

Petrochemical price monitor

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- **LLDPE looking better due to supply loss.** Ethylene and PE prices were steady WoW except for LLDPE, for which tighter supply led to a price rise of 0.3% WoW, offsetting lower buying. The tight LLDPE supply will continue in the short term as more supply leaves the market: PTTGC plans to shut its 400ktpa LLDPE plant in late July on shortage of feedstock ethylene and Sichuan Petrochemical will shut its 300ktpa LLDPE plant for a 1-month maintenance turnaround.
- **More PX supply to cut margin.** Tight supply in the region boosted PX by 1.8% WoW after a brief decline last week. This implies a rise of 25% from its low in March 2014. An industry source reports an aromatics plant in Qingdao, China, with PX capacity of 800ktpa, BZ of 300ktpa and toluene of 150ktpa will start back up after a maintenance shutdown. Then, Indian state-owned Oil and Natural Gas Corp (ONGC) will open its aromatics plant at Mangalore in southern India, with PX of 900ktpa and BZ of 270ktpa. This implies near-term weakness for PX, BZ prices.
- **PET/PTA margin down on lower product prices.** Integrated PET/PTA spread fell 8.3% WoW to US\$235/t vs. 5-year average of US\$350/t on price weakness for PTA and PET. Higher feedstock cost, especially PX also cut product spread although this was offset by lower MEG price (-1.3% WoW). Prices of PTA and PET in Asia dropped on sluggish buying interest, which also pulled back PET prices. Our view on more PTA supply cuts remains unchanged due to unfavorable fundamentals until seasonal demand returns in second half of 3Q14.

Investment view: The petrochemical sector rose 2.5% WoW, outdoing the SET rise of 1.7%, led by PTTGC (+3.4%) – still 16% below its 52-week high. We believe concerns about feedstock have faded while valuation looks undemanding at only 9x P/E (2014) vs. 18x for regional peers. Higher PX price is a near-term positive for PTTGC, which also benefits from strong olefins chain product spread and a higher operating rate in 2Q14.

