

Petrochemical price monitor

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- **Lower naphtha price widened olefins spread.** Ethylene and PE prices were steady WoW amidst slow demand owing to Ramadan holidays. Naphtha-based producers were fortunate, enjoying a 2.5-4.6% WoW widening in spread from the lower naphtha price. Product spreads for non-integrated producers were unchanged WoW. Of PE products, outlook for LDPE looks brighter than others on limited supply in the region. Price could improve after Ramadan holidays end.
- **Abundant supply still pressured PX price.** PX price fell another 1.1% WoW to US\$1,403/t, down 1.1% WoW and 5.7% from this year's peak at US\$1,488/t in late June. We believe this was due to more supply returning to the market after maintenance shutdowns and new supply in South Korea as well as lower demand from PTA producers in reaction to poor PTA-PX spread of only US\$118/t. PX spread improved 2.2% WoW on lower naphtha price.
- **PET/PTA spread continued to rise WoW.** Higher PTA price and lower feedstock cost (PX and MEG) helped support integrated PET/PTA spread to rise 5.5% WoW to US\$250/t. PTA edged up 0.5% WoW to a 10-month high of US\$1,030/t in Southeast Asian markets due to more production cuts. Price of PET (bottle grade) weakened 0.7% WoW due to dull demand and lower feedstock cost. PTA price is expected to soften as a result of lower feedstock cost as regional supply remains abundant.

Investment view: A 3.2% WoW fall in petrochemical sector share prices completely wiped out the previous week's gain; this was largely from the fall in IVL of 8.5% WoW on concerns of weak PTA spread and negative impact from the imposition of anti-dumping duty on India's imports of PTA. This could be overdone, in our view but at the same time, valuation is stretched and we maintain Neutral. We prefer PTTGC with a more attractive valuation.

