

Petrochemical price monitor

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- **PE spread sinks WoW on rising feedstock cost.** Oil prices have spiked on the tension in Iraq and this raised naphtha cost and squeezed olefins chain product spread by 4.2-7.9% WoW. Especially hit was ethylene, already hurting from weak downstream PE demand, ample availability and low buying interests. PE/PP prices were stable WoW; the soft buying activity in SEA market and slightly tight supply of PP due to a fire appeared to have limited impact on PP price. This could be negative for naphtha-based producers (SCC and IRPC) in the near term.
- **PX price up 2.9% WoW to 19-week high** of US\$1,322/t on higher feedstock cost and better demand, especially in western markets. We believe this came from higher regional demand for PET bottle grade, also raising product prices for the entire chain (PX, PTA and MEG). However, higher PX rate could trigger more PTA production cuts in the near term as PTA-PX spread is steadily narrowing.
- **Higher PTA price did not offset rising feedstock cost.** PTA and PET prices rose 2.1% and 0.4% WoW, respectively, but not enough to offset higher feedstock prices, notably PX. Hence, integrated PET/PTA spread fell 6.5% WoW to US\$266/t. We believe the rise in PTA price comes from steady plant shutdowns in response to weak economic fundamentals for PTA production at current prices. This trend will continue until PTA price rises to US\$150/t, the cash cost of regional players.

Investment view: The sector came up slightly (+0.6% WoW) but still underperformed the market (+1% WoW). While investors are wary of the potential impact of energy price reform on PTTGC (BUY TP: Bt85), especially LPG price, higher oil price is positive in terms of inventory gain. Valuation is attractive and we rate it a BUY. We also like SCC (BUY, TP: Bt520) on benefit from a brief shortage of PP due to the fire at IRPC. IVL (Neutral, TP: Bt24) could be hurt by higher PX cost for the NT. Its stretched valuation keeps it less attractive, although new acquisition could be a NT share price catalyst.