Figure 1: Petrochemical price update

	Current 11-Jul-14	52-week High/Low	-1W	-1M	-3M	-6M	-12M	3Q14 QTD	2Q14	QoQ%	YTD	Chg.	%YoY	2014F projection
Price														
Naphtha Singapore Spot FOB	871	897/803	-1.0%	-1.3%	2.7%	-0.3%	6.9%	876	863	1.5%	855	32	3.9%	842
Ethylene, Far East CFR SE Asia \$/MT	1,458	1,465/1,238	0.0%	2.6%	-0.5%	-0.5%	13.4%	1,458	1,448	0.6%	1,445	118	8.9%	1,440
Propylene (C), Spot CFR F/E US\$/MT	1,458	1,503/1,373	0.7%	2.6%	4.3%	-3.0%	3.9%	1,453	1,420	2.3%	1,440	91	6.7%	1,430
Polye HDPE Inj, South East Asia US\$/MT	1,595	1,595/1,445	0.0%	0.9%	3.2%	3.9%	10.4%	1,595	1,568	1.7%	1,561	108	7.4%	1,570
Polye LDPE-Film, Spot S.E Asia US\$/MT	1,595	1,680/1,500	0.0%	0.0%	-0.9%	-5.1%	8.5%	1,595	1,605	-0.6%	1,621	168	11.5%	1,640
Polye LLDPE Film, F/E Spot SE Asia \$/MT	1,600	1,600/1,453	0.3%	0.6%	2.9%	1.9%	10.3%	1,598	1,577	1.3%	1,572	116	8.0%	1,580
PP Film, Spot South East Asia US\$/MT	1,615	1,615/1,490	0.6%	1.6%	3.9%	3.5%	8.4%	1,610	1,581	1.8%	1,574	73	4.8%	1,570
Related stocks														
PTTGC (Neutral) IRPC (+) SCC (+) TPIPL (Neutral)														
Para-Xylene CFR Chin M. Por Spot \$/MT	1,425	1,515/1,143	1.8%	7.8%	16.6%	3.4%	-1.5%	1,413	1,263	11.9%	1,284	-245	-16.0%	1,190
Benzene, Far East CFR Spot F/E US\$/MT	1,345	1,385/1,220	-0.6%	1.9%	5.5%	0.0%	7.8%	1,349	1,293	4.3%	1,302	-39	-2.9%	1,240
Related stocks														
PTTGC (+) TOP (+) ESSO (+)														
MEG, Far East Spot CFR F/E US\$/MT	986	1,124/889	-1.3%	0.5%	6.3%	-1.5%	-2.0%	992	939	5.6%	956	-93	-8.8%	1,110
PTA CFR South East Asia	1,005	1,125/865	-2.0%	1.0%	12.3%	3.1%	-5.6%	1,015	920	10.3%	934	-169	-15.4%	900
PET (Fibre Grade) A/P Spot CFR NEA \$/MT	1,285	1,420/1,185	-0.4%	2.8%	6.2%	-2.1%	-4.5%	1,288	1,217	5.8%	1,245	-183	-12.8%	n.a.
Related stocks														
PTTGC (-) IVL (-)														
ABS Asia Pac. India Spot CFR US\$/MT	1,915	1,955/1,870	0.0%	0.5%	1.1%	1.1%	-1.3%	1,915	1,901	0.7%	1,895	-75	-3.8%	n.a.
Polystyrene-GP, Spot Hong Kong US\$/MT	1,740	1,915/1,715	0.3%	1.5%	-0.6%	-4.1%	-5.2%	1,738	1,733	0.3%	1,754	-80	-4.4%	n.a.
Related stocks														
IRPC (+)														
PVC, Spot South East Asia US\$/MT	1,055	1,070/980	0.0%	0.5%	3.7%	1.9%	4.5%	1,055	1,035	1.9%	1,039	25	2.5%	1,070
Related stocks														
VNT (Neutral) TPC (Neutral)														
Product spread														
Ethylene - naphtha	586	626/424	1.5%	9.2%	-5.0%	-0.9%	24.8%	582	586	-0.6%	590	86	17.0%	598
Propylene - naphtha	586	665/530	3.3%	9.2%	6.7%	-6.8%	-0.2%	577	557	3.6%	585	59	11.1%	588
HDPE - naphtha	724	735/615	1.2%	3.9%	3.8%	9.4%	14.9%	719	705	2.0%	706	76	12.0%	728
LDPE - naphtha	724	851/680	1.2%	1.7%	-5.0%	-10.3%	10.5%	719	742	-3.0%	766	135	21.4%	798
LDPE - Ethylene	138	323/135	0.0%	-21.4%	-5.2%	-36.0%	-25.7%	138	156	-11.9%	176	49	39.0%	200
LLDPE - naphtha	729	750/633	1.9%	3.1%	3.1%	4.6%	14.8%	722	714	1.0%	716	84	13.3%	738
PP - naphtha	744	744/657	2.6%	5.2%	5.2%	8.3%	10.2%	734	718	2.2%	719	40	5.9%	728
PX - naphtha	554	697/304	6.5%	26.3%	47.9%	9.9%	-12.3%	537	400	34.2%	429	-278	-39.3%	348
BZ - naphtha	474	535/381	0.3%	8.4%	10.9%	0.5%	9.6%	473	430	9.9%	447	-71	-13.8%	398
MEG - Ethylene	82	324/-20	-13.2%	-18.5%	318.0%	-11.6%	-60.7%	89	41	115.1%	60	-166	-73.5%	217
PTA - PX	79	155/53	-31.5%	-42.1%	-21.5%	-1.1%	-36.9%	97	100	-2.7%	99	-10	-9.1%	103
PET spread	156	253/128	10.6%	19.7%	-16.6%	-22.6%	-3.8%	149	170	-12.6%	182	-19	-9.4%	n.a.
Integrated PET/PTA spread	235	352/190	-8.3%	-11.9%	-18.3%	-16.5%	-18.2%	245	269	-8.9%	281	-29	-9.3%	n.a.
ABS spread	1,109	1,272/1,070	0.6%	0.2%	1.0%	1.4%	-9.9%	1,106	1,103	0.3%	1,096	-42	-3.7%	n.a.
PS spread	255	565/214	4.5%	-2.2%	-19.9%	-22.2%	-46.6%	249	291	-14.3%	306	-84	-21.5%	n.a.
PVC - ethylene	326	398/258	0.0%	-4.0%	14.5%	7.9%	-11.2%	326	311	4.9%	316	-34	-9.6%	350

