

Petrochemical price monitor

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- **Better PE product spread WoW on lower naphtha price.** Integrated naphtha-based producers continued to enjoy higher product spread for PE/PP, up 2% WoW across the board while product prices were flat WoW in the SEA market on steady regional demand trends. Buyers were cautious about restocking ahead of the high season in 3Q while the demand/supply outlook remains promising for the whole year. The main risk is a slower than expected Chinese economy.
- **PX price at 16-week high** of US\$1,284/t (+2.1% WoW) on tighter supply and higher feedstock cost, especially MX. This may not be sustained for long, since poor spread has led PTA producers to reduce operating rates. This will be offset partly by strong BZ price and spread on signals of stronger demand for styrene monomer (SM), the chief use of BZ in the US and European markets.
- **More plant shutdowns led PTA price up WoW.** Integrated PET/PTA price shot up 16.8% WoW to US\$285/t, thanks to the 5.1-6.6% WoW rise in PET and PTA price. This was due to more plant shutdowns in China in response to unfavorable PTA-PX spread, specifically at Yisheng Dahua Petrochemical, which is likely to shut its 3.3mtpa PTA plant towards the end of June because of weak economic fundamentals, according to an industry source. PET price was also driven by a 4.5% WoW rise in feedstock price, PTA and MEG.

Investment view: The sector (-0.5% WoW) is shadowed by risk from energy price reform in Thailand, especially in terms of LPG price and the proposed termination of the Oil Fund. This could raise LPG price for petrochemical producers, especially PTTGC (-4.3% WoW). The sector thus underperformed the overall market (+1.1% WoW). We view the market's reaction as overdone since the National Council for Peace and Order will be more attuned to market mechanisms than popularity. Nonetheless, as the impact of energy sector reform remains uncertain we recommend staying sidelined.