Figure 1: Petrochemical price update

	Current 13-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	883	897/767	3.7%	4.2%	5.3%	0.9%	12.6%	859	844	1.7%	851	22	2.7%	842
Ethylene, Far East CFR SE Asia \$/MT	1,420	1,465/1,238	-1.0%	-3.1%	-2.1%	1.4%	11.8%	1,454	1,440	1.0%	1,446	113	8.5%	1,440
Propylene (C), Spot CFR F/E US/MT	1,420	1,503/1,373	0.2%	0.4%	-0.5%	-5.5%	3.3%	1,417	1,458	-2.8%	1,439	101	7.5%	1,430
Polye HDPE Inj, South East Asia US/MT	1,580	1,580/1,435	0.0%	0.0%	2.6%	3.3%	10.5%	1,564	1,548	1.0%	1,556	101	6.9%	1,570
Polye LDPE-Film, Spot S.E Asia US/MT	1,595	1,680/1,455	-0.3%	-0.3%	-0.3%	-4.5%	10.0%	1,606	1,642	-2.1%	1,625	173	11.9%	1,640
Polye LLDPE Film, F/E Spot SE Asia \$/MT	1,590	1,590/1,440	0.0%	0.0%	2.6%	2.6%	10.8%	1,575	1,562	0.8%	1,568	112	7.7%	1,580
PP Film, Spot South East Asia US/MT	1,590	1,590/1,490	0.0%	0.0%	1.9%	3.2%	6.0%	1,580	1,562	1.1%	1,570	67	4.4%	1,570
Related stocks			PTTGC (Neutral) IRPC (-) SCC (-) TPIPL (+)											
Para-Xylene CFR Chin M. Por Spot \$/MT	1,322	1,515/1,143	2.9%	9.9%	15.7%	-8.3%	-8.3%	1,232	1,286	-4.2%	1,261	-284	-18.4%	1,190
Benzene, Far East CFR Spot F/E US/MT	1,320	1,368/1,218	1.3%	3.3%	8.2%	-1.1%	2.7%	1,280	1,304	-1.8%	1,293	-65	-4.8%	1,240
Related stocks			PTTGC (+) TOP (+) ESSO (+)											
MEG, Far East Spot CFR F/E US/MT	982	1,124/889	1.0%	9.6%	7.1%	-7.5%	3.5%	928	967	-4.0%	949	-113	-10.6%	1,110
PTA CFR South East Asia	995	1,125/865	2.1%	15.0%	15.0%	-1.5%	-6.6%	906	936	-3.2%	922	-188	-16.9%	900
PET (Fibre Grade)A/P Spot CFR NEA \$/MT	1,250	1,420/1,185	0.4%	5.5%	2.0%	-3.8%	-7.7%	1,206	1,267	-4.8%	1,239	-203	-14.1%	n.a.
Related stocks			PTTGC (+) IVL (-)											
ABS Asia Pac. India Spot CFR US/MT	1,905	1,955/1,870	0.0%	0.0%	1.6%	0.5%	-1.6%	1,900	1,886	0.7%	1,892	-83	-4.2%	n.a.
Polystyrene-GP, Spot Hong Kong US/MT	1,715	1,915/1,715	0.0%	-1.2%	-1.4%	-4.7%	-5.2%	1,735	1,778	-2.4%	1,758	-77	-4.2%	n.a.
Related stocks			IRPC (-)											
PVC, Spot South East Asia US/MT	1,050	1,070/980	-0.5%	3.4%	0.0%	5.0%	7.1%	1,032	1,040	-0.7%	1,036	23	2.2%	1,070
Related stocks			VNT (+) TPC (+)											
Product spread														
Ethylene - naphtha	537	626/424	-7.9%	-13.1%	-12.1%	2.3%	10.6%	595	595	-0.1%	595	91	18.0%	598
Propylene - naphtha	537	665/530	-5.1%	-5.5%	-8.8%	-14.4%	-9.1%	558	614	-9.1%	588	78	15.4%	588
HDPE - naphtha	697	735/615	-4.3%	-4.9%	-0.6%	6.4%	8.0%	705	704	0.2%	705	79	12.6%	728
LDPE - naphtha	712	851/655	-4.8%	-5.4%	-6.5%	-10.4%	7.0%	748	797	-6.2%	774	151	24.2%	798
LDPE - Ethylene	175	323/135	6.1%	29.6%	16.7%	-35.2%	-2.8%	153	202	-24.4%	179	60	50.1%	200
LLDPE - naphtha	707	750/633	-4.2%	-4.8%	-0.6%	4.7%	8.7%	716	717	-0.2%	717	89	14.2%	738
PP - naphtha	707	743/657	-4.2%	-4.8%	-2.0%	6.3%	-1.2%	721	717	0.5%	719	44	6.6%	728
PX - naphtha	438	697/304	1.4%	23.2%	44.4%	-22.5%	-33.3%	373	442	-15.6%	410	-307	-42.8%	348
BZ - naphtha	437	535/381	-3.0%	1.5%	14.6%	-5.0%	-12.7%	421	459	-8.3%	442	-88	-16.5%	398
MEG - Ethylene	101	324/-20	23.6%	-88.8%	477.7%	-47.6%	-37.0%	27	74	-64.0%	52	-183	-77.8%	217
PTA - PX	136	155/65	-3.1%	63.8%	11.2%	84.6%	6.2%	105	100	5.5%	102	-3	-2.9%	103
PET spread	130	253/128	-9.8%	-33.8%	-43.2%	-7.4%	-32.3%	175	199	-12.0%	188	-17	-8.4%	n.a.
Integrated PET/PTA spread	266	352/211	-6.5%	-4.8%	-24.3%	24.2%	-16.9%	280	299	-6.2%	290	-20	-6.5%	n.a.
ABS spread	1,106	1,272/1,070	-0.7%	-0.5%	0.5%	-3.6%	-3.2%	1,105	1,087	1.6%	1,095	-29	-2.6%	n.a.
PS spread	260	565/260	-3.5%	-13.5%	-26.8%	-23.3%	-39.0%	303	330	-8.4%	318	-59	-15.6%	n.a.
PVC - ethylene	340	398/258	0.7%	20.4%	4.6%	13.3%	-1.4%	305	320	-4.5%	313	-34	-9.8%	350

