

Petrochemical price monitor

Chaipat Thanawattano

Securities Fundamental

Investment Analyst

(66-2) 949-1005

chaipat.thanawattano@scb.co.th

- **Higher demand, feedstock price raise PE price.** HDPE and LLDPE prices rose 0.3-0.6% WoW, signaling improved sentiment. We believe the improving economy in China, as shown in the latest HSBC PMI flash reading, has made buyers more optimistic about the near-term outlook for the sector and led to building up stock ahead of the high season in 3Q14, though at a slow pace. Also behind the rise was higher feedstock cost (naphtha), which has risen three weeks in a row due to higher oil price following military tension in Iraq.
- **PX price surges to 9-month high.** PX price gained 8% WoW to a 9-month high of US\$1,488/t. We believe this reflects production cuts in the region ahead of 2mtpa in new supply coming on stream in 3Q14 according to independent industry consultants IHS and PCI. Some producers will still have feedstock uncertainty as they have to rely on others' MX. At this PX cost, PTA plants must reduce production to stay afloat, since cash cost is at US\$150/t.
- **PET/PTA margin fell to 2-year low on higher PX costs.** Integrated PET/PTA spread fell 17.9% WoW to only US\$190/t, vs. 5-year average of US\$350/t, as the rise in PTA (+4.1% WoW) and PET (+2% WoW) prices could not offset the surge in PX cost. We believe this might be a short term mismatch and come from a lag for price adjustment for PTA and PET. More PTA supply cuts can be expected on unfavorable fundamentals until seasonal demand returns in second half of 3Q14.

Investment view: PTTGC (+1.1% WoW) led the sector (+0.8% WoW) on lower concerns about feedstock and undemanding valuation. We are more cautious on IVL on its rich valuation and weakness of integrated PET/PTA spread, which fell sharper and quicker than expected. Higher PX price should be positive in the near term for PTTGC, which also benefits from strong product spread in the olefins chain and a higher operating rate in 2Q14. PTTGC remains our top pick for the sector with TP of Bt85.