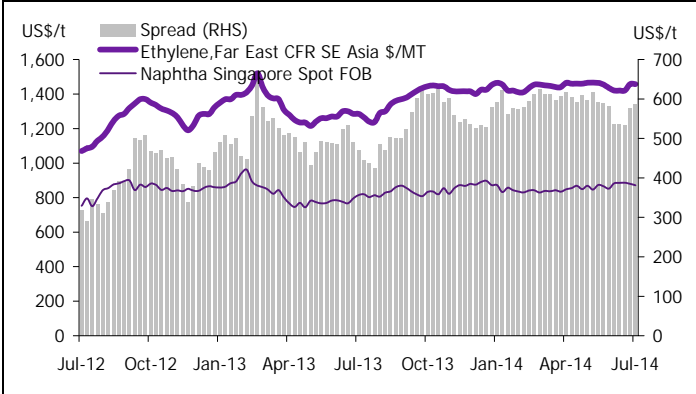
Source: Datastream, SCBS Investment Research

Note: Impact to related stocks is based on WoW performance

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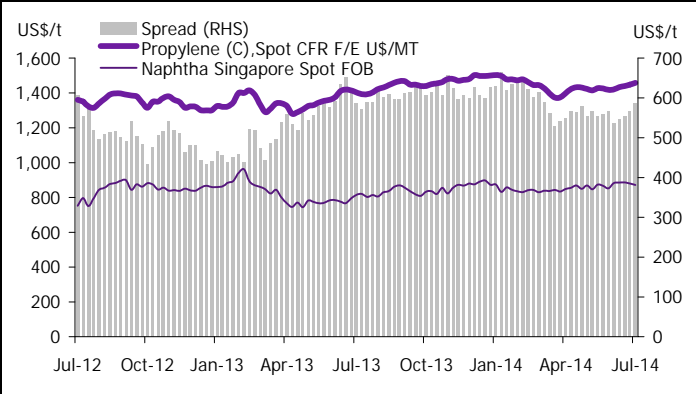
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Figure 2: Ethylene vs. Naphtha



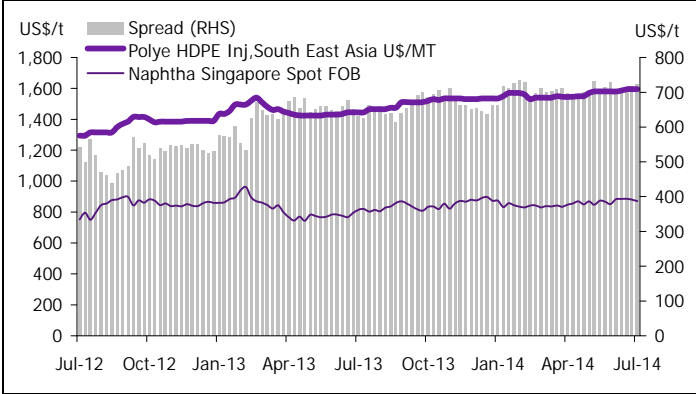
Source: Datastream, SCBS Investment Research

