

Petrochemical price monitor

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- **Better PE spread WoW on lower naphtha price.** Ethylene and PE prices were steady WoW due to tight supply in the region but spread rose 0.5-0.6% WoW, thanks to lower naphtha price. According to an industry source, ethylene supply was limited by maintenance turnarounds and delayed startup of new plants in Asia. The low competitiveness also led some operators to shutter naphtha crackers permanently. Regional demand remained slow despite signs of improvement in the Chinese economy.
- **Strong PX price short-lived.** PX price continued to move north, up 3.9% WoW to US\$1,480/t against a YTD average of only US\$1,291/t despite the return of regional capacity from maintenance shutdowns. PX-naphtha spread shot up to a 10-month high of US\$612/t. This reflects tight supply in the region from lower operating rate to prepare for capacity additions in 2H14. We do not expect the current high to stay long, as 1.8mtpa from Singapore and South Korea will start up in 3Q14.
- **PET/PTA margin almost at 52-week low.** Higher feedstock costs, both PX and MEG, squeezed integrated PET/PTA spread to only US\$196/t from a 52-week low at US\$190/t. Regional demand for bottle grade PET was seasonally slow, down 1% WoW to US\$1,390/t while PTA price rose 1% WoW. PET/PTA margin may recover in the near term when new supply of PX enters the market in Sep 2014.

Investment view: The petrochemical sector rose just 0.3% WoW, underperforming the SET rise of 1%. The key driver was PTTGC (+0.7%) but this was largely offset by a fall in IVL share price (-0.9% WoW), reflecting concerns of a weaker PET/PTA spread. Although PTTGC remains our top pick in the sector due to undemanding valuation, it is expected to report lower profit QoQ in 2Q14 which could drag share price performance in the near term.