Figure 1: Petrochemical price update

	Current 27-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	886	897/795	0.1%	2.3%	5.2%	-1.2%	15.5%	863	844	2.2%	854	30	3.6%	842
Ethylene, Far East CFR SE Asia \$/MT	1,420	1,465/1,238	0.0%	-2.4%	-1.4%	-0.4%	9.2%	1,448	1,440	0.6%	1,444	114	8.6%	1,440
Propylene (C), Spot CFR F/E US/MT	1,440	1,503/1,373	0.5%	1.1%	4.9%	-3.8%	1.4%	1,420	1,458	-2.6%	1,439	95	7.0%	1,430
Polye HDPE Inj, South East Asia US/MT	1,595	1,595/1,445	0.6%	0.9%	2.9%	3.9%	10.4%	1,568	1,548	1.3%	1,558	105	7.2%	1,570
Polye LDPE-Film, Spot S.E Asia US/MT	1,595	1,680/1,465	0.0%	-0.3%	-1.5%	-5.1%	9.2%	1,605	1,642	-2.2%	1,623	171	11.7%	1,640
Polye LLDPE Film, F/E Spot SE Asia \$/MT	1,595	1,595/1,450	0.3%	0.3%	2.6%	1.6%	9.6%	1,577	1,562	1.0%	1,570	114	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%	6.7%	1,581	1,562	1.2%	1,572	69	4.6%	1,570
Related stocks			PTTGC (+) IRPC (+) SCC (+) TPIPL (Neutral)											
Para-Xylene CFR Chin M. Por Spot \$/MT	1,488	1,515/1,143	8.0%	18.3%	19.7%	3.9%	3.8%	1,263	1,286	-1.8%	1,275	-262	-17.1%	1,190
Benzene, Far East CFR Spot F/E US/MT	1,385	1,385/1,218	2.8%	7.4%	13.1%	2.4%	13.5%	1,293	1,304	-0.8%	1,298	-51	-3.8%	1,240
Related stocks			PTTGC (+) TOP (+) ESSO (+)											
MEG, Far East Spot CFR F/E US/MT	1,007	1,124/889	1.1%	8.3%	6.8%	-2.7%	6.7%	939	967	-2.8%	953	-100	-9.5%	1,110
PTA CFR South East Asia	1,020	1,125/865	4.1%	11.5%	11.5%	1.5%	-4.7%	920	936	-1.6%	928	-179	-16.1%	900
PET (Fibre Grade)A/P Spot CFR NEA \$/MT	1,285	1,420/1,185	2.0%	8.4%	4.9%	-1.2%	-4.5%	1,217	1,267	-4.0%	1,242	-193	-13.5%	n.a.
Related stocks			PTTGC (+) IVL (-)											
ABS Asia Pac. India Spot CFR US/MT	1,910	1,955/1,870	0.3%	0.3%	1.6%	0.8%	-1.5%	1,901	1,886	0.8%	1,893	-79	-4.0%	n.a.
Polystyrene-GP, Spot Hong Kong US/MT	1,720	1,915/1,715	0.3%	0.3%	-1.4%	-4.4%	-5.5%	1,733	1,778	-2.5%	1,755	-80	-4.3%	n.a.
Related stocks			IRPC (+)											
PVC, Spot South East Asia US/MT	1,055	1,070/980	0.5%	0.0%	2.9%	4.5%	4.5%	1,035	1,040	-0.4%	1,038	24	2.4%	1,070
Related stocks			VNT (+) TPC (-)											
Product spread														
Ethylene - naphtha	534	626/424	-0.2%	-9.3%	-10.7%	1.2%	0.2%	586	595	-1.6%	590	84	16.7%	598
Propylene - naphtha	554	665/530	1.2%	-0.9%	4.5%	-7.7%	-15.2%	557	614	-9.2%	585	65	12.5%	588
HDPE - naphtha	709	735/615	1.3%	-0.7%	0.2%	11.2%	4.6%	705	704	0.2%	705	75	12.0%	728
LDPE - naphtha	709	851/655	-0.2%	-3.4%	-8.8%	-9.4%	2.3%	742	797	-7.0%	769	141	22.5%	798
LDPE - Ethylene	175	323/135	0.0%	20.7%	-2.8%	-31.4%	9.4%	156	202	-22.7%	179	57	46.3%	200
LLDPE - naphtha	709	750/633	0.5%	-2.1%	-0.5%	5.4%	3.0%	714	717	-0.4%	716	85	13.4%	738
PP - naphtha	704	743/657	-0.2%	-2.7%	-0.5%	7.0%	-2.6%	718	717	0.1%	718	39	5.8%	728
PX - naphtha	601	697/304	22.1%	53.9%	50.3%	12.6%	-9.6%	400	442	-9.5%	421	-292	-40.9%	348
BZ - naphtha	499	535/381	7.9%	17.7%	30.4%	9.6%	10.2%	430	459	-6.3%	445	-80	-15.3%	398
MEG - Ethylene	127	324/-20	9.0%	362.0%	152.2%	-16.4%	-8.3%	41	74	-44.4%	58	-171	-74.8%	217
PTA - PX	53	155/53	-37.2%	-45.8%	-50.5%	-28.7%	-61.7%	100	100	-0.1%	100	-8	-7.6%	103
PET spread	137	253/128	-6.7%	-6.2%	-24.4%	-11.0%	-23.9%	170	199	-14.6%	184	-19	-9.2%	n.a.
Integrated PET/PTA spread	190	352/190	-17.9%	-22.1%	-34.1%	-16.8%	-40.4%	269	299	-9.7%	284	-27	-8.7%	n.a.
ABS spread	1,083	1,272/1,070	-1.0%	-3.1%	-1.9%	-3.6%	-11.6%	1,103	1,087	1.4%	1,095	-36	-3.2%	n.a.
PS spread	214	565/214	-10.3%	-21.9%	-40.5%	-32.7%	-55.3%	291	330	-11.9%	311	-72	-18.9%	n.a.
PVC - ethylene	345	398/258	1.5%	5.3%	13.1%	16.0%	-4.2%	311	320	-2.7%	315	-33	-9.5%	350