Figure 3: Propylene vs. Naphtha



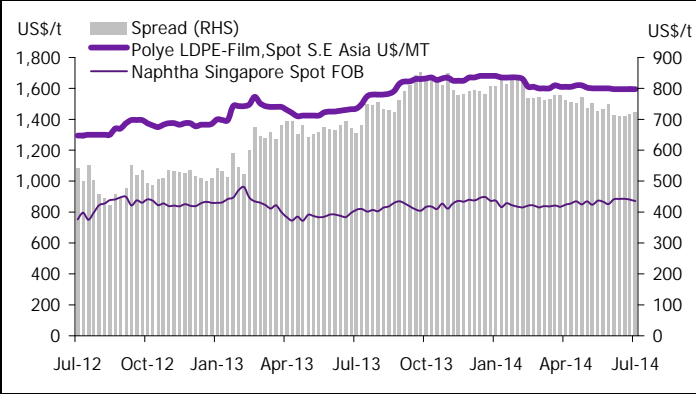
Source: Datastream, SCBS Investment Research

Figure 4: HDPE vs. Naphtha



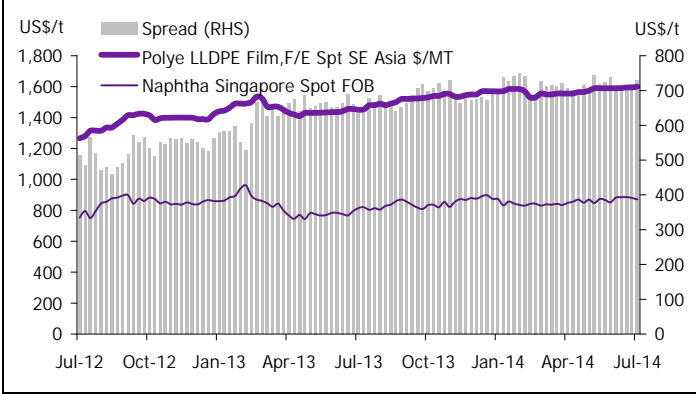
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Figure 5: LDPE vs. Naphtha



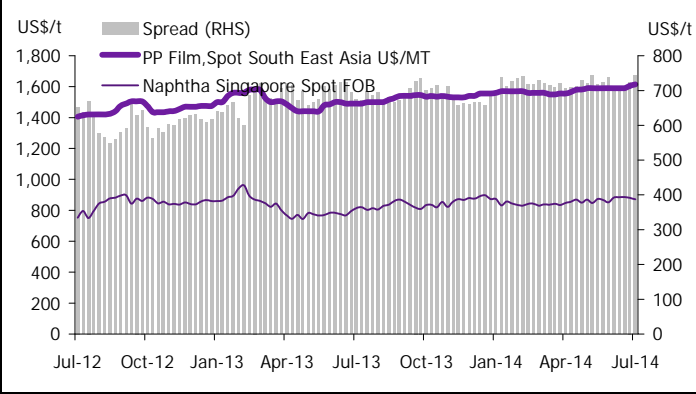
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Figure 6: LLDPE vs. Naphtha



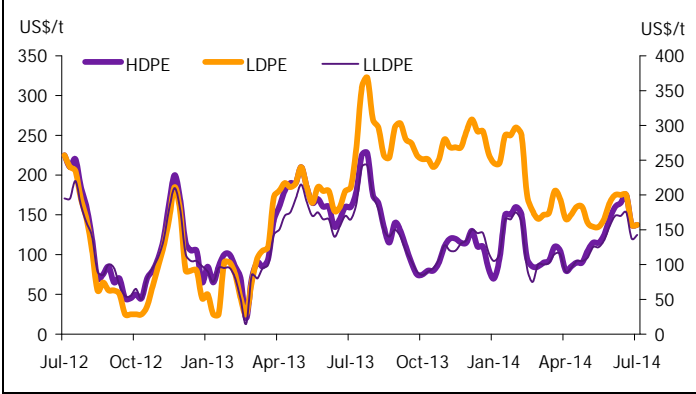
Source: Datastream, SCBS Investment Research