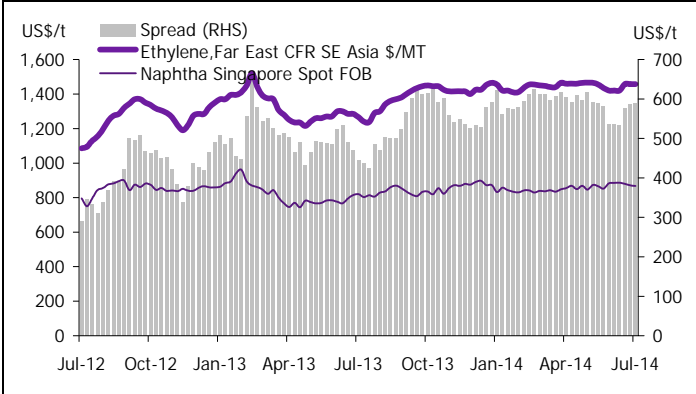
Figure 1: Petrochemical price update

	Current 18-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	868	897/803	-0.4%	-2.0%	1.4%	4.3%	5.9%	873	863	1.2%	856	33	4.0%	842
Ethylene, Far East CFR SE Asia \$/MT	1,458	1,465/1,238	0.0%	2.6%	-0.2%	0.2%	15.2%	1,458	1,448	0.6%	1,445	121	9.1%	1,440
Propylene (C), Spot CFR F/E US\$/MT	1,460	1,503/1,373	0.2%	1.9%	2.6%	-2.5%	4.8%	1,455	1,420	2.5%	1,441	90	6.7%	1,430
Polye HDPE Inj, South East Asia US\$/MT	1,595	1,595/1,465	0.0%	0.6%	3.2%	2.9%	10.4%	1,595	1,568	1.7%	1,562	109	7.5%	1,570
Polye LDPE-Film, Spot S.E Asia US\$/MT	1,595	1,680/1,550	0.0%	0.0%	-0.9%	-4.5%	6.3%	1,595	1,605	-0.6%	1,620	165	11.3%	1,640
Polye LLDPE Film, F/E Spot SE Asia \$/MT	1,600	1,600/1,480	0.0%	0.6%	2.9%	1.9%	10.2%	1,598	1,577	1.3%	1,573	117	8.1%	1,580
PP Film, Spot South East Asia US\$/MT	1,610	1,615/1,500	-0.3%	1.3%	2.9%	2.5%	8.1%	1,610	1,581	1.8%	1,576	74	4.9%	1,570
Related stocks			PTTGC (Neutral) IRPC (+) SCC (+) TPIPL (Neutral)											
Para-Xylene CFR Chin M. Por Spot \$/MT	1,480	1,515/1,143	3.9%	7.4%	21.8%	10.7%	0.9%	1,435	1,263	13.6%	1,291	-236	-15.5%	1,190
Benzene, Far East CFR Spot F/E US\$/MT	1,340	1,385/1,220	-0.4%	-0.6%	5.3%	-2.0%	7.8%	1,346	1,293	4.1%	1,303	-34	-2.6%	1,240
Related stocks			PTTGC (+) TOP (+) ESSO (+)											
MEG, Far East Spot CFR F/E US\$/MT	988	1,124/889	0.2%	-0.9%	6.6%	-1.4%	-3.8%	991	939	5.5%	957	-91	-8.7%	1,110
PTA CFR South East Asia	1,015	1,125/865	1.0%	3.6%	13.4%	5.2%	-5.1%	1,015	920	10.3%	937	-166	-15.0%	900
PET (Fibre Grade)A/P Spot CFR NEA \$/MT	1,280	1,420/1,185	-0.4%	1.6%	5.8%	-0.8%	-4.8%	1,285	1,217	5.6%	1,246	-179	-12.6%	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%	1.6%	-1.3%	1,915	1,901	0.7%	1,896	-74	-3.7%	n.a.
Polystyrene-GP, Spot Hong Kong US\$/MT	1,740	1,915/1,715	0.0%	1.5%	-0.6%	-3.6%	-7.2%	1,738	1,733	0.3%	1,753	-82	-4.5%	n.a.
Related stocks			IRPC (Neutral)											
PVC, Spot South East Asia US\$/MT	1,065	1,070/980	0.9%	1.4%	3.4%	2.9%	3.4%	1,058	1,035	2.2%	1,040	26	2.5%	1,070
Related stocks			VNT (+) TPC (+)											
Product spread														
Ethylene - naphtha	590	626/424	0.6%	10.3%	-2.4%	-5.3%	32.4%	584	586	-0.2%	590	88	17.5%	598
Propylene - naphtha	592	665/530	1.0%	8.2%	4.5%	-11.0%	3.4%	582	557	4.5%	585	57	10.8%	588
HDPE - naphtha	727	735/615	0.5%	3.9%	5.5%	1.3%	16.3%	722	705	2.4%	706	76	12.1%	728
LDPE - naphtha	727	851/709	0.5%	2.4%	-3.6%	-13.2%	6.9%	722	742	-2.7%	764	132	20.9%	798
LDPE - Ethylene	138	323/135	0.0%	-21.4%	-8.3%	-36.0%	-41.5%	138	156	-11.9%	175	44	34.0%	200
LLDPE - naphtha	732	750/640	0.5%	3.9%	4.7%	-0.8%	15.7%	725	714	1.5%	717	84	13.3%	738
PP - naphtha	742	744/657	-0.2%	5.3%	4.6%	0.6%	10.7%	737	718	2.6%	720	41	6.1%	728
PX - naphtha	612	697/304	10.6%	24.3%	70.1%	21.1%	-5.5%	562	400	40.5%	435	-269	-38.2%	348
BZ - naphtha	472	535/381	-0.3%	2.1%	13.3%	-11.8%	11.7%	473	430	9.9%	448	-67	-13.1%	398
MEG - Ethylene	84	324/-20	1.8%	-27.8%	293.7%	-16.1%	-65.4%	87	41	111.3%	61	-166	-73.2%	217
PTA - PX	53	155/53	-32.7%	-37.4%	-49.5%	-44.6%	-54.4%	82	100	-17.4%	98	-12	-10.8%	103
PET spread	143	253/128	-8.5%	-2.8%	-24.0%	-23.5%	-5.6%	147	170	-13.7%	180	-19	-9.3%	n.a.
Integrated PET/PTA spread	196	352/190	-16.6%	-15.5%	-33.1%	-30.7%	-26.8%	229	269	-15.1%	278	-30	-9.8%	n.a.
ABS spread	1,116	1,272/1,070	0.6%	2.0%	2.7%	3.9%	-11.8%	1,109	1,103	0.6%	1,096	-46	-4.0%	n.a.
PS spread	259	565/214	1.6%	8.4%	-19.5%	-14.5%	-50.9%	252	291	-13.2%	305	-90	-22.8%	n.a.
PVC - ethylene	336	391/258	3.1%	-1.1%	12.1%	9.3%	-15.4%	330	311	5.9%	317	-35	-9.8%	350