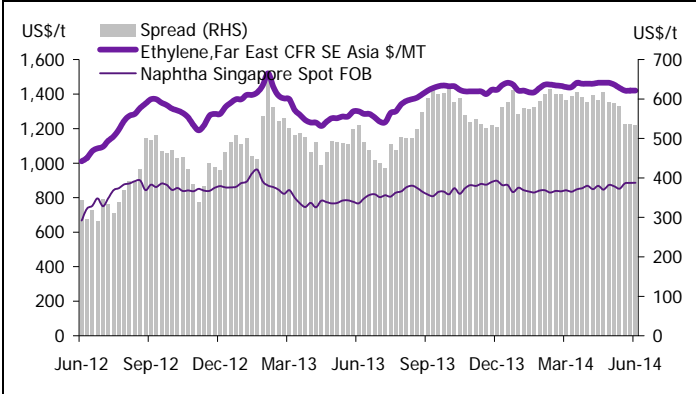
Source: Datastream, SCBS Investment Research

Note: Impact to related stocks is based on WoW performance

Tel. (662) 949-1000
Fax: (662) 949-1030
www.scb.co.th

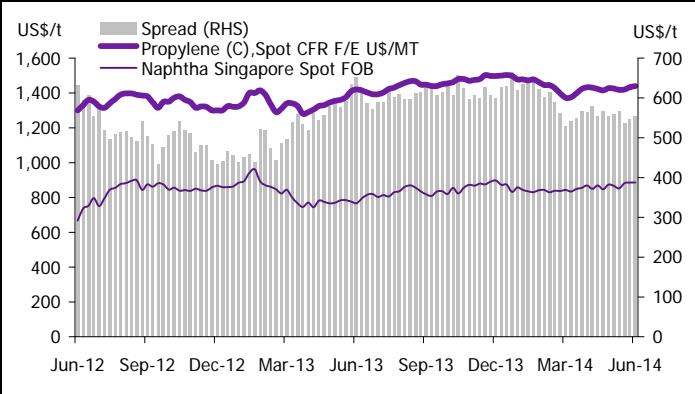
The information in this report has been obtained from sources believed to be reliable. However, its accuracy or completeness is not guaranteed. Any opinions expressed herein reflect our judgment at this date and are subject to change without notice. This report is for information only. It is not to be construed as an offer, or solicitation of an offer to sell or buy any securities. We accept no liability for any loss arising from the use of this document. We or our associates may have an interest in the companies mentioned therein.

Figure 2: Ethylene vs. Naphtha



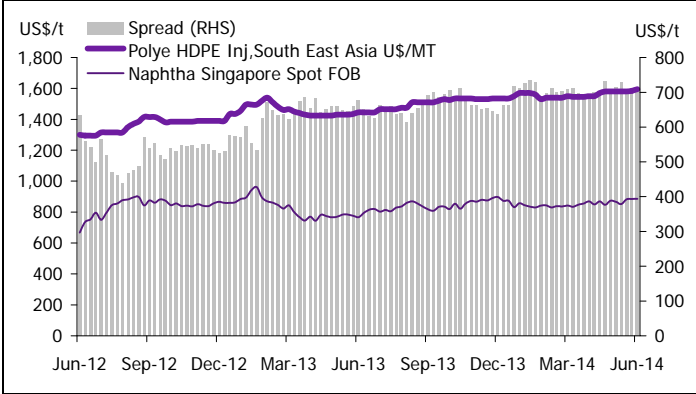
Source: Datastream, SCBS Investment Research

Figure 3: Propylene vs. Naphtha



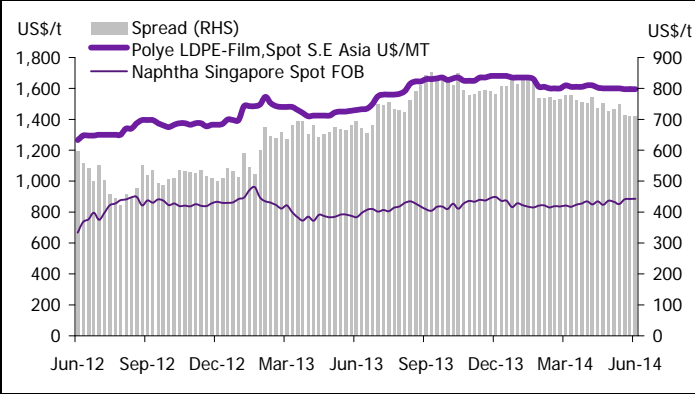
Source: Datastream, SCBS Investment Research