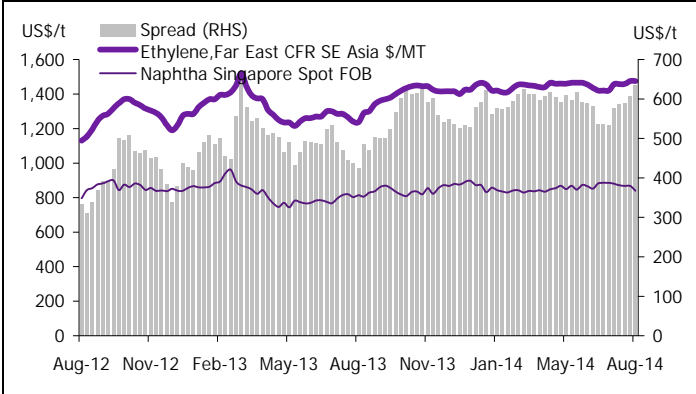
Figure 1: Petrochemical price update

	Current 1-Aug-14	52-week High/Low	-1W	-1M	-3M	-6M	-12M	3Q14 QTD	2Q14	QoQ%	YTD	Chg.	%YoY	2014F projection
Price														
Naphtha Singapore Spot FOB	840	897/806	-3.2%	-4.6%	-1.2%	-0.5%	3.2%	865	863	0.3%	856	34	4.1%	842
Ethylene, Far East CFR SE Asia \$/MT	1,475	1,475/1,290	0.0%	1.2%	1.0%	3.9%	19.2%	1,465	1,448	1.1%	1,447	128	9.7%	1,440
Propylene (C), Spot CFR F/E US\$/MT	1,463	1,503/1,373	-0.8%	1.0%	2.3%	-1.0%	4.3%	1,461	1,420	2.9%	1,442	89	6.6%	1,430
Polye HDPE Inj, South East Asia US\$/MT	1,615	1,615/1,465	0.0%	1.3%	4.2%	2.9%	10.2%	1,603	1,568	2.2%	1,565	112	7.7%	1,570
Polye LDPE-Film, Spot S.E Asia US\$/MT	1,610	1,680/1,560	0.0%	0.9%	-0.6%	-3.6%	3.2%	1,601	1,605	-0.2%	1,620	158	10.8%	1,640
Polye LLDPE Film, F/E Spot SE Asia \$/MT	1,615	1,615/1,480	0.0%	1.3%	3.2%	1.9%	9.1%	1,605	1,577	1.8%	1,575	119	8.1%	1,580
PP Film, Spot South East Asia US\$/MT	1,615	1,615/1,500	0.3%	0.6%	2.2%	2.9%	7.7%	1,611	1,581	1.9%	1,578	77	5.1%	1,570
Related stocks														
PTTGC (Neutral) IRPC (+) SCC (-) TPIPL (Neutral)														
Para-Xylene CFR Chin M. Por Spot \$/MT	1,403	1,515/1,143	-1.1%	0.2%	18.8%	5.3%	-7.1%	1,425	1,263	12.9%	1,299	-226	-14.8%	1,190
Benzene, Far East CFR Spot F/E US\$/MT	1,330	1,385/1,220	-1.3%	-1.7%	5.1%	-1.7%	6.0%	1,343	1,293	3.8%	1,306	-26	-2.0%	1,240
Related stocks														
PTTGC (-) TOP (-) ESSO (-)														
MEG, Far East Spot CFR F/E US\$/MT	987	1,124/889	-0.6%	-1.2%	7.9%	-2.1%	-9.5%	990	939	5.4%	959	-91	-8.7%	1,110
PTA CFR South East Asia	1,030	1,125/865	0.5%	0.5%	17.0%	7.3%	-7.2%	1,020	920	10.8%	943	-160	-14.5%	900
PET (Fibre Grade) A/P Spot CFR NEA \$/MT	1,280	1,420/1,185	0.0%	-0.8%	7.1%	0.0%	-7.6%	1,283	1,217	5.5%	1,248	-174	-12.2%	n.a.
Related stocks														
PTTGC (-) IVL (-)														
ABS Asia Pac. India Spot CFR US\$/MT	1,920	1,955/1,870	0.3%	0.3%	1.3%	1.9%	-1.3%	1,916	1,901	0.8%	1,897	-70	-3.6%	n.a.
Polystyrene-GP, Spot Hong Kong US\$/MT	1,755	1,915/1,715	0.0%	1.2%	0.3%	-2.8%	-8.4%	1,745	1,733	0.7%	1,754	-87	-4.7%	n.a.
Related stocks														
IRPC (+)														
PVC, Spot South East Asia US\$/MT	1,065	1,070/980	0.0%	0.9%	4.9%	2.9%	5.4%	1,061	1,035	2.5%	1,041	28	2.7%	1,070
Related stocks														
VNT (Neutral) TPC (Neutral)														
Product spread														
Ethylene - naphtha	635	635/471	4.6%	10.0%	4.1%	10.2%	49.9%	599	586	2.3%	592	94	19.0%	598
Propylene - naphtha	623	665/530	2.5%	9.8%	7.3%	-1.8%	5.8%	595	557	6.9%	587	55	10.4%	588
HDPE - naphtha	775	775/615	3.7%	8.4%	10.7%	6.7%	19.0%	738	705	4.6%	710	78	12.4%	728
LDPE - naphtha	770	851/709	3.8%	7.7%	0.0%	-6.8%	3.2%	736	742	-0.8%	764	124	19.4%	798
LDPE - Ethylene	135	270/135	0.0%	-1.8%	-15.6%	-46.0%	-58.1%	137	156	-12.6%	172	30	20.9%	200
LLDPE - naphtha	775	775/640	3.7%	8.4%	8.4%	4.6%	16.4%	740	714	3.5%	720	85	13.3%	738
PP - naphtha	775	775/657	4.4%	6.9%	6.2%	6.7%	13.0%	746	718	3.8%	722	43	6.3%	728
PX - naphtha	563	687/304	2.2%	8.2%	70.2%	15.1%	-19.2%	560	400	40.0%	443	-260	-37.0%	348
BZ - naphtha	490	535/381	2.2%	3.8%	18.1%	-3.7%	11.1%	478	430	11.0%	450	-60	-11.8%	398
MEG - Ethylene	73	318/-20	-7.1%	-23.6%	639.8%	-43.2%	-77.6%	82	41	99.9%	62	-170	-73.5%	217
PTA - PX	118	155/53	14.6%	2.9%	5.1%	26.1%	-7.6%	94	100	-5.9%	99	-13	-11.3%	103
PET spread	131	253/130	-1.5%	-7.0%	-30.4%	-26.5%	-4.5%	141	170	-17.1%	177	-17	-8.9%	n.a.
Integrated PET/PTA spread	250	352/190	5.5%	-2.5%	-17.1%	-8.4%	-6.0%	234	269	-13.0%	276	-30	-9.8%	n.a.
ABS spread	1,140	1,272/1,070	1.9%	3.4%	3.0%	5.8%	-9.9%	1,117	1,103	1.3%	1,099	-51	-4.5%	n.a.
PS spread	277	553/214	5.3%	13.4%	-15.5%	-14.8%	-51.0%	259	291	-10.9%	302	-103	-25.4%	n.a.
PVC - ethylene	328	380/258	0.0%	0.4%	14.9%	0.8%	-16.3%	329	311	5.7%	318	-36	-10.3%	350