Source: Datastream, SCBS Investment Research

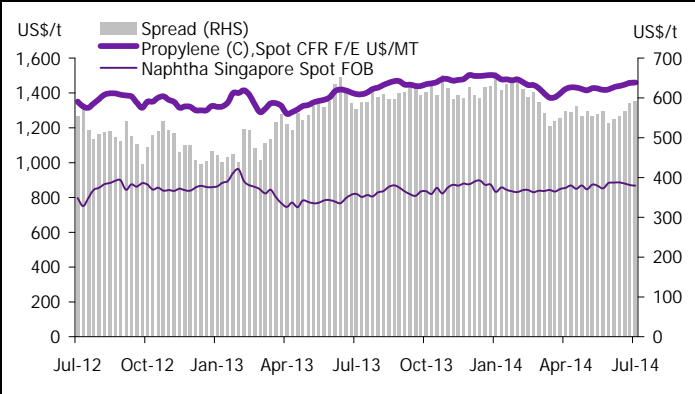
Note: Impact to related stocks is based on WoW performance

Figure 2: Ethylene vs. Naphtha



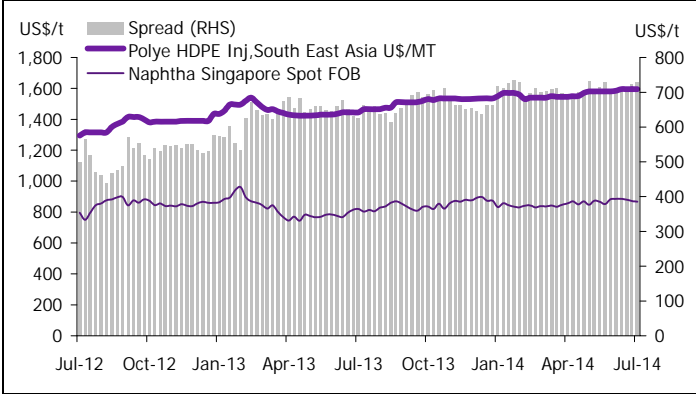
Source: Datastream, SCBS Investment Research

Figure 3: Propylene vs. Naphtha



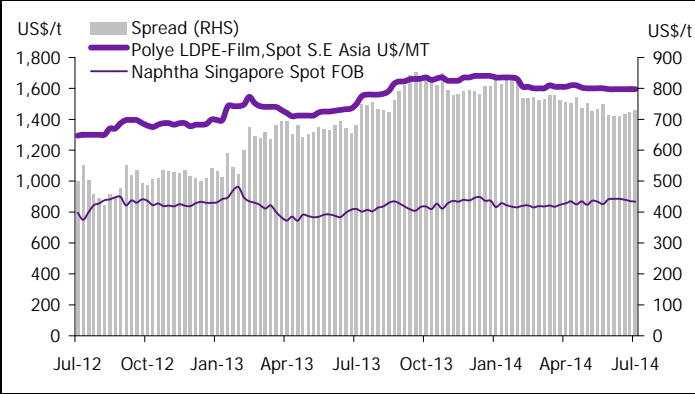
Source: Datastream, SCBS Investment Research

Figure 4: HDPE vs. Naphtha



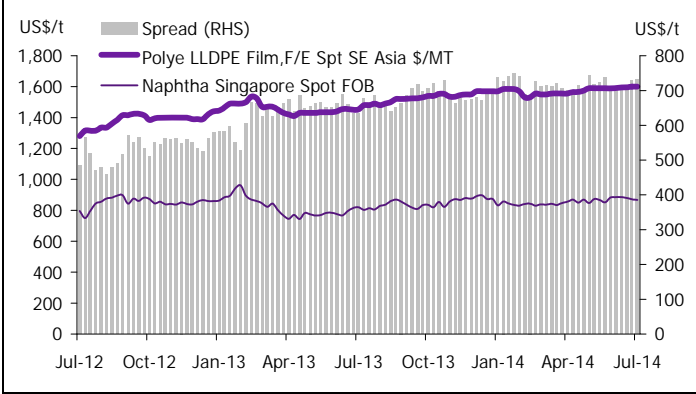
Source: Datastream, SCBS Investment Research