Figure 4: HDPE vs. Naphtha



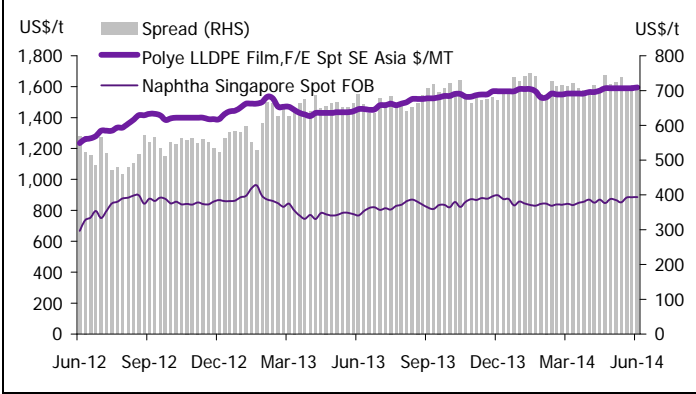
Source: Datastream, SCBS Investment Research

Figure 5: LDPE vs. Naphtha



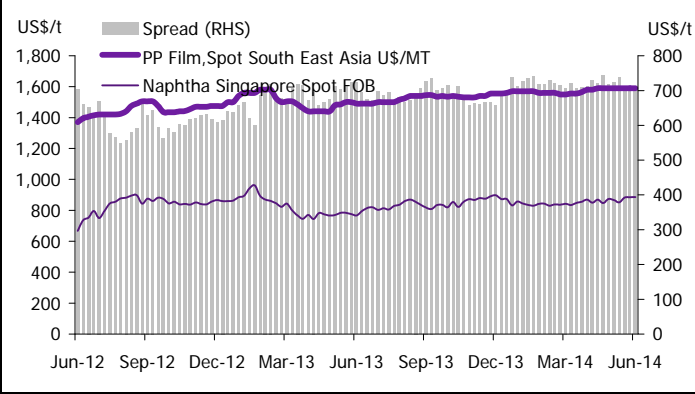
Source: Datastream, SCBS Investment Research

Figure 6: LLDPE vs. Naphtha



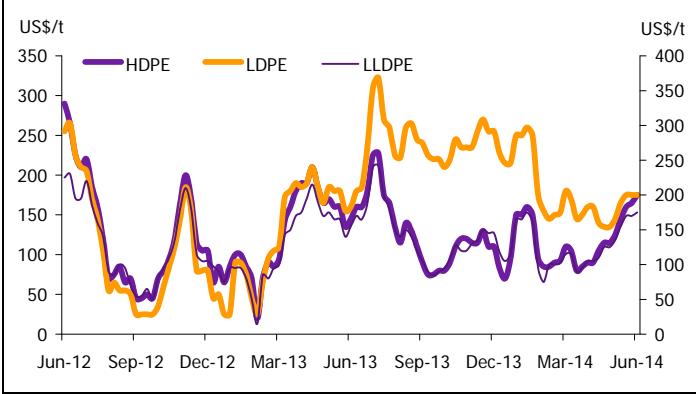
Source: Datastream, SCBS Investment Research

Figure 7: PP vs. Naphtha



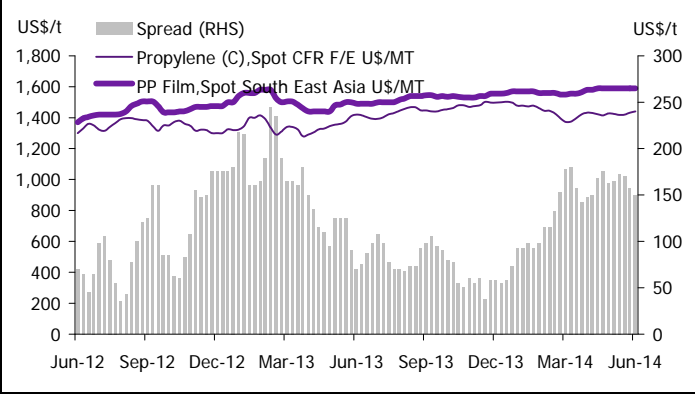
Source: Datastream, SCBS Investment Research