Source: Datastream, SCBS Investment Research

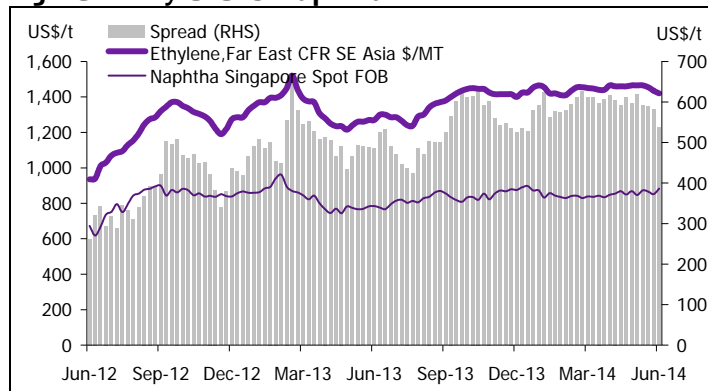
Note: Impact to related stocks is based on WoW performance

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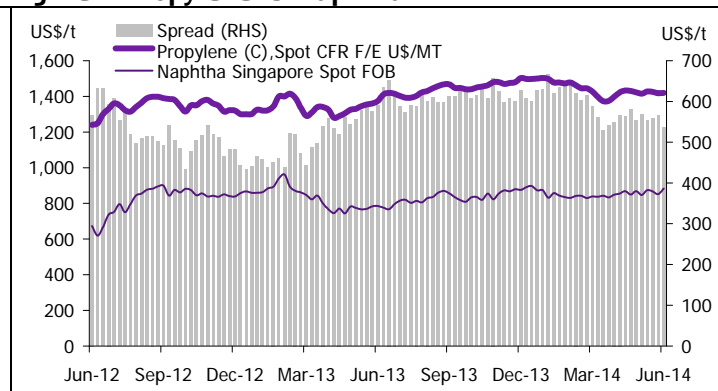
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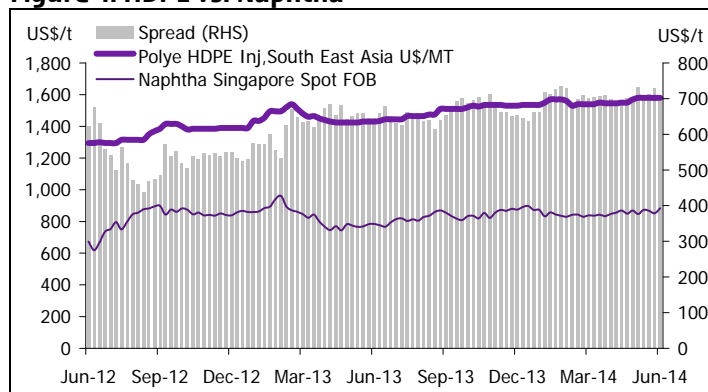
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Figure 2: Ethylene vs. Naphtha

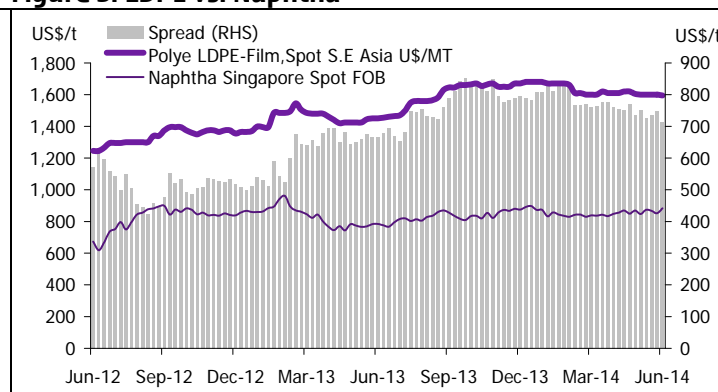
Source: Datastream, SCBS Investment Research