Figure 1: Petrochemical price update

	Current 6-Jun-14	52-week High/Low	-1W	-1M	-3M	-6M	-12M	2Q14 QTD	1Q14	QoQ%	YTD	Chg.	%YoY	2014F projection
Price														
Naphtha Singapore Spot FOB	852	897/767	-1.7%	-1.9%	2.7%	-3.1%	8.8%	856	844	1.4%	850	19	2.3%	842
Ethylene, Far East CFR SE Asia \$/MT	1,435	1,465/1,238	-1.4%	-2.0%	-1.4%	1.4%	13.0%	1,457	1,440	1.2%	1,447	112	8.4%	1,440
Propylene (C), Spot CFR F/E US/MT	1,418	1,503/1,373	-0.5%	-0.4%	-1.9%	-4.2%	4.2%	1,417	1,458	-2.9%	1,440	103	7.7%	1,430
Polye HDPE Inj, South East Asia US/MT	1,580	1,580/1,430	0.0%	0.6%	2.6%	3.3%	10.5%	1,563	1,548	0.9%	1,555	99	6.8%	1,570
Polye LDPE-Film, Spot S.E Asia US/MT	1,600	1,680/1,450	0.0%	-0.3%	0.0%	-4.2%	10.3%	1,608	1,642	-2.1%	1,627	175	12.0%	1,640
Polye LLDPE Film, F/E Spot SE Asia \$/MT	1,590	1,590/1,435	0.0%	1.0%	2.3%	2.6%	10.8%	1,573	1,562	0.7%	1,567	110	7.5%	1,580
PP Film, Spot South East Asia US/MT	1,590	1,590/1,490	0.0%	0.0%	1.9%	3.2%	7.1%	1,579	1,562	1.1%	1,569	66	4.4%	1,570
Related stocks			PTTGC (Neutral) IRPC (+) SCC (+) TPIPL (+)											
Para-Xylene CFR Chin M. Por Spot \$/MT	1,284	1,515/1,143	2.1%	8.4%	3.0%	-10.4%	-11.3%	1,223	1,286	-4.9%	1,259	-291	-18.8%	1,190
Benzene, Far East CFR Spot F/E US/MT	1,303	1,368/1,218	1.0%	2.0%	3.2%	-2.4%	1.0%	1,276	1,304	-2.1%	1,292	-69	-5.1%	1,240
Related stocks			PTTGC (+) TOP (+) ESSO (+)											
MEG, Far East Spot CFR F/E US/MT	972	1,124/889	4.5%	9.3%	4.9%	-7.6%	2.9%	923	967	-4.6%	947	-119	-11.2%	1,110
PTA CFR South East Asia	975	1,125/865	6.6%	12.7%	7.1%	-2.5%	-8.5%	897	936	-4.1%	919	-193	-17.4%	900
PET (Fibre Grade)A/P Spot CFR NEA \$/MT	1,245	1,420/1,185	5.1%	4.6%	-0.4%	-3.5%	-8.1%	1,202	1,267	-5.1%	1,239	-208	-14.3%	n.a.
Related stocks			PTTGC (+) IVL (+)											
ABS Asia Pac. India Spot CFR US/MT	1,905	1,955/1,870	0.0%	0.5%	1.6%	1.3%	-1.6%	1,899	1,886	0.7%	1,892	-85	-4.3%	n.a.
Polystyrene-GP, Spot Hong Kong US/MT	1,715	1,915/1,715	0.0%	-1.2%	-1.4%	-3.1%	-5.0%	1,738	1,778	-2.3%	1,760	-77	-4.2%	n.a.
Related stocks			IRPC (Neutral)											
PVC, Spot South East Asia US/MT	1,055	1,070/980	0.0%	3.9%	0.5%	5.5%	7.7%	1,031	1,040	-0.9%	1,036	21	2.0%	1,070
Related stocks			VNT (+) TPC (Neutral)											
Product spread														
Ethylene - naphtha	583	626/424	-1.0%	-2.2%	-6.7%	8.9%	19.8%	601	595	0.9%	598	93	18.4%	598
Propylene - naphtha	566	665/530	1.2%	2.1%	-8.1%	-5.8%	-1.9%	560	614	-8.7%	590	84	16.6%	588
HDPE - naphtha	728	735/615	2.0%	3.8%	2.5%	11.9%	12.6%	706	704	0.3%	705	80	12.8%	728
LDPE - naphtha	748	851/655	2.0%	1.6%	-2.9%	-5.4%	12.2%	751	797	-5.8%	777	155	25.0%	798
LDPE - Ethylene	165	323/135	13.8%	17.9%	13.8%	-35.3%	-8.3%	151	202	-25.5%	180	63	53.7%	200
LLDPE - naphtha	738	750/633	2.0%	4.5%	1.8%	10.1%	13.2%	717	717	-0.1%	717	91	14.4%	738
PP - naphtha	738	743/657	2.0%	2.3%	1.1%	11.8%	5.2%	722	717	0.6%	719	47	6.9%	728
PX - naphtha	432	697/304	10.6%	36.8%	3.8%	-21.9%	-35.0%	367	442	-17.0%	409	-311	-43.2%	348
BZ - naphtha	451	535/381	6.3%	10.2%	4.1%	-1.1%	-11.1%	420	459	-8.6%	442	-89	-16.7%	398
MEG - Ethylene	82	324/-20	198.5%	-513.1%	235.2%	-52.9%	-47.8%	19	74	-74.1%	50	-188	-79.0%	217
PTA - PX	140	155/65	43.3%	47.7%	40.3%	103.8%	13.1%	102	100	2.4%	101	-4	-3.4%	103
PET spread	144	253/128	-1.0%	-29.3%	-33.1%	1.6%	-25.5%	179	199	-9.8%	190	-15	-7.4%	n.a.
Integrated PET/PTA spread	285	352/211	16.8%	-4.9%	-9.9%	35.0%	-10.4%	282	299	-5.7%	291	-19	-6.1%	n.a.
ABS spread	1,114	1,272/1,070	-0.3%	1.1%	3.5%	-1.7%	-2.4%	1,105	1,087	1.6%	1,095	-28	-2.5%	n.a.
PS spread	270	565/270	-1.5%	-10.3%	-15.8%	-11.5%	-35.4%	307	330	-7.1%	320	-54	-14.5%	n.a.
PVC - ethylene	338	398/258	3.1%	19.5%	4.7%	15.4%	-2.2%	302	320	-5.6%	312	-35	-10.2%	350