Figure 7: PP vs. Naphtha



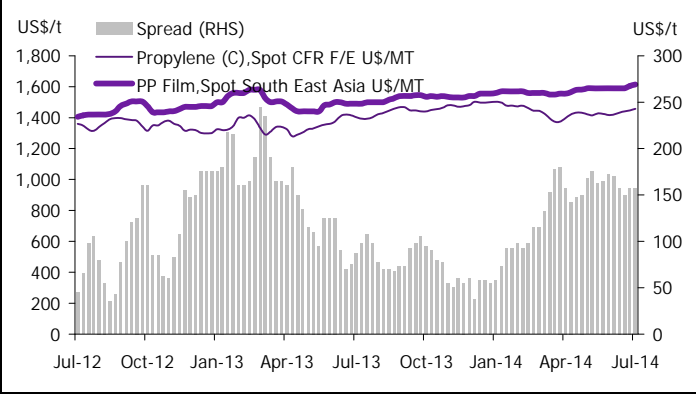
Source: Datastream, SCBS Investment Research

Figure 8: Polyethylene spread over ethylene

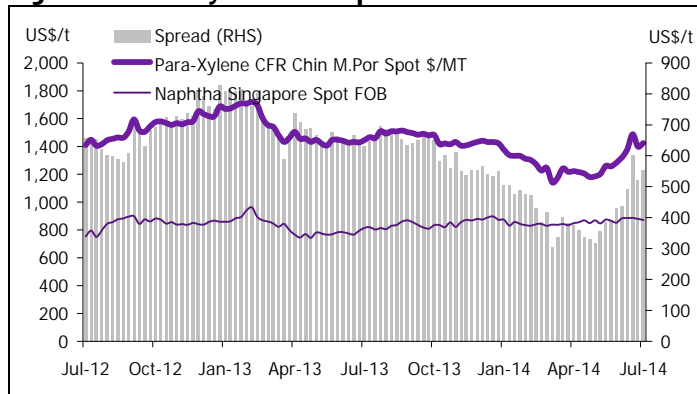


Source: Datastream, SCBS Investment Research

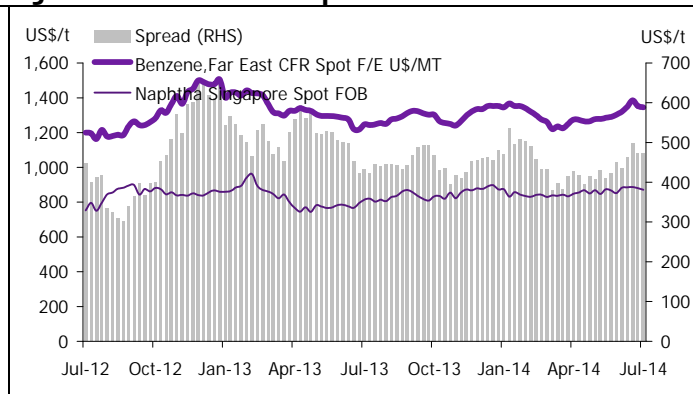
Figure 9: Polypropylene vs. propylene



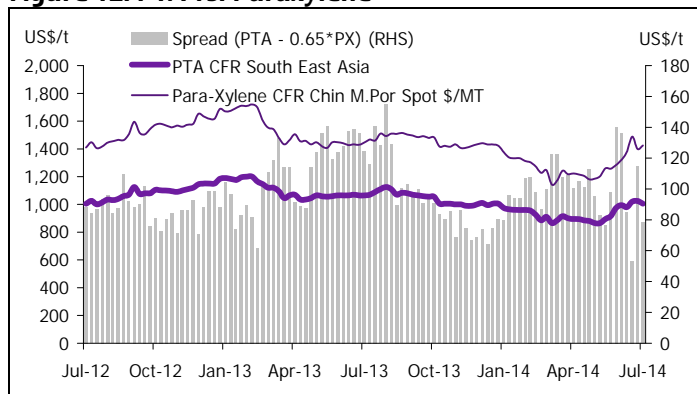
Source: Datastream, SCBS Investment Research

