

Petrochemical price monitor

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- **Higher PMI in China may boost buying sentiment.** HDPE demand improved slightly and price rose 0.3% WoW to a 6-year high of US\$1,585/t. Demand was for HDPE injection molding, with film-grade HDPE dull and ethylene cost steady WoW. Buying of other olefins derivative products stayed lackluster. Higher oil price drove price of naphtha up by 0.2% WoW, but changes in product spread in the olefins chain were mixed, ranging from -0.3% to +0.4% WoW. The latest HSBC PMI flash reading showed a strong rise in June, confirming a pick-up in activity in China. This is a positive sign for the petrochemical industry as a whole in months to come.
- **PX moved up - but not for long.** PX price gained 4.2% WoW to a 6-month high of US\$1,378/t on a tighter market from regional production cuts. This was driven by higher demand for PET bottle-grade which has pulled up feedstock prices for the PET/polyester chain during a period of lower supply brought by maintenance shutdowns that reduced PX feedstock. This also cut PTA-PX spread to US\$90/t vs. cash cost of US\$150/t, possibly triggering more production cuts.
- **PET/PTA margin squeezed by higher feedstock costs.** Integrated PET/PTA spread narrowed to a 6-month low of US\$233/t (-12.7% WoW), hit by higher feedstock costs for both PX and MEG. More PTA supply cuts can be expected on unfavorable fundamentals until seasonal demand returns in second half of 3Q14.

Investment view: The sector (+0.4% WoW) outperformed the market (-0.2% WoW), driven by IVL (+5.7% WoW). We believe market optimism on IVL is overdone while its valuation looks stretched at 2014 PE of 35x. We maintain our Neutral on the stock with more M&As waiting in the wings. Concerns on the potential impact of energy price reform continued to haunt PTTGC's share, as expected. We do not expect any progress on this until the end of June at the earliest. This will depress the sector this week.

