 10: Paraxylene vs. Naphtha**

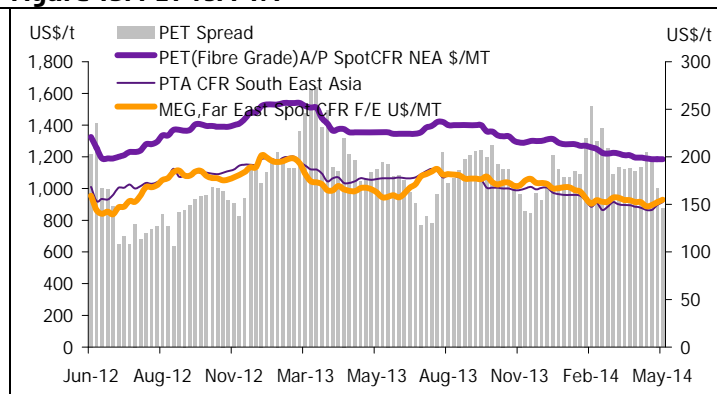
Source: Datastream, SCBS Investment Research

**Figure 11: Benzene vs. Naphtha**

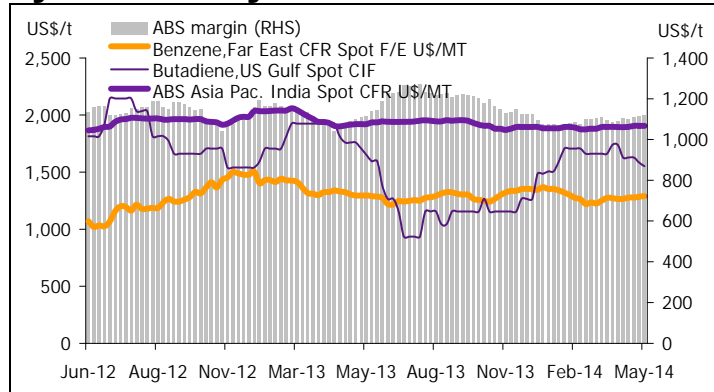
Source: Datastream, SCBS Investment Research

**Figure 12: PTA vs. Paraxylene**

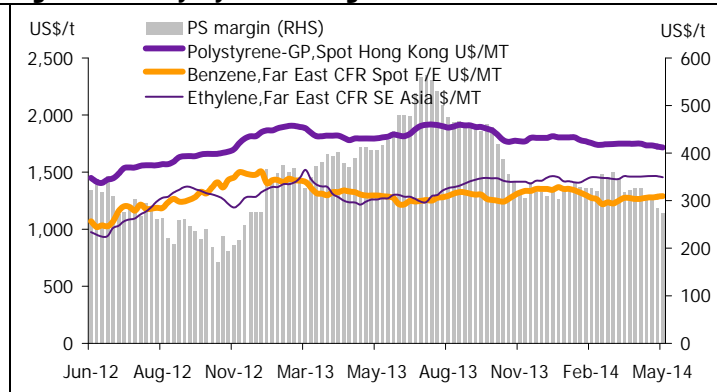
Source: Datastream, SCBS Investment Research

**Figure 13: PET vs. PTA**

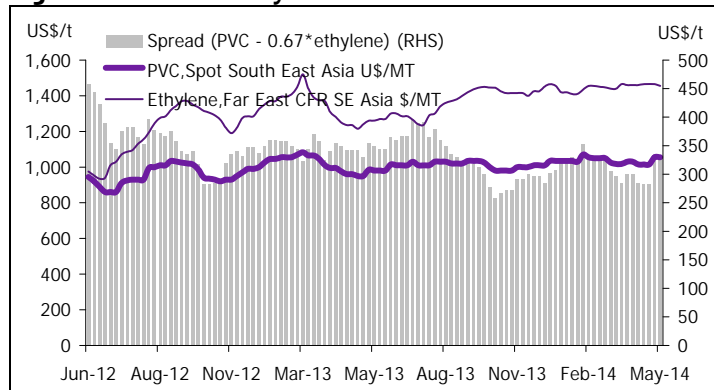
Source: Datastream, SCBS Investment Research