Source: Datastream, SCBS Investment Research

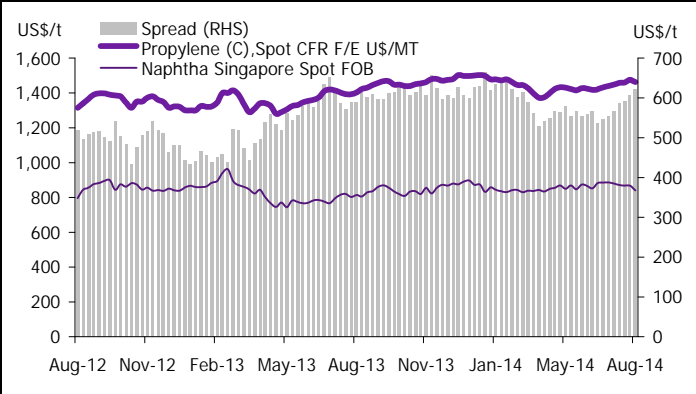
Note: Impact to related stocks is based on WoW performance

Figure 2: Ethylene vs. Naphtha



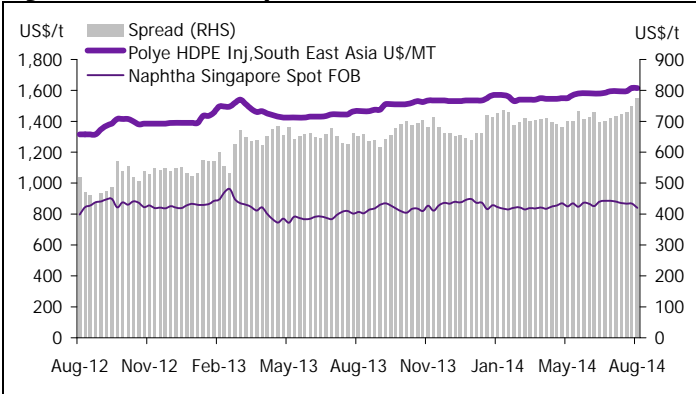
Source: Datastream, SCBS Investment Research