Figure 5: LDPE vs. Naphtha



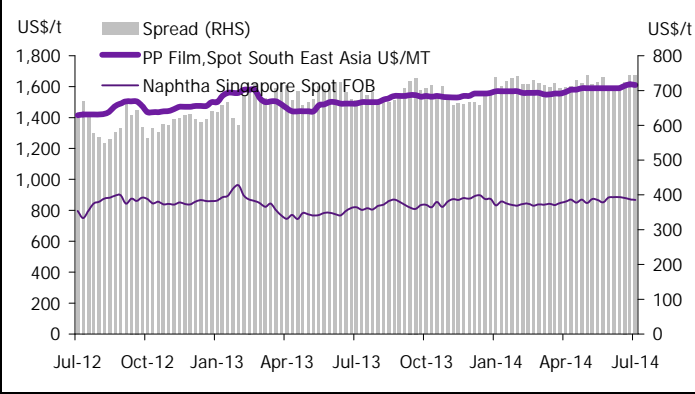
Source: Datastream, SCBS Investment Research

Figure 6: LLDPE vs. Naphtha



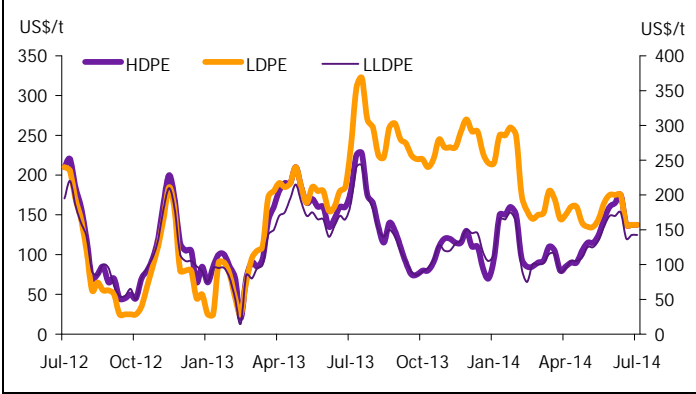
Source: Datastream, SCBS Investment Research

Figure 7: PP vs. Naphtha



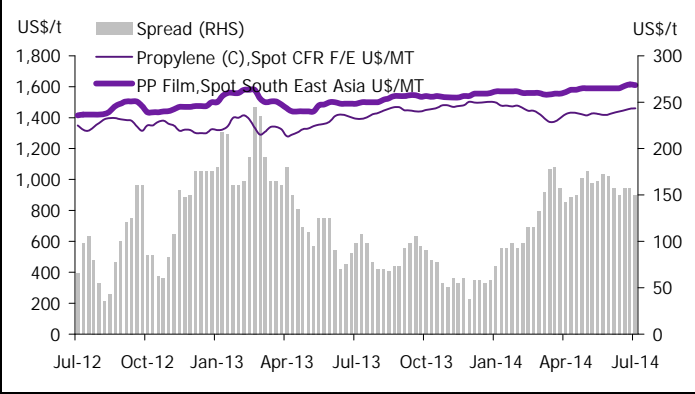
Source: Datastream, SCBS Investment Research