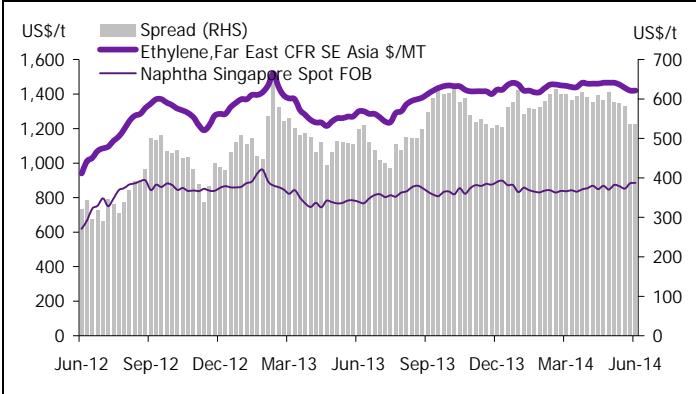
Figure 1: Petrochemical price update

| | Current 20-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 | 885 | 897/767 | 0.2% | 1.3% | 5.8% | -0.6% | 14.1% | 861 | 844 | 2.0% | 852 | 26 | 3.1% | 842 |
| Ethylene, Far East CFR SE Asia \$/MT | 1,420 | 1,465/1,238 | 0.0% | -3.1% | -1.9% | -0.4% | 9.2% | 1,451 | 1,440 | 0.8% | 1,445 | 114 | 8.5% | 1,440 |
| Propylene (C), Spot CFR F/E US/MT | 1,433 | 1,503/1,373 | 0.9% | 0.4% | 2.5% | -4.3% | 1.6% | 1,418 | 1,458 | -2.7% | 1,439 | 98 | 7.3% | 1,430 |
| Polye HDPE Inj, South East Asia US/MT | 1,585 | 1,585/1,445 | 0.3% | 0.3% | 2.9% | 3.3% | 10.5% | 1,566 | 1,548 | 1.1% | 1,557 | 103 | 7.1% | 1,570 |
| Polye LDPE-Film, Spot S.E Asia US/MT | 1,595 | 1,680/1,460 | 0.0% | -0.3% | -0.3% | -5.1% | 9.6% | 1,605 | 1,642 | -2.2% | 1,624 | 172 | 11.8% | 1,640 |
| Polye LLDPE Film, F/E Spot SE Asia \$/MT | 1,590 | 1,590/1,450 | 0.0% | 0.0% | 2.6% | 1.3% | 10.4% | 1,576 | 1,562 | 0.9% | 1,569 | 113 | 7.8% | 1,580 |
| PP Film, Spot South East Asia US/MT | 1,590 | 1,590/1,490 | 0.0% | 0.0% | 2.6% | 2.3% | 6.0% | 1,580 | 1,562 | 1.2% | 1,571 | 68 | 4.5% | 1,570 |
| Related stocks | | | PTTGC (+) IRPC (-) SCC (-) TPIPL (Neutral) | | | | | | | | | | | |
| Para-Xylene CFR Chin M. Por Spot \$/MT | 1,378 | 1,515/1,143 | 4.2% | 9.4% | 17.5% | -3.8% | -3.5% | 1,244 | 1,286 | -3.3% | 1,266 | -275 | -17.8% | 1,190 |
| Benzene, Far East CFR Spot F/E US/MT | 1,348 | 1,368/1,218 | 2.1% | 4.9% | 9.1% | -0.4% | 5.7% | 1,286 | 1,304 | -1.4% | 1,295 | -60 | -4.4% | 1,240 |
| Related stocks | | | PTTGC (+) TOP (+) ESSO (+) | | | | | | | | | | | |
| MEG, Far East Spot CFR F/E US/MT | 997 | 1,124/889 | 1.5% | 9.1% | 8.7% | -3.7% | 4.1% | 934 | 967 | -3.4% | 951 | -107 | -10.1% | 1,110 |
| PTA CFR South East Asia | 985 | 1,125/865 | -1.0% | 10.1% | 11.3% | -1.0% | -7.5% | 913 | 936 | -2.5% | 925 | -184 | -16.6% | 900 |
| PET (Fibre Grade)A/P Spot CFR NEA \$/MT | 1,260 | 1,420/1,185 | 0.8% | 6.3% | 3.3% | -3.1% | -6.3% | 1,211 | 1,267 | -4.4% | 1,240 | -199 | -13.8% | n.a. |
| Related stocks | | | PTTGC (+) IVL (-) | | | | | | | | | | | |
| ABS Asia Pac. India Spot CFR US/MT | 1,905 | 1,955/1,870 | 0.0% | 0.0% | 1.3% | 0.5% | -2.1% | 1,900 | 1,886 | 0.7% | 1,893 | -81 | -4.1% | n.a. |
| Polystyrene-GP, Spot Hong Kong US/MT | 1,715 | 1,915/1,715 | 0.0% | -0.6% | -1.7% | -4.7% | -6.3% | 1,734 | 1,778 | -2.5% | 1,757 | -79 | -4.3% | n.a. |
| Related stocks | | | IRPC (-) | | | | | | | | | | | |
| PVC, Spot South East Asia US/MT | 1,050 | 1,070/980 | 0.0% | -0.5% | 0.0% | 4.0% | 3.4% | 1,034 | 1,040 | -0.6% | 1,037 | 23 | 2.3% | 1,070 |
| Related stocks | | | VNT (Neutral) TPC (Neutral) | | | | | | | | | | | |
| Product spread | | | | | | | | | | | | | | |
| Ethylene - naphtha | 535 | 626/424 | -0.4% | -9.5% | -12.4% | 0.1% | 2.1% | 590 | 595 | -0.9% | 593 | 88 | 17.4% | 598 |
| Propylene - naphtha | 547 | 665/530 | 2.0% | -1.2% | -2.4% | -9.8% | -13.7% | 557 | 614 | -9.2% | 587 | 72 | 13.9% | 588 |
| HDPE - naphtha | 700 | 735/615 | 0.4% | -0.9% | -0.5% | 8.6% | 6.2% | 705 | 704 | 0.1% | 704 | 77 | 12.3% | 728 |
| LDPE - naphtha | 710 | 851/655 | -0.3% | -2.3% | -7.0% | -10.1% | 4.5% | 744 | 797 | -6.6% | 772 | 146 | 23.3% | 798 |
| LDPE - Ethylene | 175 | 323/135 | 0.0% | 29.6% | 14.8% | -31.4% | 12.9% | 155 | 202 | -23.4% | 179 | 58 | 48.2% | 200 |
| LLDPE - naphtha | 705 | 750/633 | -0.3% | -1.6% | -1.2% | 3.7% | 6.1% | 715 | 717 | -0.4% | 716 | 87 | 13.9% | 738 |
| PP - naphtha | 705 | 743/657 | -0.3% | -1.6% | -1.2% | 6.1% | -2.6% | 719 | 717 | 0.3% | 718 | 42 | 6.2% | 728 |
| PX - naphtha | 492 | 697/304 | 12.3% | 27.6% | 46.6% | -9.0% | -24.4% | 383 | 442 | -13.3% | 414 | -301 | -42.1% | 348 |
| BZ - naphtha | 462 | 535/381 | 5.9% | 12.4% | 16.1% | 0.1% | -7.3% | 425 | 459 | -7.5% | 443 | -85 | -16.2% | 398 |
| MEG - Ethylene | 116 | 324/-20 | 14.8% | 2132.7% | 493.9% | -23.4% | -23.4% | 34 | 74 | -54.0% | 55 | -177 | -76.4% | 217 |
| PTA - PX | 90 | 155/65 | -34.1% | 17.4% | -27.1% | 38.9% | -34.6% | 104 | 100 | 4.2% | 102 | -5 | -4.6% | 103 |
| PET spread | 143 | 253/128 | 9.6% | -14.5% | -31.5% | -11.6% | -20.2% | 172 | 199 | -13.4% | 186 | -18 | -8.8% | n.a. |
| Integrated PET/PTA spread | 233 | 352/211 | -12.7% | -4.5% | -29.9% | 2.8% | -26.5% | 276 | 299 | -7.5% | 288 | -23 | -7.3% | n.a. |
| ABS spread | 1,095 | 1,272/1,070 | -1.1% | -1.8% | -0.5% | -2.6% | -8.1% | 1,104 | 1,087 | 1.6% | 1,095 | -31 | -2.8% | n.a. |
| PS spread | 239 | 565/239 | -8.3% | -16.3% | -31.7% | -25.0% | -46.5% | 297 | 330 | -10.0% | 315 | -65 | -17.1% | n.a. |
| PVC - ethylene | 340 | 398/258 | 0.0% | 5.4% | 4.2% | 14.3% | -6.8% | 308 | 320 | -3.6% | 314 | -34 | -9.7% | 350 |