Figure 8: Polyethylene spread over ethylene

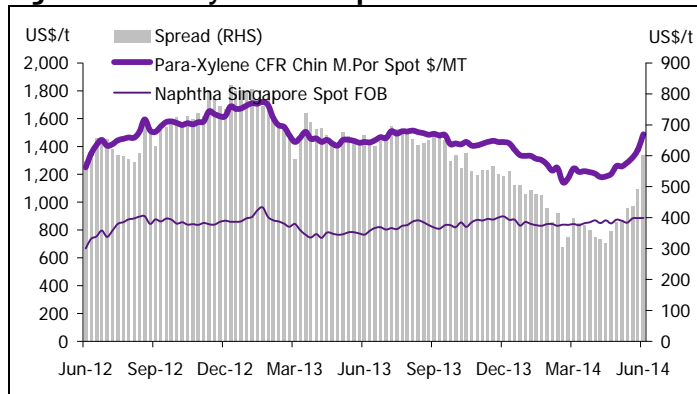


Source: Datastream, SCBS Investment Research

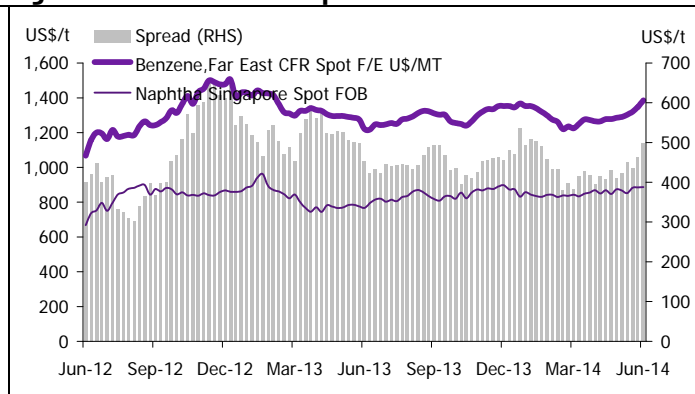
Figure 9: Polypropylene vs. propylene



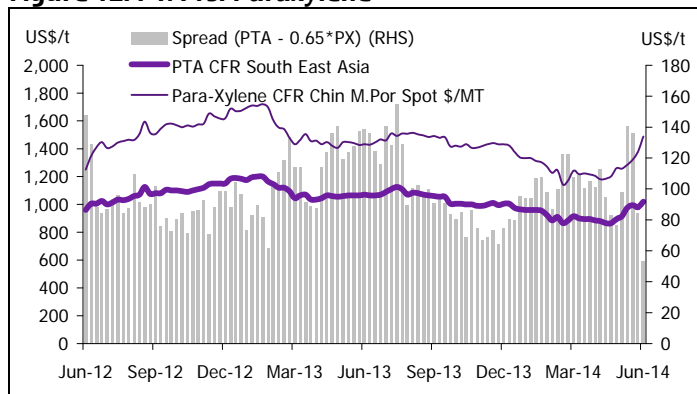
Source: Datastream, SCBS Investment Research

Figure 10: Paraxylene vs. Naphtha

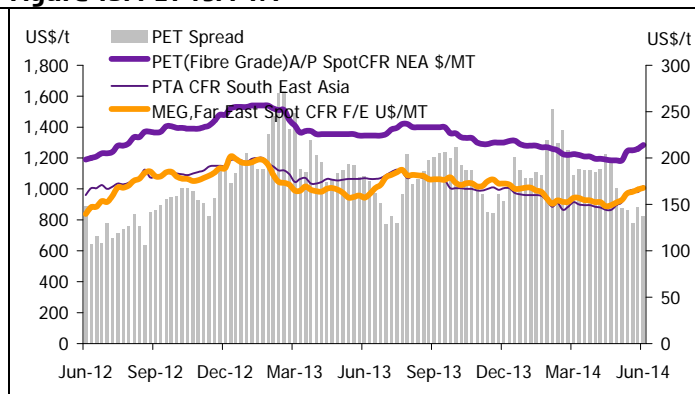
Source: Datastream, SCBS Investment Research