Figure 3: Propylene vs. Naphtha



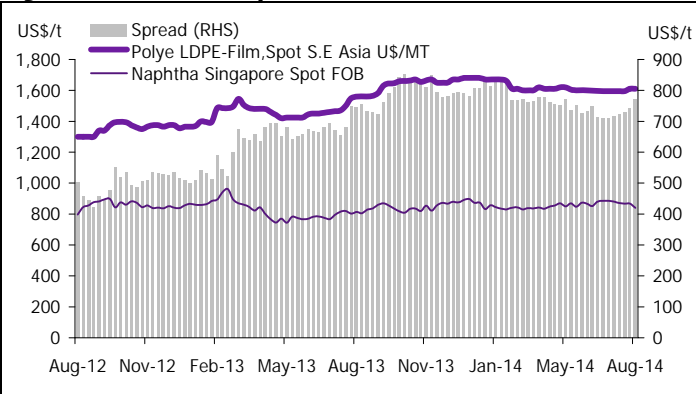
Source: Datastream, SCBS Investment Research

Figure 4: HDPE vs. Naphtha



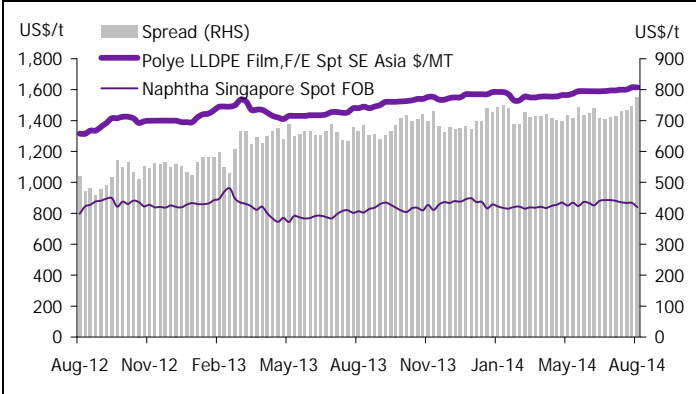
Source: Datastream, SCBS Investment Research

Figure 5: LDPE vs. Naphtha



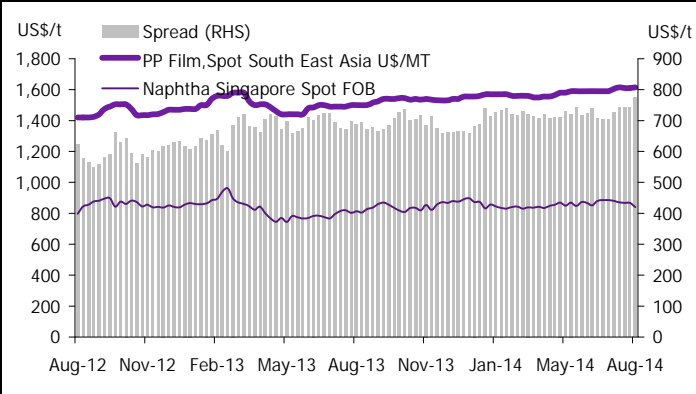
Source: Datastream, SCBS Investment Research

Figure 6: LLDPE vs. Naphtha



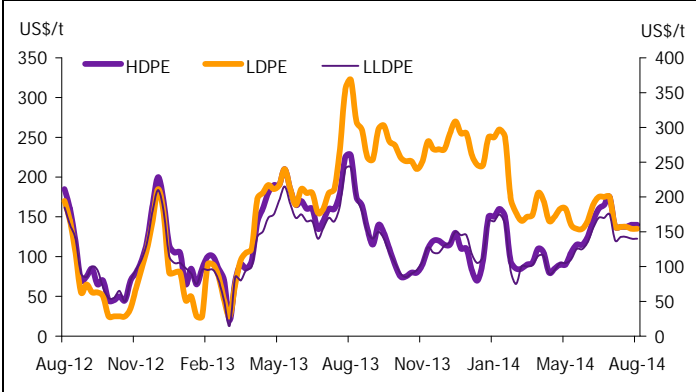
Source: Datastream, SCBS Investment Research