Source: Datastream, SCBS Investment Research

Note: Impact to related stocks is based on WoW performance

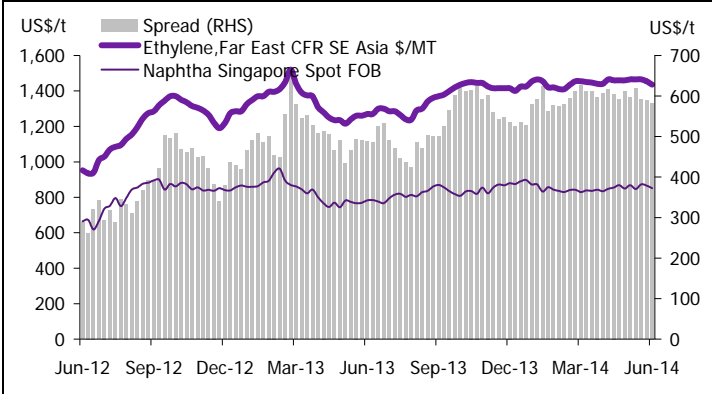
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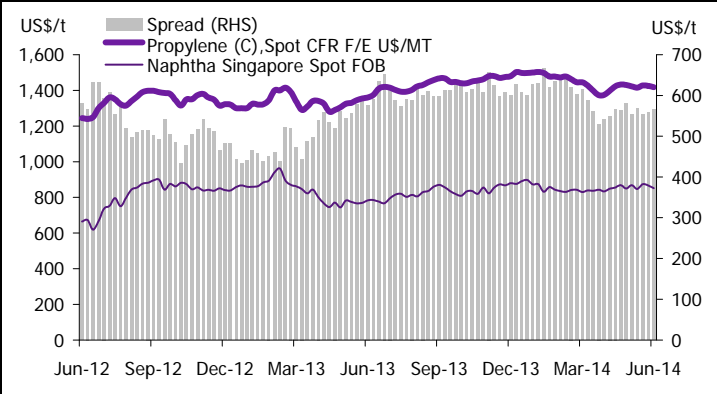
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Figure 2: Ethylene vs. Naphtha



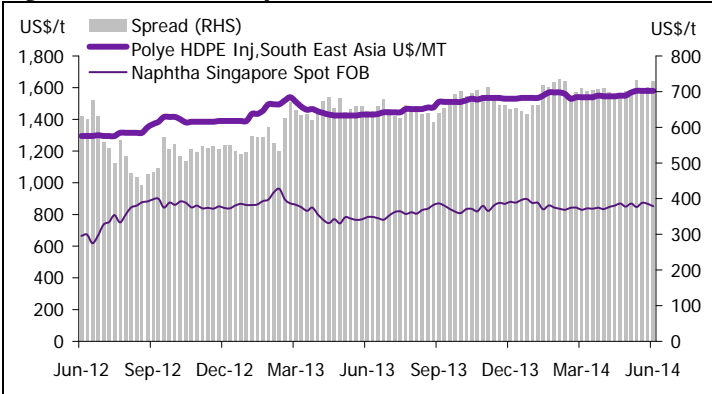
Source: Datastream, SCBS Investment Research