Figure 10: Paraxylene vs. Naphtha

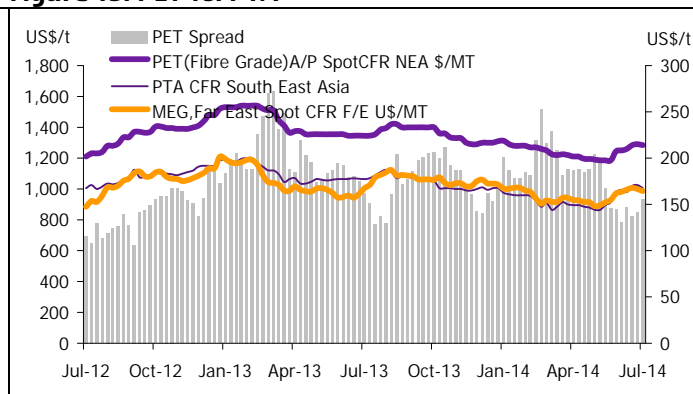
Source: Datastream, SCBS Investment Research

Figure 11: Benzene vs. Naphtha

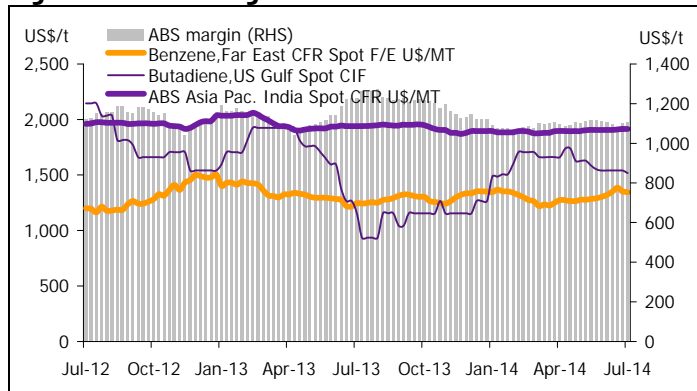
Source: Datastream, SCBS Investment Research

Figure 12: PTA vs. Paraxylene

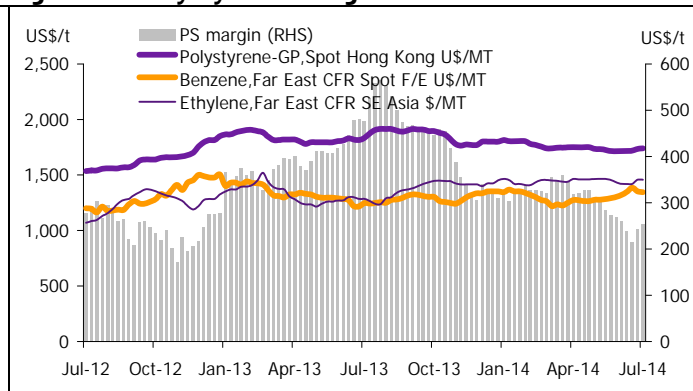
Source: Datastream, SCBS Investment Research

Figure 13: PET vs. PTA

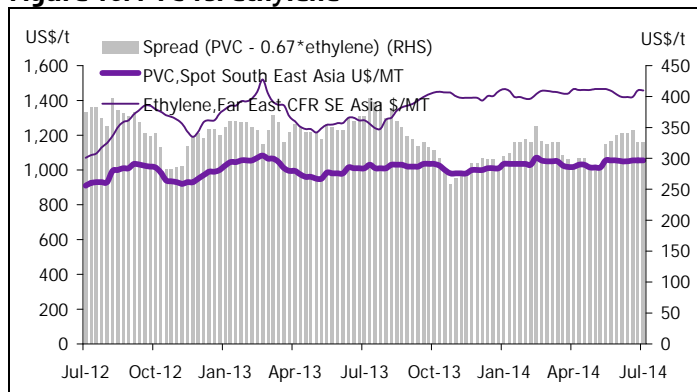
Source: Datastream, SCBS Investment Research