Figure 7: PP vs. Naphtha



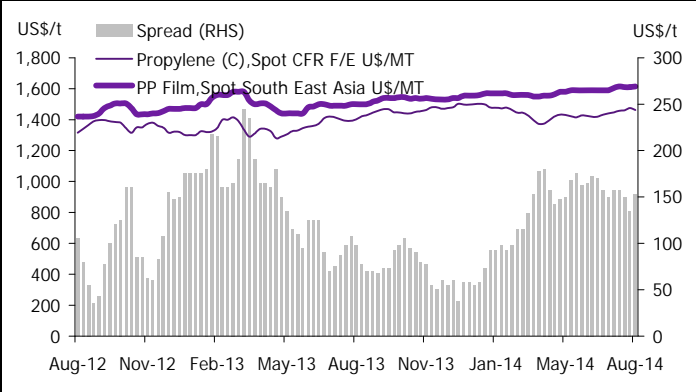
Source: Datastream, SCBS Investment Research

Figure 8: Polyethylene spread over ethylene

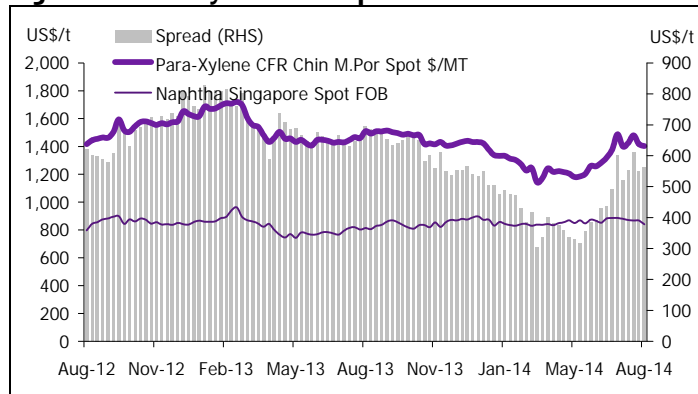


Source: Datastream, SCBS Investment Research

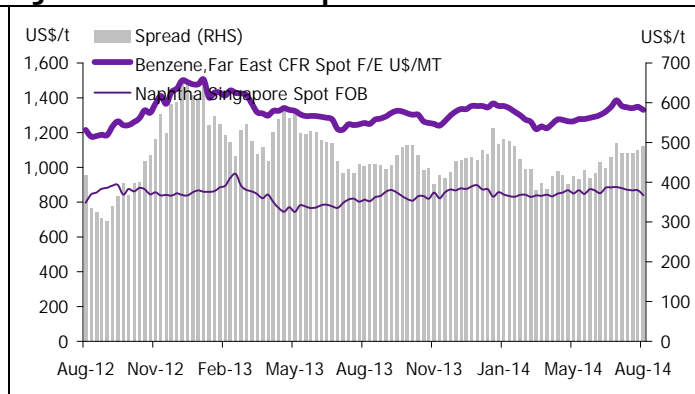
Figure 9: Polypropylene vs. propylene



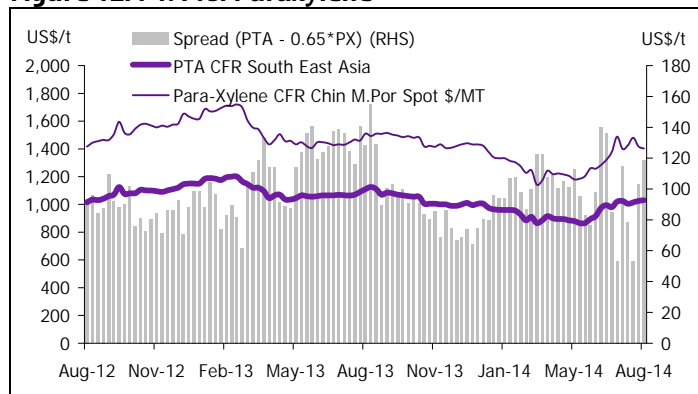
Source: Datastream, SCBS Investment Research