Figure 3: Propylene vs. Naphtha



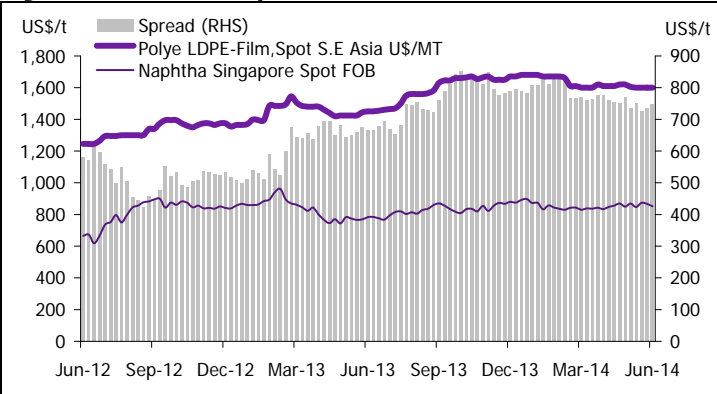
Source: Datastream, SCBS Investment Research

Figure 4: HDPE vs. Naphtha



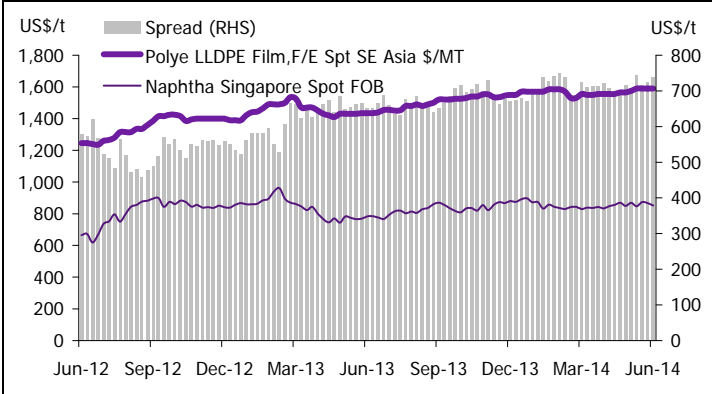
Source: Datastream, SCBS Investment Research

Figure 5: LDPE vs. Naphtha



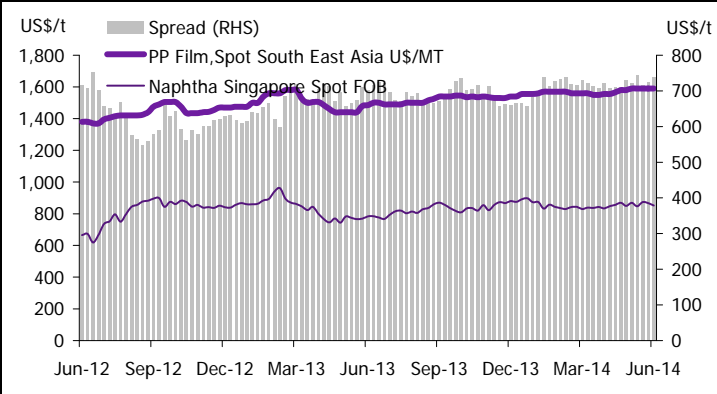
Source: Datastream, SCBS Investment Research

Figure 6: LLDPE vs. Naphtha



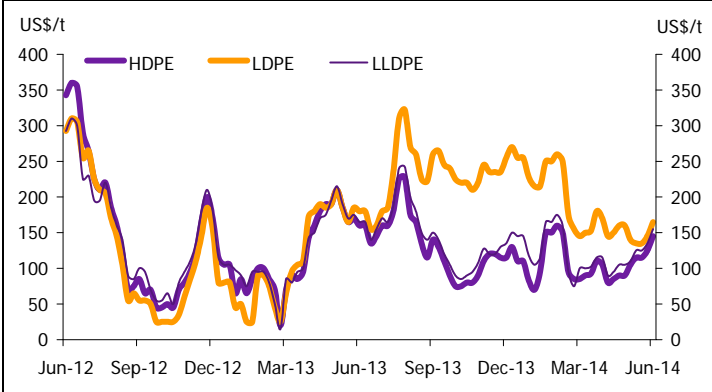
Source: Datastream, SCBS Investment Research