Figure 14: ABS margin

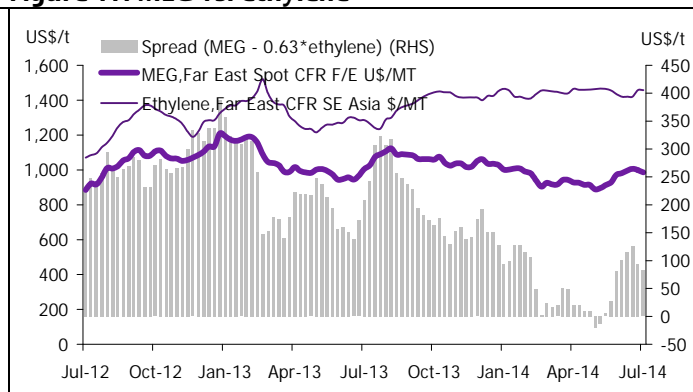
Source: Datastream, SCBS Investment Research

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	3Q14 QTD	2Q14	QoQ%	YTD	12MMA	2014F projection	Momentum
PTTGC	Ethylene/Propylene	21%	Ethylene, Far East CFR SE Asia \$/MT	1,458	1,448	1%	1,445	1,416	1,440	→
			Propylene (C), Spot CFR F/E US/MT	1,453	1,420	2%	1,440	1,447	1,430	↗
	HDPE	19%	Polye HDPE Inj, South East Asia US/MT	1,595	1,568	2%	1,561	1,536	1,570	↗
	LLDPE	7%	Polye LLDPE Film, F/E Spt SE Asia \$/MT	1,598	1,577	1%	1,572	1,549	1,580	↗
	LDPE	4%	Polye LDPE-Film, Spot S.E Asia US/MT	1,595	1,605	-1%	1,621	1,625	1,640	→
	MEG	6%	MEG, Far East Spot CFR F/E US/MT	992	939	6%	956	1,004	1,110	↗
	PX	28%	PX - naphtha	537	400	34%	429	516	348	↗
IRPC	BZ	15%	BZ - naphtha	473	430	10%	447	447	398	↗
	Ethylene/Propylene	15%	Ethylene - naphtha	582	586	-1%	590	566	598	→
			Propylene - naphtha	577	557	4%	585	596	588	↗
	HDPE	12%	HDPE - naphtha	719	705	2%	706	686	728	↗
	PP	28%	PP - naphtha	734	718	2%	719	703	728	↗
	ABS	7%	ABS spread	1,106	1,103	0%	1,096	1,144	n.a.	↗
	BTX	23%	BZ - naphtha	473	430	10%	447	447	398	↗
SCC	PS	12%	PS spread	249	291	-14%	306	366	n.a.	↘
	HDPE	40%	HDPE - naphtha	719	705	2%	706	686	728	↗
	LDPE	3%	LDPE - naphtha	719	742	-3%	766	775	798	→
	LLDPE	3%	LLDPE - naphtha	722	714	1%	716	699	738	↗
	PP	25%	PP - naphtha	734	718	2%	719	703	728	↗
	PVC	28%	PVC - Ethylene/EDC	439	405	9%	414	425	n.a.	→
	TPIPL	60%	LDPE - Ethylene	138	156	-12%	176	209	200	↘
TOP	PX	60%	PX - naphtha	537	400	34%	429	516	348	↗
	BZ	21%	BZ - naphtha	473	430	10%	447	447	398	↗
IVL	PTA	25%	PTA - PX	97	100	-3%	99	97	103	↘
	PET/Polyester	67%	PET spread	149	170	-13%	182	178	n.a.	→
	MEG	8%								
VNT	PVC	63%	PVC - ethylene	326	311	5%	316	318	350	→
TPC	PVC	100%	PVC - Ethylene/EDC	439	405	9%	414	425	n.a.	→

Source: Datastream, SCBS Investment Research

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