Figure 10: Paraxylene vs. Naphtha

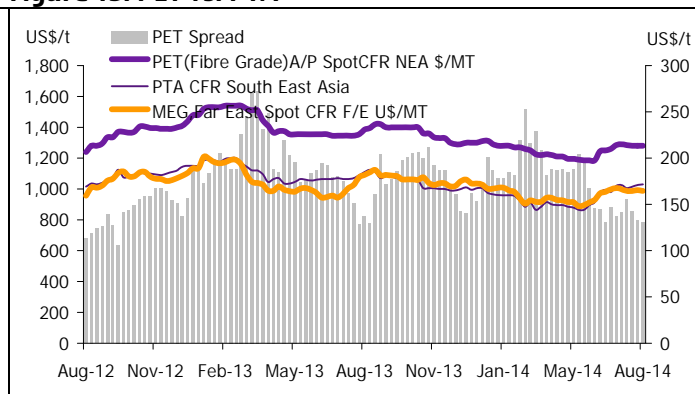
Source: Datastream, SCBS Investment Research

Figure 11: Benzene vs. Naphtha

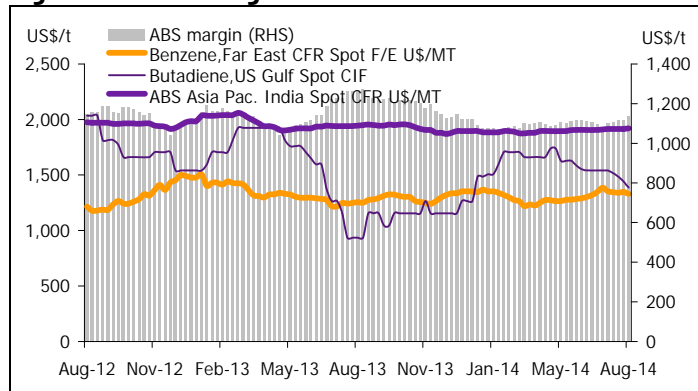
Source: Datastream, SCBS Investment Research

Figure 12: PTA vs. Paraxylene

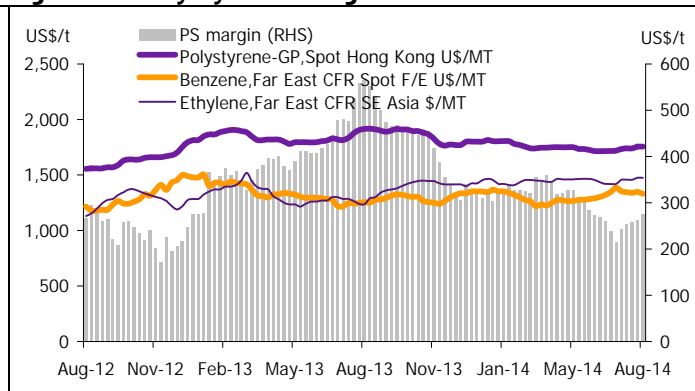
Source: Datastream, SCBS Investment Research

Figure 13: PET vs. PTA

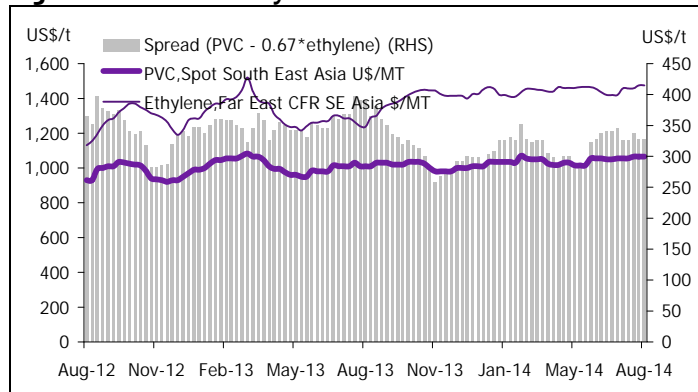
Source: Datastream, SCBS Investment Research