Figure 3: Propylene vs. Naphtha

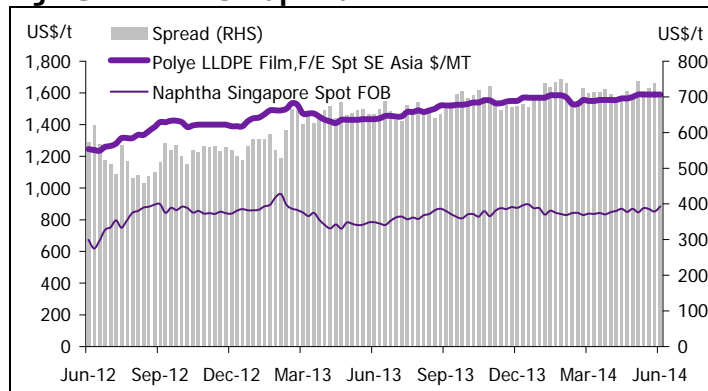
Source: Datastream, SCBS Investment Research

Figure 4: HDPE vs. Naphtha

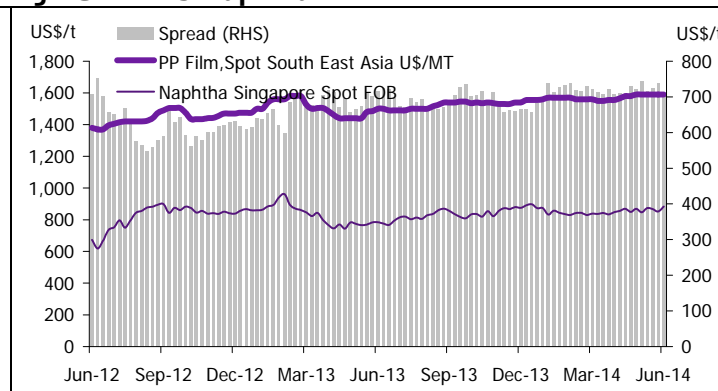
Source: Datastream, SCBS Investment Research

Figure 5: LDPE vs. Naphtha

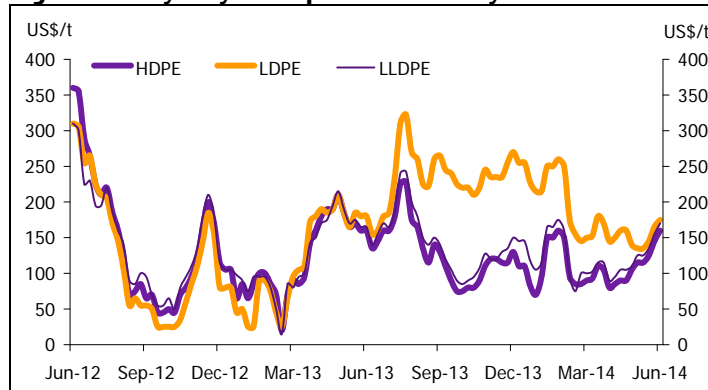
Source: Datastream, SCBS Investment Research