Source: Datastream, SCBS Investment Research

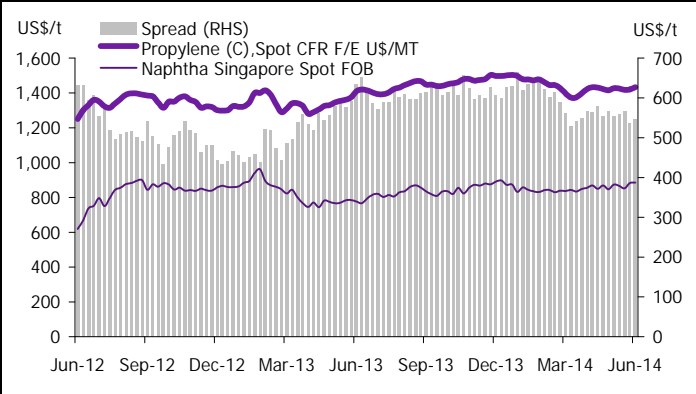
Note: Impact to related stocks is based on WoW performance

Figure 2: Ethylene vs. Naphtha



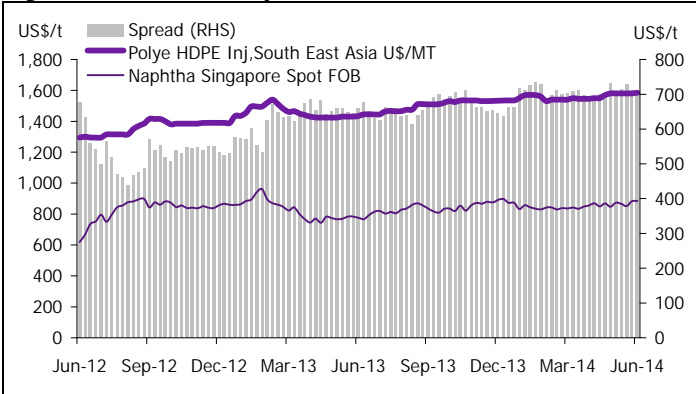
Source: Datastream, SCBS Investment Research