Figure 7: PP vs. Naphtha



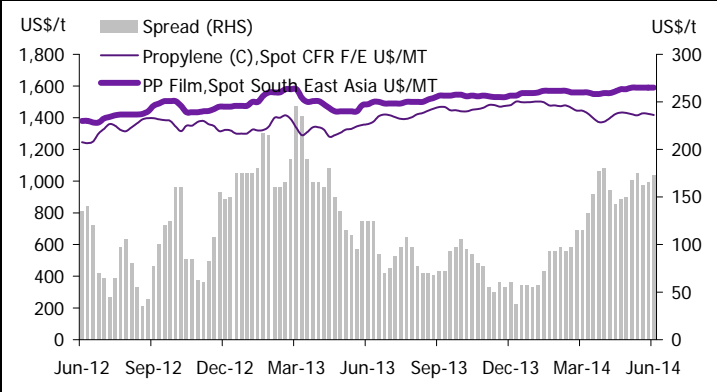
Source: Datastream, SCBS Investment Research

Figure 8: Polyethylene spread over ethylene

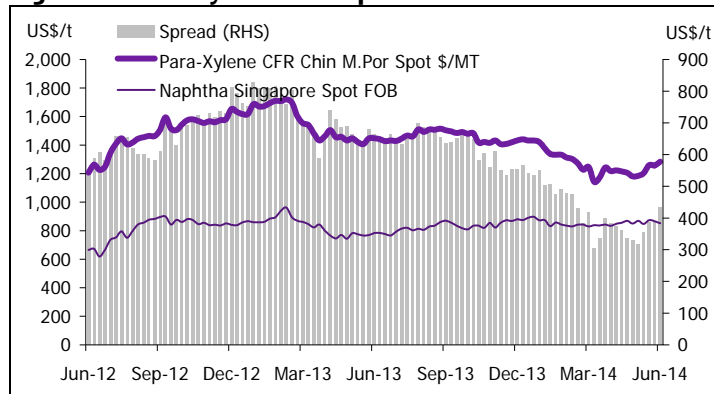


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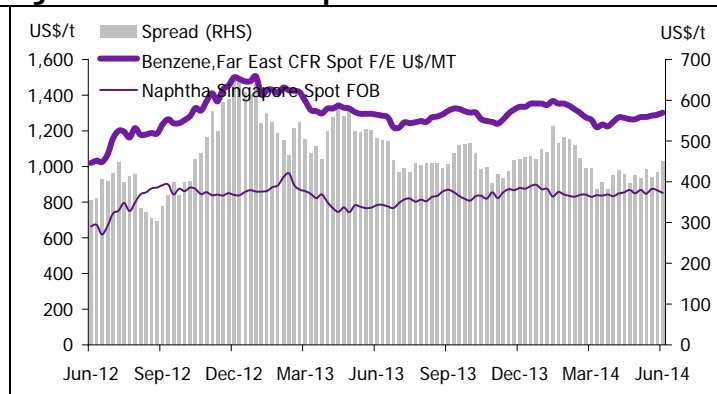
Figure 9: Polypropylene vs. propylene



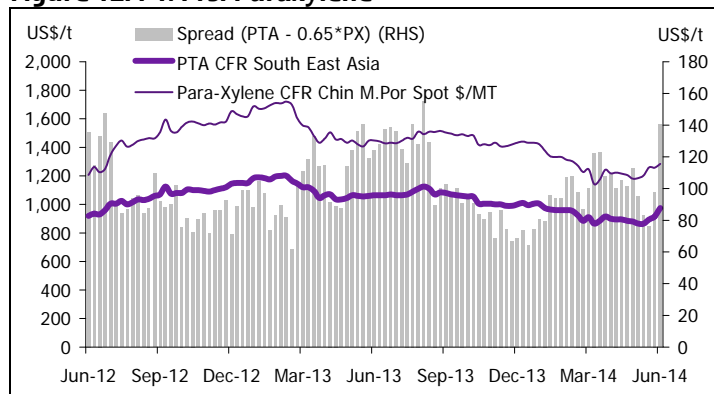
Source: Datastream, SCBS Investment Research