Figure 6: LLDPE vs. Naphtha

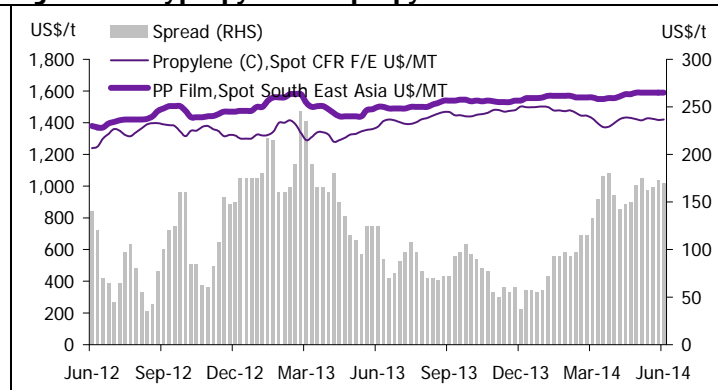
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Figure 7: PP vs. Naphtha

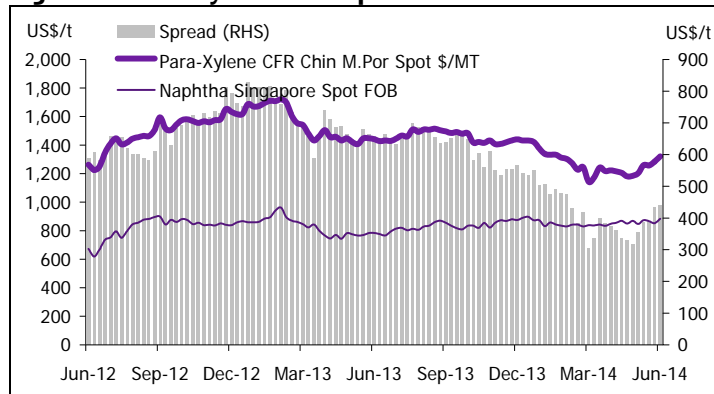
Source: Datastream, SCBS Investment Research

Figure 8: Polyethylene spread over ethylene

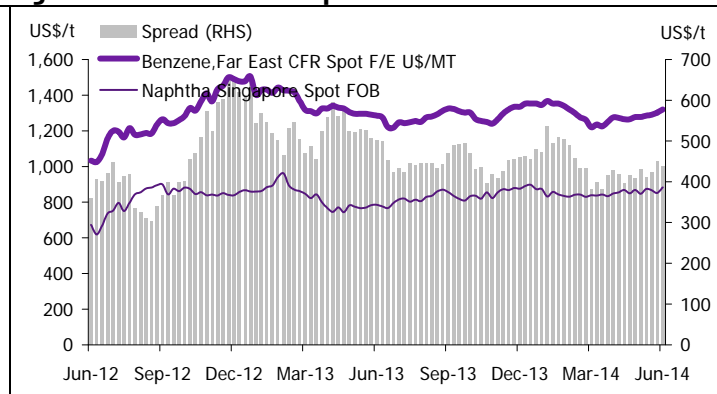
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Figure 9: Polypropylene vs. propylene

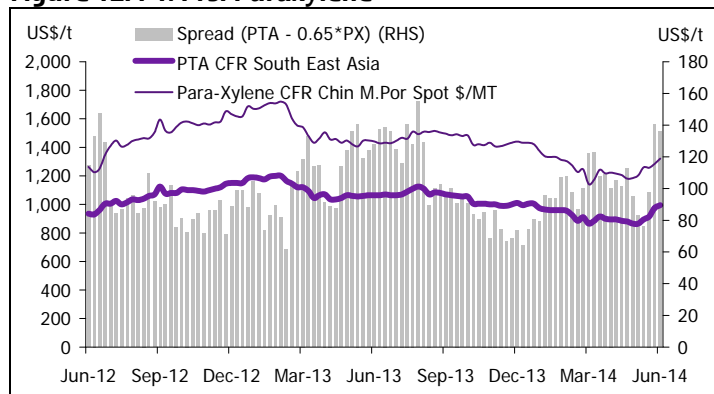
Source: Datastream, SCBS Investment Research