Figure 11: Benzene vs. Naphtha

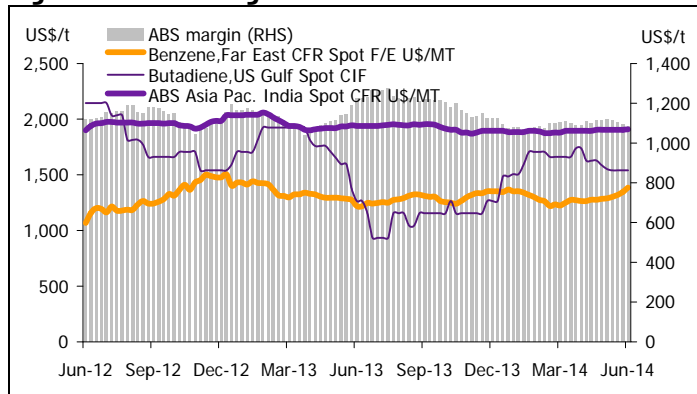
Source: Datastream, SCBS Investment Research

Figure 12: PTA vs. Paraxylene

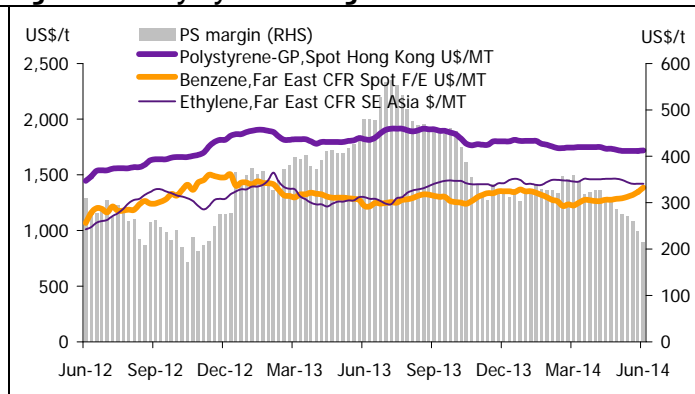
Source: Datastream, SCBS Investment Research

Figure 13: PET vs. PTA

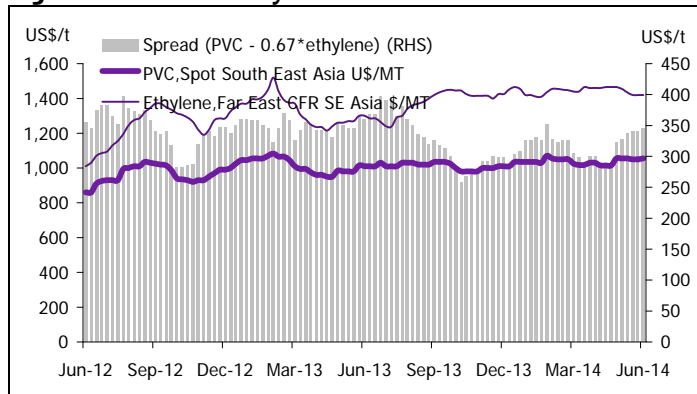
Source: Datastream, SCBS Investment Research

Figure 14: ABS margin

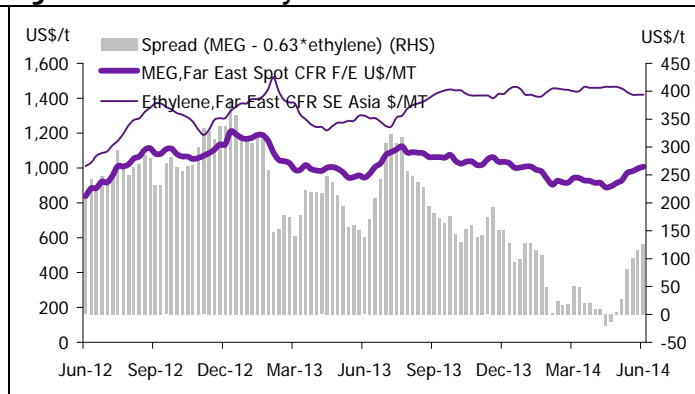
Source: Datastream, SCBS Investment Research