Figure 10: Paraxylene vs. Naphtha

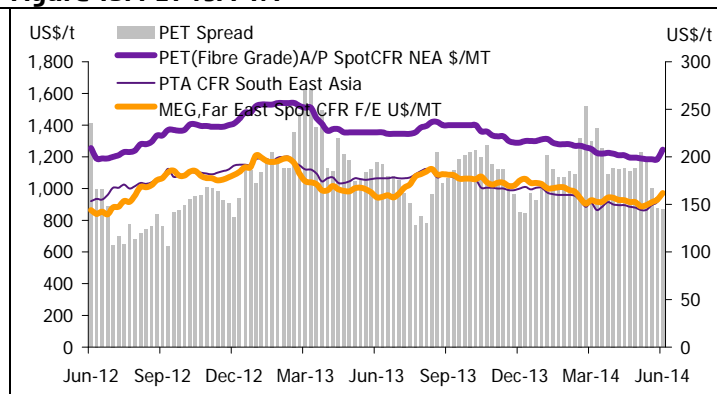
Source: Datastream, SCBS Investment Research

Figure 11: Benzene vs. Naphtha

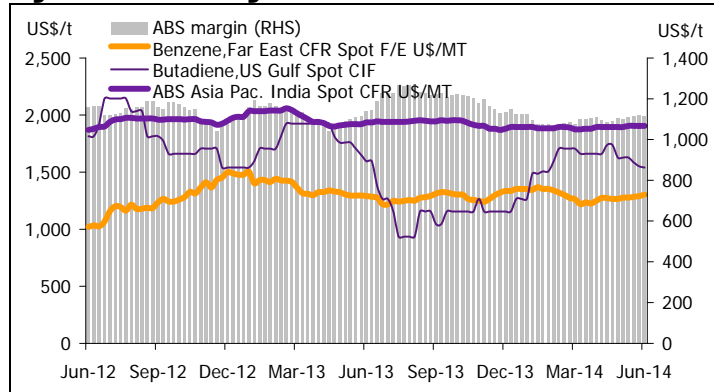
Source: Datastream, SCBS Investment Research

Figure 12: PTA vs. Paraxylene

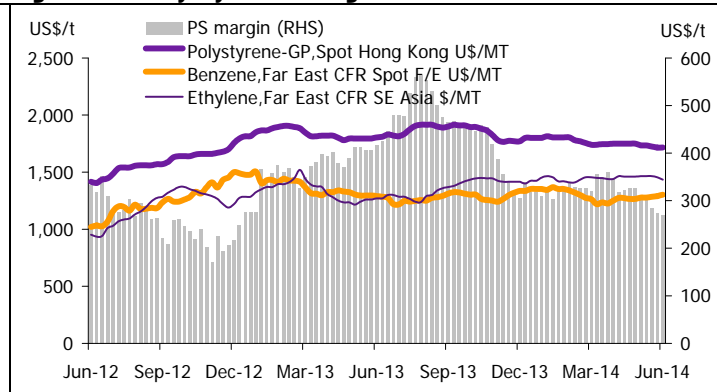
Source: Datastream, SCBS Investment Research

Figure 13: PET vs. PTA

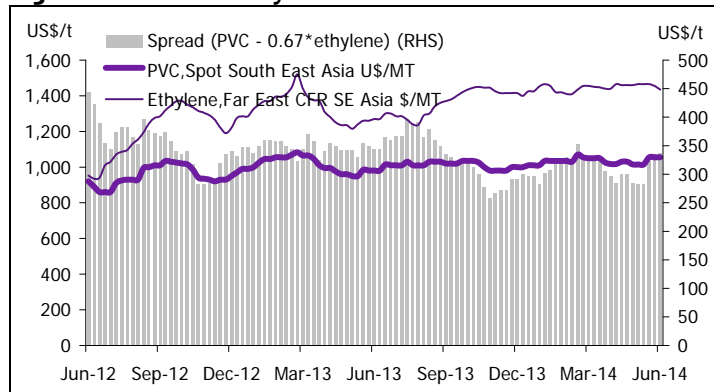
Source: Datastream, SCBS Investment Research