Figure 14: ABS margin

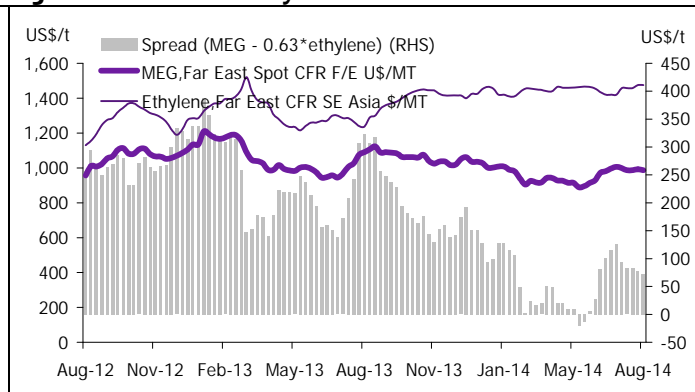
Source: Datastream, SCBS Investment Research

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	1,465	1,448	1%	1,447	1,429	1,440	↗
			Propylene (C), Spot CFR F/E US/MT	1,461	1,420	3%	1,442	1,451	1,430	↗
	HDPE	19%	Polye HDPE Inj, South East Asia US/MT	1,603	1,568	2%	1,565	1,545	1,570	↗
	LLDPE	7%	Polye LLDPE Film, F/E Spt SE Asia \$/MT	1,605	1,577	2%	1,575	1,557	1,580	↗
	LDPE	4%	Polye LDPE-Film, Spot S.E Asia US/MT	1,601	1,605	0%	1,620	1,629	1,640	→
	MEG	6%	MEG, Far East Spot CFR F/E US/MT	990	939	5%	959	1,000	1,110	→
	PX	28%	PX - naphtha	560	400	40%	443	510	348	↗
IRPC	BZ	15%	BZ - naphtha	478	430	11%	450	449	398	↗
	Ethylene/Propylene	15%	Ethylene - naphtha	599	586	2%	592	576	598	↗
			Propylene - naphtha	595	557	7%	587	598	588	↗
	HDPE	12%	HDPE - naphtha	738	705	5%	710	692	728	↗
	PP	28%	PP - naphtha	746	718	4%	722	707	728	↗
	ABS	7%	ABS spread	1,117	1,103	1%	1,099	1,136	n.a.	↗
	BTX	23%	BZ - naphtha	478	430	11%	450	449	398	↗
SCC	PS	12%	PS spread	259	291	-11%	302	350	n.a.	→
	HDPE	40%	HDPE - naphtha	738	705	5%	710	692	728	↗
	LDPE	3%	LDPE - naphtha	736	742	-1%	764	776	798	↗
	LLDPE	3%	LLDPE - naphtha	740	714	4%	720	704	738	↗
	PP	25%	PP - naphtha	746	718	4%	722	707	728	↗
	PVC	28%	PVC - Ethylene/EDC	442	405	9%	417	418	n.a.	↗
	TPIPL	60%	LDPE - Ethylene	137	156	-13%	172	200	200	↘
TOP	PX	60%	PX - naphtha	560	400	40%	443	510	348	↗
	BZ	21%	BZ - naphtha	478	430	11%	450	449	398	↗
IVL	PTA	25%	PTA - PX	94	100	-6%	99	95	103	↗
	PET/Polyester	67%	PET spread	141	170	-17%	177	178	n.a.	↘
	MEG	8%								
VNT	PVC	63%	PVC - ethylene	329	311	6%	318	315	350	↗
TPC	PVC	100%	PVC - Ethylene/EDC	442	405	9%	417	418	n.a.	↗

Source: Datastream, SCBS Investment Research

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