Figure 3: Propylene vs. Naphtha



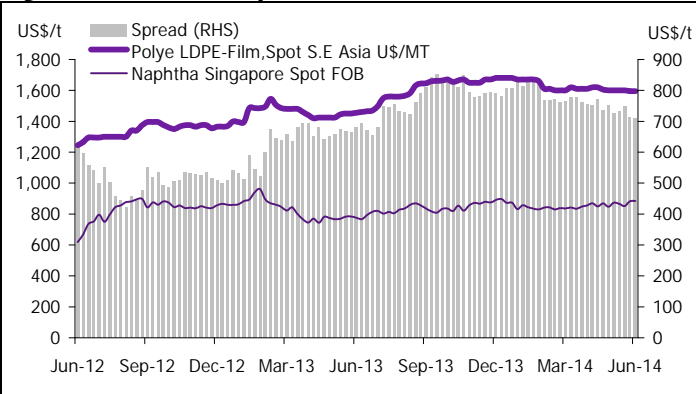
Source: Datastream, SCBS Investment Research

Figure 4: HDPE vs. Naphtha



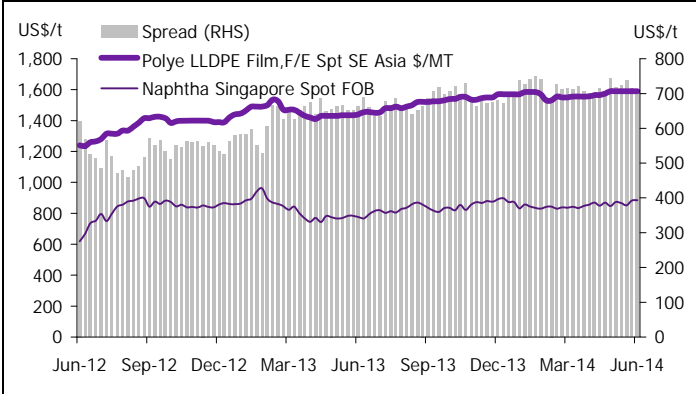
Source: Datastream, SCBS Investment Research

Figure 5: LDPE vs. Naphtha



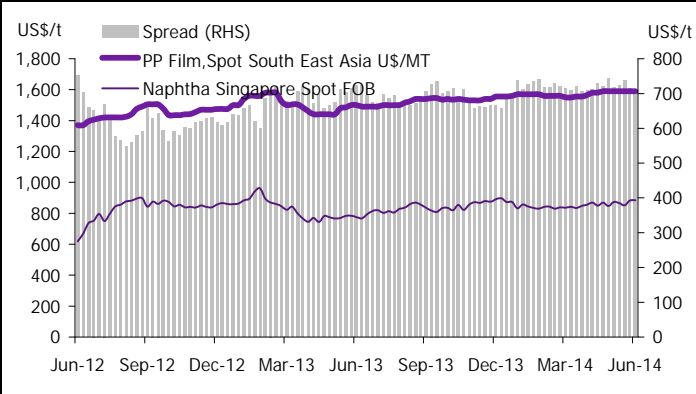
Source: Datastream, SCBS Investment Research

Figure 6: LLDPE vs. Naphtha



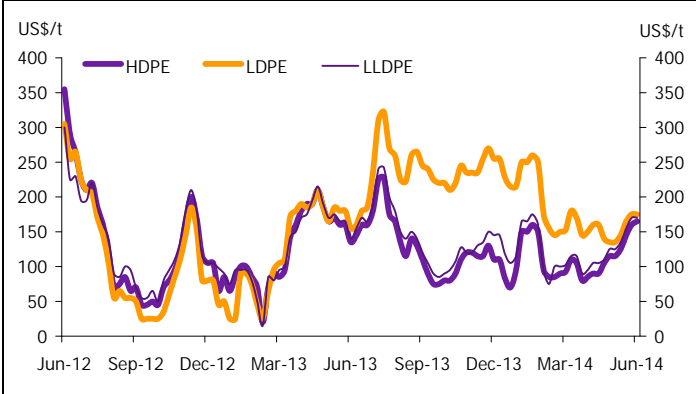
Source: Datastream, SCBS Investment Research