Figure 14: ABS margin

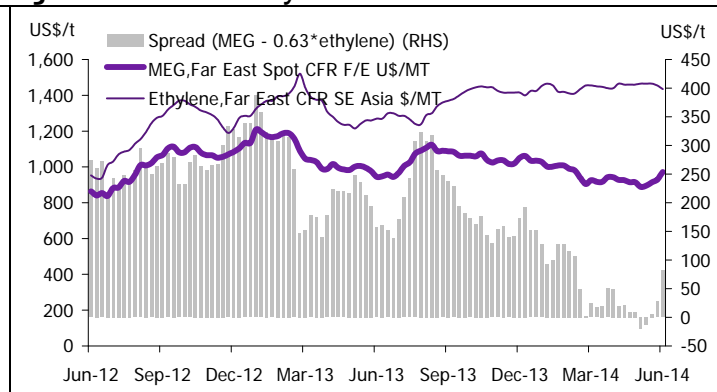
Source: Datastream, SCBS Investment Research

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	1,457	1,440	1%	1,447	1,402	1,440	↘
			Propylene (C), Spot CFR F/E US/MT	1,417	1,458	-3%	1,440	1,443	1,430	↘
	HDPE	19%	Polye HDPE Inj, South East Asia US/MT	1,563	1,548	1%	1,555	1,522	1,570	↗
	LLDPE	7%	Polye LLDPE Film, F/E Spt SE Asia \$/MT	1,573	1,562	1%	1,567	1,535	1,580	↗
	LDPE	4%	Polye LDPE-Film, Spot S.E Asia US/MT	1,608	1,642	-2%	1,627	1,612	1,640	→
	MEG	6%	MEG, Far East Spot CFR F/E US/MT	923	967	-5%	947	1,001	1,110	↗
	PX	28%	PX - naphtha	367	442	-17%	409	528	348	↗
IRPC	BZ	15%	BZ - naphtha	420	459	-9%	442	446	398	↗
	Ethylene/Propylene	15%	Ethylene - naphtha	601	595	1%	598	561	598	↘
			Propylene - naphtha	560	614	-9%	590	602	588	→
	HDPE	12%	HDPE - naphtha	706	704	0%	705	681	728	↗
	PP	28%	PP - naphtha	722	717	1%	719	702	728	↗
	ABS	7%	ABS spread	1,105	1,087	2%	1,095	1,154	n.a.	↗
	BTX	23%	BZ - naphtha	420	459	-9%	442	446	398	↗
SCC	PS	12%	PS spread	307	330	-7%	320	387	n.a.	↘
	HDPE	40%	HDPE - naphtha	706	704	0%	705	681	728	↗
	LDPE	3%	LDPE - naphtha	751	797	-6%	777	771	798	→
	LLDPE	3%	LLDPE - naphtha	717	717	0%	717	694	738	↗
	PP	25%	PP - naphtha	722	717	1%	719	702	728	↗
	PVC	28%	PVC - Ethylene/EDC	395	420	-6%	409	433	n.a.	↗
	TPIPL	60%	LDPE - Ethylene	151	202	-25%	180	210	200	↗
TOP	PX	60%	PX - naphtha	367	442	-17%	409	528	348	↗
	BZ	21%	BZ - naphtha	420	459	-9%	442	446	398	↗
IVL	PTA	25%	PTA - PX	102	100	2%	101	101	103	↗
	PET/Polyester	67%	PET spread	179	199	-10%	190	181	n.a.	↘
	MEG	8%								
VNT	PVC	63%	PVC - ethylene	302	320	-6%	312	321	350	↗
TPC	PVC	100%	PVC - Ethylene/EDC	395	420	-6%	409	433	n.a.	↗

Source: Datastream, SCBS Investment Research

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