Figure 8: Polyethylene spread over ethylene

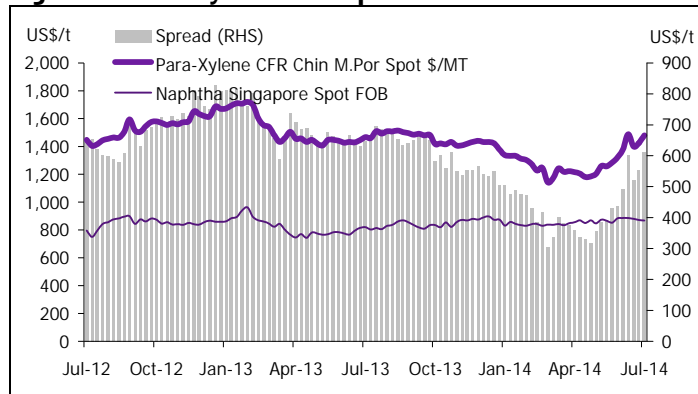


Source: Datastream, SCBS Investment Research

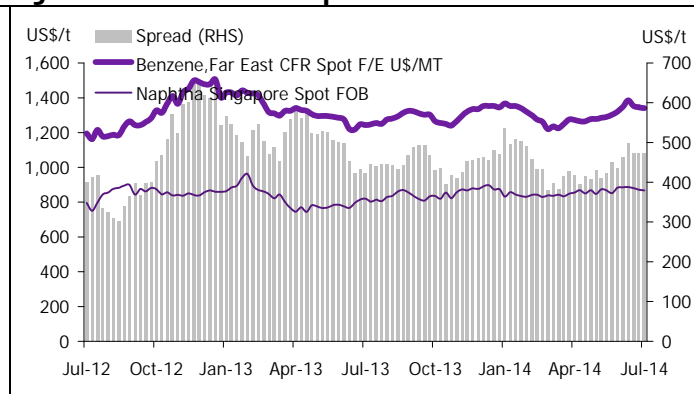
Figure 9: Polypropylene vs. propylene



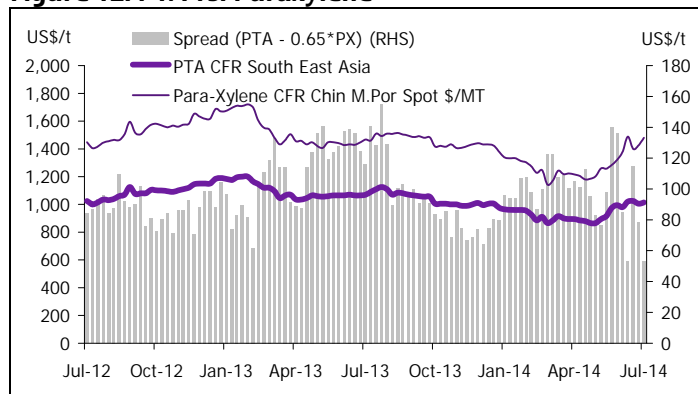
Source: Datastream, SCBS Investment Research

Figure 10: Paraxylene vs. Naphtha

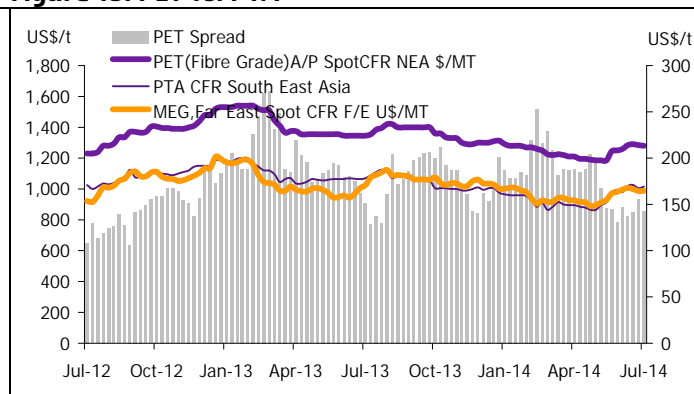
Source: Datastream, SCBS Investment Research

Figure 11: Benzene vs. Naphtha

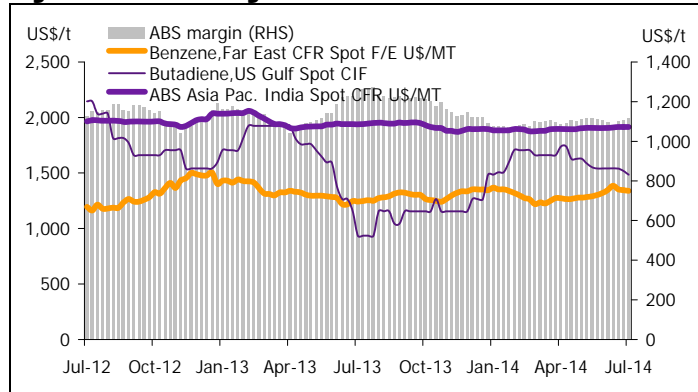
Source: Datastream, SCBS Investment Research

Figure 12: PTA vs. Paraxylene

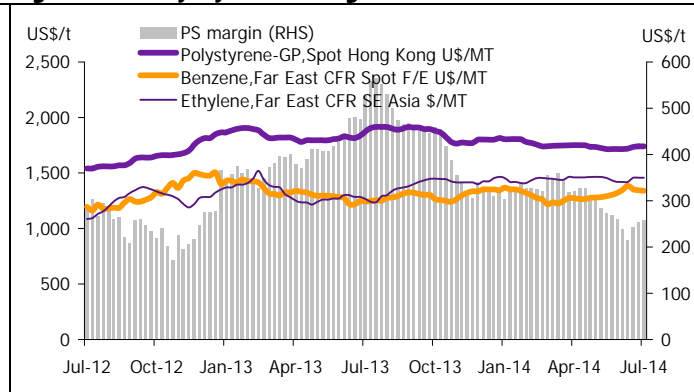
Source: Datastream, SCBS Investment Research