Figure 7: PP vs. Naphtha



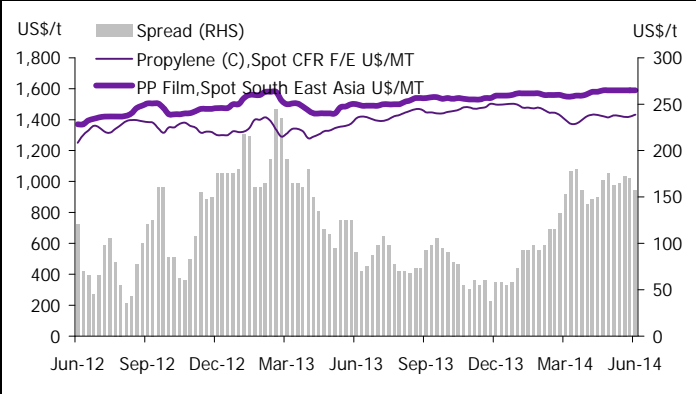
Source: Datastream, SCBS Investment Research

Figure 8: Polyethylene spread over ethylene

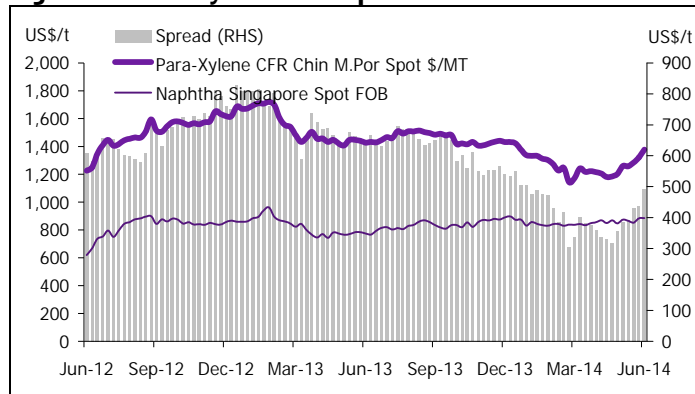


Source: Datastream, SCBS Investment Research

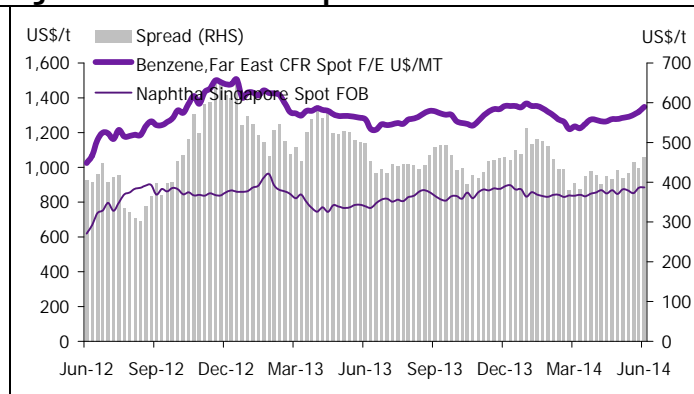
Figure 9: Polypropylene vs. propylene



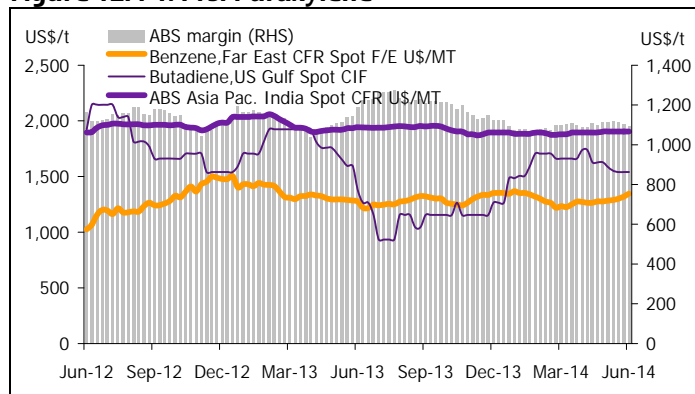
Source: Datastream, SCBS Investment Research