**Figure 14: ABS margin**

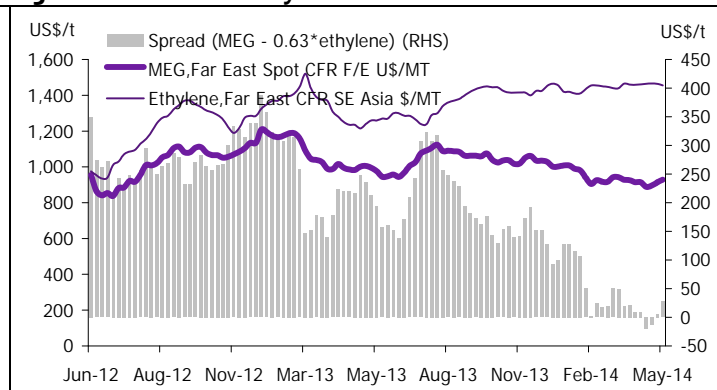
Source: Datastream, SCBS Investment Research

**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	1,459	1,440	1%	1,448	1,398	1,440	→
			Propylene (C), Spot CFR F/E US\$/MT	1,416	1,458	-3%	1,441	1,442	1,430	↓
	HDPE	19%	Polye HDPE Inj, South East Asia US\$/MT	1,561	1,548	1%	1,553	1,519	1,570	↗
	LLDPE	7%	Polye LLDPE Film, F/E Spt SE Asia \$/MT	1,571	1,562	1%	1,566	1,532	1,580	↗
	LDPE	4%	Polye LDPE-Film, Spot S.E Asia US\$/MT	1,608	1,642	-2%	1,628	1,609	1,640	↓
	MEG	6%	MEG, Far East Spot CFR F/E US\$/MT	917	967	-5%	946	1,001	1,110	↗
	PX	28%	PX - naphtha	359	442	-19%	408	532	348	↗
IRPC	BZ	15%	BZ - naphtha	416	459	-9%	442	447	398	→
	Ethylene/Propylene	15%	Ethylene - naphtha	603	595	1%	598	559	598	↓
			Propylene - naphtha	560	614	-9%	591	602	588	↓
	HDPE	12%	HDPE - naphtha	704	704	0%	704	679	728	↗
	PP	28%	PP - naphtha	720	717	0%	719	702	728	→
	ABS	7%	ABS spread	1,104	1,087	2%	1,094	1,155	n.a.	↗
	BTX	23%	BZ - naphtha	416	459	-9%	442	447	398	→
SCC	PS	12%	PS spread	311	330	-6%	322	390	n.a.	↓
	HDPE	40%	HDPE - naphtha	704	704	0%	704	679	728	↗
	LDPE	3%	LDPE - naphtha	751	797	-6%	778	769	798	↓
	LLDPE	3%	LLDPE - naphtha	714	717	0%	716	692	738	↗
	PP	25%	PP - naphtha	720	717	0%	719	702	728	→
	PVC	28%	PVC - Ethylene/EDC	391	420	-7%	408	435	n.a.	↗
TPIPL	LDPE	60%	LDPE - Ethylene	149	202	-26%	180	210	200	↓
	PX	60%	PX - naphtha	359	442	-19%	408	532	348	↗
TOP	BZ	21%	BZ - naphtha	416	459	-9%	442	447	398	→
IVL	PTA	25%	PTA - PX	98	100	-2%	99	101	103	→
	PET/Polyester	67%	PET spread	183	199	-8%	193	182	n.a.	↓
	MEG	8%								
VNT	PVC	63%	PVC - ethylene	298	320	-7%	311	321	350	↗
TPC	PVC	100%	PVC - Ethylene/EDC	391	420	-7%	408	435	n.a.	↗

Source: Datastream, SCBS Investment Research

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