Figure 10: Paraxylene vs. Naphtha

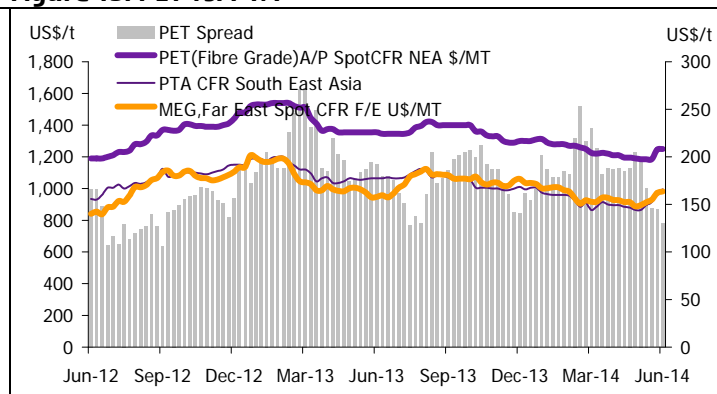
Source: Datastream, SCBS Investment Research

Figure 11: Benzene vs. Naphtha

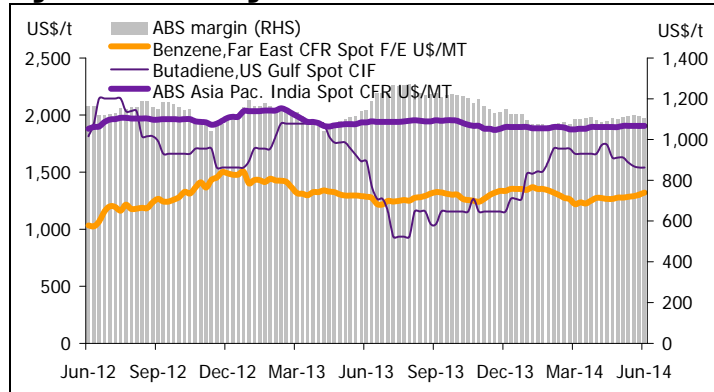
Source: Datastream, SCBS Investment Research

Figure 12: PTA vs. Paraxylene

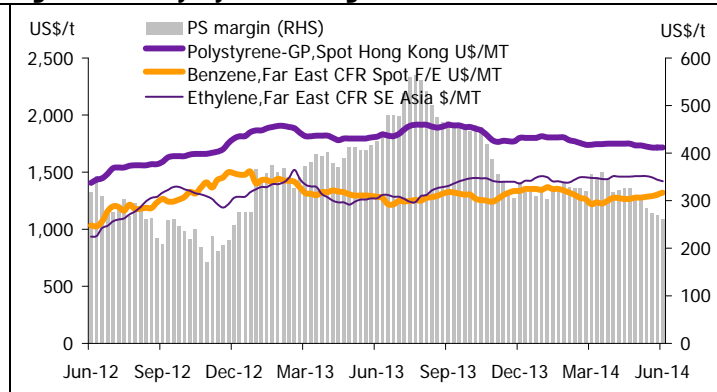
Source: Datastream, SCBS Investment Research

Figure 13: PET vs. PTA

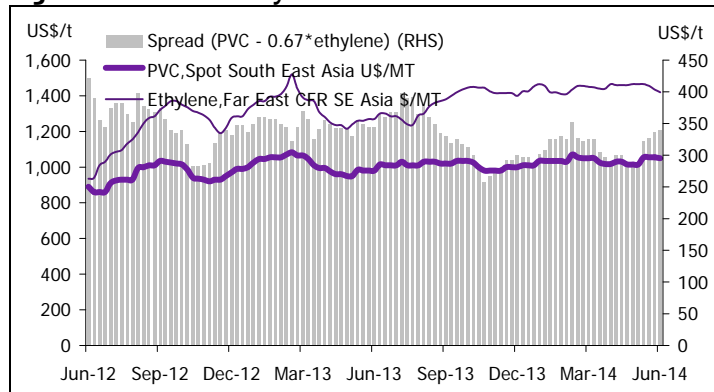
Source: Datastream, SCBS Investment Research