Figure 13: PET vs. PTA

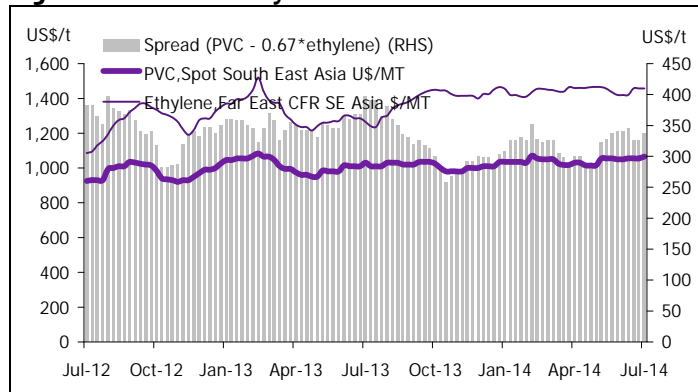
Source: Datastream, SCBS Investment Research

Figure 14: ABS margin

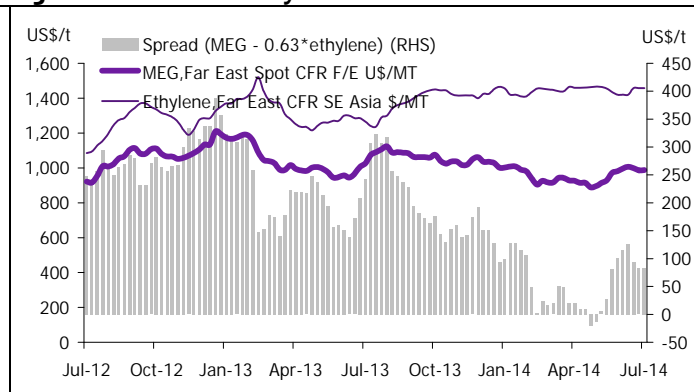
Source: Datastream, SCBS Investment Research

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	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	1,419	1,440	→
			Propylene (C), Spot CFR F/E US/MT	1,455	1,420	2%	1,441	1,448	1,430	↗
	HDPE	19%	Polye HDPE Inj, South East Asia US/MT	1,595	1,568	2%	1,562	1,539	1,570	↗
	LLDPE	7%	Polye LLDPE Film, F/E Spt SE Asia \$/MT	1,598	1,577	1%	1,573	1,552	1,580	↗
	LDPE	4%	Polye LDPE-Film, Spot S.E Asia US/MT	1,595	1,605	-1%	1,620	1,626	1,640	→
	MEG	6%	MEG, Far East Spot CFR F/E US/MT	991	939	5%	957	1,003	1,110	→
	PX	28%	PX - naphtha	562	400	41%	435	515	348	↗
IRPC	BZ	15%	BZ - naphtha	473	430	10%	448	448	398	↗
	Ethylene/Propylene	15%	Ethylene - naphtha	584	586	0%	590	568	598	→
			Propylene - naphtha	582	557	4%	585	597	588	↗
	HDPE	12%	HDPE - naphtha	722	705	2%	706	688	728	↗
	PP	28%	PP - naphtha	737	718	3%	720	705	728	↗
	ABS	7%	ABS spread	1,109	1,103	1%	1,096	1,141	n.a.	↗
	BTX	23%	BZ - naphtha	473	430	10%	448	448	398	↗
SCC	PS	12%	PS spread	252	291	-13%	305	361	n.a.	→
	HDPE	40%	HDPE - naphtha	722	705	2%	706	688	728	↗
	LDPE	3%	LDPE - naphtha	722	742	-3%	764	775	798	→
	LLDPE	3%	LLDPE - naphtha	725	714	2%	717	701	738	↗
	PP	25%	PP - naphtha	737	718	3%	720	705	728	↗
	PVC	28%	PVC - Ethylene/EDC	443	405	9%	415	422	n.a.	↗
	TPIPL	60%	LDPE - Ethylene	138	156	-12%	175	207	200	↘
TOP	PX	60%	PX - naphtha	562	400	41%	435	515	348	↗
	BZ	21%	BZ - naphtha	473	430	10%	448	448	398	↗
IVL	PTA	25%	PTA - PX	82	100	-17%	98	96	103	↘
	PET/Polyester	67%	PET spread	147	170	-14%	180	178	n.a.	↘
	MEG	8%								
VNT	PVC	63%	PVC - ethylene	330	311	6%	317	317	350	↗
TPC	PVC	100%	PVC - Ethylene/EDC	443	405	9%	415	422	n.a.	↗

Source: Datastream, SCBS Investment Research

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