Figure 10: Paraxylene vs. Naphtha

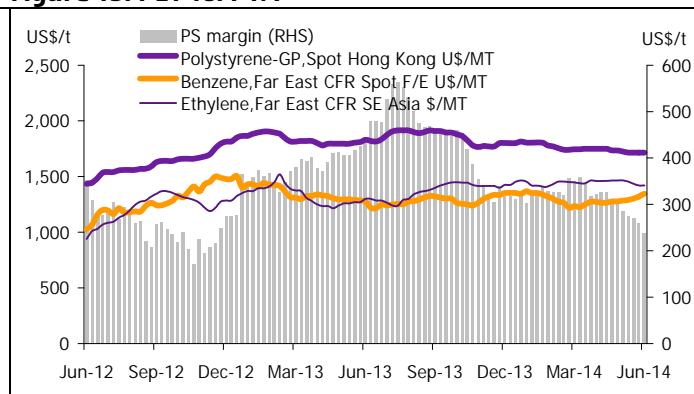
Source: Datastream, SCBS Investment Research

Figure 11: Benzene vs. Naphtha

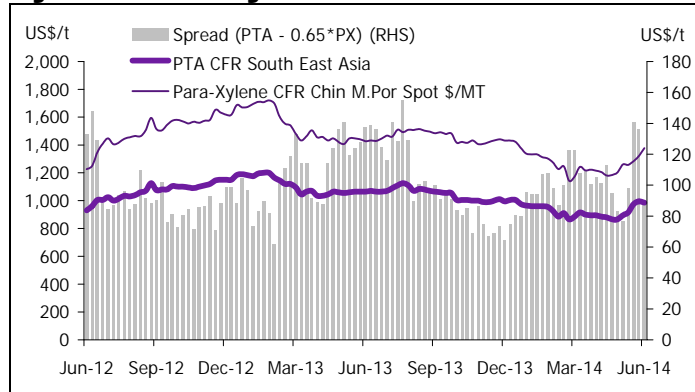
Source: Datastream, SCBS Investment Research

Figure 12: PTA vs. Paraxylene

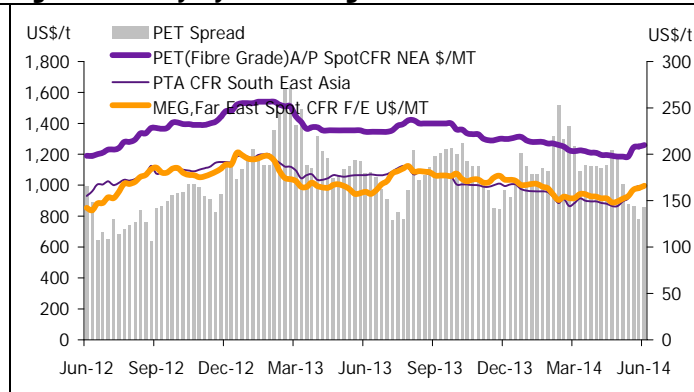
Source: Datastream, SCBS Investment Research

Figure 13: PET vs. PTA

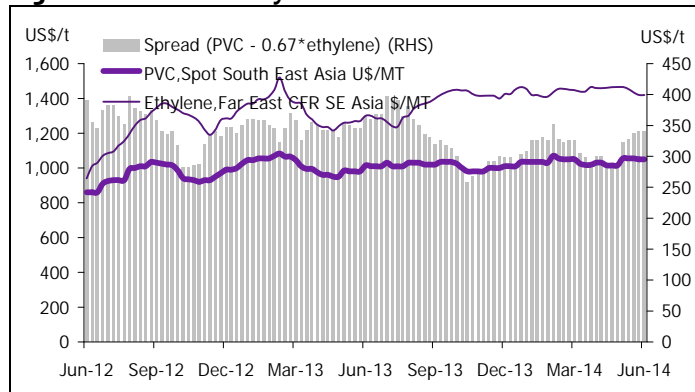
Source: Datastream, SCBS Investment Research

Figure 14: ABS margin

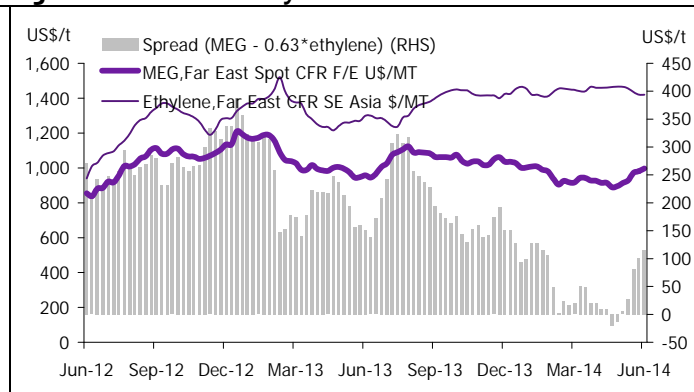
Source: Datastream, SCBS Investment Research