Figure 14: ABS margin

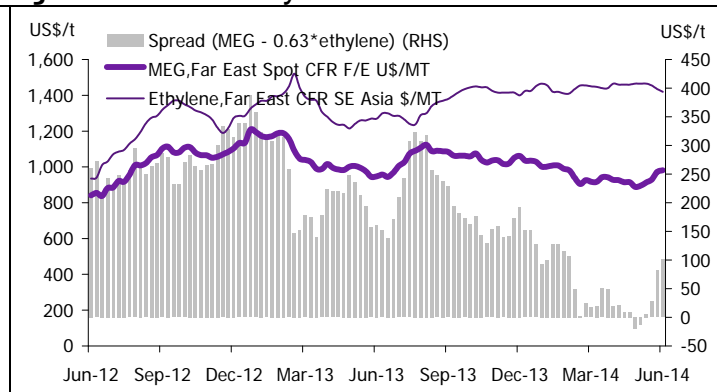
Source: Datastream, SCBS Investment Research

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	1,454	1,440	1%	1,446	1,404	1,440	↘
			Propylene (C), Spot CFR F/E US/MT	1,417	1,458	-3%	1,439	1,444	1,430	→
	HDPE	19%	Polye HDPE Inj, South East Asia US/MT	1,564	1,548	1%	1,556	1,525	1,570	→
	LLDPE	7%	Polye LLDPE Film, F/E Spt SE Asia \$/MT	1,575	1,562	1%	1,568	1,538	1,580	→
	LDPE	4%	Polye LDPE-Film, Spot S.E Asia US/MT	1,606	1,642	-2%	1,625	1,614	1,640	↘
	MEG	6%	MEG, Far East Spot CFR F/E US/MT	928	967	-4%	949	1,002	1,110	↗
	PX	28%	PX - naphtha	373	442	-16%	410	524	348	↗
IRPC	BZ	15%	BZ - naphtha	421	459	-8%	442	445	398	↗
	Ethylene/Propylene	15%	Ethylene - naphtha	595	595	0%	595	561	598	↘
			Propylene - naphtha	558	614	-9%	588	601	588	↘
	HDPE	12%	HDPE - naphtha	705	704	0%	705	682	728	↘
	PP	28%	PP - naphtha	721	717	0%	719	702	728	↘
	ABS	7%	ABS spread	1,105	1,087	2%	1,095	1,154	n.a.	→
	BTX	23%	BZ - naphtha	421	459	-8%	442	445	398	↗
SCC	PS	12%	PS spread	303	330	-8%	318	384	n.a.	↘
	HDPE	40%	HDPE - naphtha	705	704	0%	705	682	728	↘
	LDPE	3%	LDPE - naphtha	748	797	-6%	774	771	798	↘
	LLDPE	3%	LLDPE - naphtha	716	717	0%	717	695	738	↘
	PP	25%	PP - naphtha	721	717	0%	719	702	728	↘
	PVC	28%	PVC - Ethylene/EDC	400	420	-5%	411	432	n.a.	↗
	TPIPL	60%	LDPE - Ethylene	153	202	-24%	179	210	200	↗
TOP	PX	60%	PX - naphtha	373	442	-16%	410	524	348	↗
	BZ	21%	BZ - naphtha	421	459	-8%	442	445	398	↗
IVL	PTA	25%	PTA - PX	105	100	6%	102	101	103	↗
	PET/Polyester	67%	PET spread	175	199	-12%	188	180	n.a.	↘
	MEG	8%								
VNT	PVC	63%	PVC - ethylene	305	320	-4%	313	321	350	↗
TPC	PVC	100%	PVC - Ethylene/EDC	400	420	-5%	411	432	n.a.	↗

Source: Datastream, SCBS Investment Research

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