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	1,448	1,440	1%	1,444	1,409	1,440	↘
			Propylene (C), Spot CFR F/E US/MT	1,420	1,458	-3%	1,439	1,445	1,430	↗
	HDPE	19%	Polye HDPE Inj, South East Asia US/MT	1,568	1,548	1%	1,558	1,530	1,570	↗
	LLDPE	7%	Polye LLDPE Film, F/E Spt SE Asia \$/MT	1,577	1,562	1%	1,570	1,544	1,580	↗
	LDPE	4%	Polye LDPE-Film, Spot S.E Asia US/MT	1,605	1,642	-2%	1,623	1,620	1,640	↘
	MEG	6%	MEG, Far East Spot CFR F/E US/MT	939	967	-3%	953	1,004	1,110	↗
	PX	28%	PX - naphtha	400	442	-10%	421	519	348	↗
IRPC	BZ	15%	BZ - naphtha	430	459	-6%	445	445	398	↗
	Ethylene/Propylene	15%	Ethylene - naphtha	586	595	-2%	590	562	598	↘
			Propylene - naphtha	557	614	-9%	585	597	588	→
	HDPE	12%	HDPE - naphtha	705	704	0%	705	683	728	→
	PP	28%	PP - naphtha	718	717	0%	718	702	728	↘
	ABS	7%	ABS spread	1,103	1,087	1%	1,095	1,149	n.a.	↘
	BTX	23%	BZ - naphtha	430	459	-6%	445	445	398	↗
SCC	PS	12%	PS spread	291	330	-12%	311	375	n.a.	↘
	HDPE	40%	HDPE - naphtha	705	704	0%	705	683	728	→
	LDPE	3%	LDPE - naphtha	742	797	-7%	769	772	798	↘
	LLDPE	3%	LLDPE - naphtha	714	717	0%	716	696	738	↘
	PP	25%	PP - naphtha	718	717	0%	718	702	728	↘
	PVC	28%	PVC - Ethylene/EDC	405	420	-4%	412	428	n.a.	↗
	TPIPL	60%	LDPE - Ethylene	156	202	-23%	179	211	200	→
TOP	PX	60%	PX - naphtha	400	442	-10%	421	519	348	↗
	BZ	21%	BZ - naphtha	430	459	-6%	445	445	398	↗
IVL	PTA	25%	PTA - PX	100	100	0%	100	98	103	↘
	PET/Polyester	67%	PET spread	170	199	-15%	184	179	n.a.	↘
	MEG	8%								
VNT	PVC	63%	PVC - ethylene	311	320	-3%	315	320	350	↗
TPC	PVC	100%	PVC - Ethylene/EDC	405	420	-4%	412	428	n.a.	↗

Source: Datastream, SCBS Investment Research

Disclaimer:

SCB SECURITIES COMPANY LIMITED ("SCBS") ACTS AS MARKET MAKER AND ISSUER OF DERIVATIVE WARRANTS on the ordinary shares of ADVANC, AOT, BANPU, BAY, BBL, BCP, BEC, BGH, BJC, BLA, BTS, CENTEL, CK, CPN, DELTA, DTAC, GLOBAL, HMPRO, INTUCH, ITD, IVL, JAS, KBANK, KKP, KTB, LH, MINT, PS, PTT, PTTEP, PTTGC, QH, SAMART, SCC, STEC, STPI, TCAP, THAI, THCOM, TISCO, TMB, TOP, TPIPL, TRUE, VGI.

Before making an investment decision over a derivative warrant, an investor should carefully read the prospectus for the details of the said derivative warrants. Any opinion, news, research, analyse, price, statement, forecast, projection and/or other information contained in this document (the "Information") is provided as general purpose information only, and shall not be construed as a recommendation to any person of an offer to buy or sell, or the solicitation of an offer to buy or sell, any securities. SCBS and/or its directors, officers, employees, and agents shall not be liable for any direct, indirect, incidental, special or consequential loss or damage, resulting from the use of, or reliance on, the Information, including without limitation, damages for loss of profits. The investor should use the Information in association with other information and opinion, including his/her own judgment in making investment decision. The Information is obtained from sources believed to be reliable, and SCBS cannot guarantee the accuracy, completeness and/or correctness of the Information.

SCBS reserves the right to modify the Information from time to time at its sole discretion without giving any notice. This document is delivered to intended recipient(s) only and is not permitted to reproduce, retransmit, disseminate, sell, distribute, republish, circulate or commercially exploit the Information in any manner without the prior written consent of SCBS.