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 | 1,451 | 1,440 | 1% | 1,445 | 1,407 | 1,440 | ↘ |
| | | | Propylene (C), Spot CFR F/E US/MT | 1,418 | 1,458 | -3% | 1,439 | 1,444 | 1,430 | ↗ |
| | HDPE | 19% | Polye HDPE Inj, South East Asia US/MT | 1,566 | 1,548 | 1% | 1,557 | 1,528 | 1,570 | ↗ |
| | LLDPE | 7% | Polye LLDPE Film, F/E Spt SE Asia \$/MT | 1,576 | 1,562 | 1% | 1,569 | 1,541 | 1,580 | ↗ |
| | LDPE | 4% | Polye LDPE-Film, Spot S.E Asia US/MT | 1,605 | 1,642 | -2% | 1,624 | 1,617 | 1,640 | ↘ |
| | MEG | 6% | MEG, Far East Spot CFR F/E US/MT | 934 | 967 | -3% | 951 | 1,003 | 1,110 | ↗ |
| | PX | 28% | PX - naphtha | 383 | 442 | -13% | 414 | 521 | 348 | ↗ |
| IRPC | BZ | 15% | BZ - naphtha | 425 | 459 | -8% | 443 | 444 | 398 | ↗ |
| | Ethylene/Propylene | 15% | Ethylene - naphtha | 590 | 595 | -1% | 593 | 562 | 598 | ↘ |
| | | | Propylene - naphtha | 557 | 614 | -9% | 587 | 599 | 588 | ↘ |
| | HDPE | 12% | HDPE - naphtha | 705 | 704 | 0% | 704 | 683 | 728 | ↘ |
| | PP | 28% | PP - naphtha | 719 | 717 | 0% | 718 | 702 | 728 | ↘ |
| | ABS | 7% | ABS spread | 1,104 | 1,087 | 2% | 1,095 | 1,152 | n.a. | ↘ |
| | BTX | 23% | BZ - naphtha | 425 | 459 | -8% | 443 | 444 | 398 | ↗ |
| SCC | PS | 12% | PS spread | 297 | 330 | -10% | 315 | 380 | n.a. | ↘ |
| | HDPE | 40% | HDPE - naphtha | 705 | 704 | 0% | 704 | 683 | 728 | ↘ |
| | LDPE | 3% | LDPE - naphtha | 744 | 797 | -7% | 772 | 772 | 798 | ↘ |
| | LLDPE | 3% | LLDPE - naphtha | 715 | 717 | 0% | 716 | 696 | 738 | ↘ |
| | PP | 25% | PP - naphtha | 719 | 717 | 0% | 718 | 702 | 728 | ↘ |
| | PVC | 28% | PVC - Ethylene/EDC | 403 | 420 | -4% | 412 | 430 | n.a. | ↗ |
| | TPIPL | 60% | LDPE - Ethylene | 155 | 202 | -23% | 179 | 210 | 200 | ↗ |
| TOP | PX | 60% | PX - naphtha | 383 | 442 | -13% | 414 | 521 | 348 | ↗ |
| | BZ | 21% | BZ - naphtha | 425 | 459 | -8% | 443 | 444 | 398 | ↗ |
| IVL | PTA | 25% | PTA - PX | 104 | 100 | 4% | 102 | 100 | 103 | ↗ |
| | PET/Polyester | 67% | PET spread | 172 | 199 | -13% | 186 | 180 | n.a. | ↘ |
| | MEG | 8% | | | | | | | | |
| VNT | PVC | 63% | PVC - ethylene | 308 | 320 | -4% | 314 | 320 | 350 | ↗ |
| TPC | PVC | 100% | PVC - Ethylene/EDC | 403 | 420 | -4% | 412 | 430 | n.a. | ↗ |

Source: Datastream, SCBS Investment Research

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