

## Petrochemical price monitor

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- **Wider PE spread on cheaper naphtha.** Ethylene and PE prices were steady WoW with weak buying interest and poor downstream demand. Propylene price dropped 1.4% WoW - 2.8% QTD - on concerns of more supply from propane dehydrogenation (PDH) units in China that is lifting supply concurrent with poor buying sentiment in downstream PP markets. Naphtha-based producers continue to benefit from wider PP/PE-naphtha spread, +3.7% WoW, from lower naphtha price (-3.5% WoW). Product spread for non-integrated producers was stable WoW.
- **PX fell to 9-week low.** Abundant supply in the market continued to depress PX price, falling 3.9% WoW and 7.9% QTD to 9-week low of US\$1,370/t. We believe this was due to more supply returning to the market after maintenance shutdowns but demand is low as buyers are reluctant to restock in hopes of a further price decline consistent with weaker PTA price and oil price. This was partially offset by higher BZ spread (+6.8% WoW): BZ price as PX production cut limited BZ supply.
- **PET/PTA spread lifted by better price for bottle-grade PET.** Integrated PET/PTA spread improved 11.3% WoW and 39% QTD to US\$264/t. Integrated producers are more comfortable, with PET (bottle grade) price rising 1.5% WoW due to limited availability. Lower PX cost also helped improve spread. At the same time, average spread QTD is discouraging, down 11.3% QoQ on weak PET spread.

**Investment view:** The petrochemical sector index edged up 0.5% WoW, underperforming the market (+1.5% WoW). This was led by PTTGC (+1.9% WoW) while IVL fell 2.8% WoW after the Aug 13 XW for free warrants, which we believe was behind the share price rise recently. More acquisitions could be a near term catalyst but this is likely to be offset by the weak product spread in 3Q14. We continue to prefer PTTGC, with a more attractive valuation and improving earnings in 2H14.

Figure 1: Petrochemical price update

	Current 15-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	796	897/796	-3.5%	-8.2%	-6.0%	-4.1%	-3.9%	850	863	-1.5%	853	31	3.8%	842
Ethylene, Far East CFR SE Asia \$/MT	1,480	1,480/1,340	0.0%	1.5%	1.0%	5.0%	13.8%	1,469	1,448	1.4%	1,449	132	10.0%	1,440
Propylene (C), Spot CFR F/E US/MT	1,400	1,503/1,373	-1.4%	-4.1%	-1.1%	-5.2%	-2.1%	1,446	1,420	1.8%	1,440	83	6.1%	1,430
Polye HDPE Inj, South East Asia US/MT	1,615	1,615/1,475	0.0%	1.3%	2.2%	3.5%	10.2%	1,606	1,568	2.4%	1,568	114	7.9%	1,570
Polye LDPE-Film, Spot S.E Asia US/MT	1,610	1,680/1,565	0.0%	0.9%	0.6%	-3.0%	3.2%	1,604	1,605	-0.1%	1,619	151	10.3%	1,640
Polye LLDPE Film, F/E Spot SE Asia \$/MT	1,615	1,615/1,490	0.0%	0.9%	1.6%	2.9%	9.1%	1,608	1,577	1.9%	1,578	119	8.2%	1,580
PP Film, Spot South East Asia US/MT	1,625	1,625/1,515	0.0%	0.9%	2.2%	3.5%	8.3%	1,615	1,581	2.1%	1,581	80	5.3%	1,570
Related stocks														
			PTTGC (Neutral)   IRPC (+)   SCC (+)   TPIPL (Neutral)											
Para-Xylene CFR Chin M. Por Spot \$/MT	1,370	1,515/1,143	-3.9%	-7.4%	13.9%	5.1%	-9.2%	1,417	1,263	12.2%	1,305	-219	-14.4%	1,190
Benzene, Far East CFR Spot F/E US/MT	1,330	1,385/1,220	0.4%	-0.7%	4.1%	0.8%	4.3%	1,339	1,293	3.5%	1,307	-21	-1.6%	1,240
Related stocks														
			PTTGC (-)   TOP (-)   ESSO (-)											
MEG, Far East Spot CFR F/E US/MT	1,006	1,091/889	2.0%	1.9%	12.3%	2.5%	-10.5%	992	939	5.6%	961	-93	-8.8%	1,110
PTA CFR South East Asia	1,030	1,085/865	-1.0%	1.5%	19.1%	7.9%	-7.2%	1,024	920	11.3%	948	-155	-14.0%	900
PET (Fibre Grade)A/P Spot CFR NEA \$/MT	1,280	1,420/1,185	0.0%	0.0%	8.0%	0.8%	-9.9%	1,282	1,217	5.4%	1,250	-171	-12.0%	n.a.
Related stocks														
			PTTGC (+)   IVL (+)											
ABS Asia Pac. India Spot CFR US/MT	1,950	1,955/1,870	0.8%	1.8%	2.4%	2.9%	-0.3%	1,924	1,901	1.2%	1,900	-67	-3.4%	n.a.
Polystyrene-GP, Spot Hong Kong US/MT	1,730	1,915/1,715	-0.6%	-0.6%	-0.3%	-2.8%	-9.7%	1,742	1,733	0.5%	1,752	-92	-5.0%	n.a.
Related stocks														
			IRPC (+)											
PVC, Spot South East Asia US/MT	1,065	1,070/980	0.0%	0.0%	4.9%	3.4%	3.4%	1,062	1,035	2.6%	1,043	29	2.8%	1,070
Related stocks														
			VNT (Neutral)   TPC (Neutral)											
Product spread														
Ethylene - naphtha	684	684/500	4.5%	15.9%	10.6%	17.9%	45.1%	619	586	5.7%	596	100	20.2%	598
Propylene - naphtha	604	665/530	1.5%	1.9%	6.3%	-6.8%	0.4%	596	557	7.1%	588	51	9.5%	588
HDPE - naphtha	819	819/615	3.7%	12.5%	11.7%	12.2%	28.7%	757	705	7.3%	716	83	13.1%	728
LDPE - naphtha	814	851/709	3.7%	11.9%	8.1%	-2.0%	11.3%	754	742	1.6%	766	120	18.6%	798
LDPE - Ethylene	130	270/130	0.0%	-5.5%	-3.7%	-48.0%	-50.0%	135	156	-13.8%	170	20	13.2%	200
LLDPE - naphtha	819	819/640	3.7%	11.8%	10.2%	10.6%	25.7%	758	714	6.1%	725	88	13.8%	738
PP - naphtha	829	829/657	3.7%	11.6%	11.5%	12.0%	23.4%	765	718	6.5%	728	48	7.1%	728
PX - naphtha	574	673/304	-4.3%	-6.3%	61.2%	21.2%	-15.7%	567	400	41.9%	452	-250	-35.6%	348
BZ - naphtha	534	535/381	6.8%	13.0%	24.0%	8.9%	19.6%	489	430	13.6%	454	-52	-10.3%	398
MEG - Ethylene	88	257/-20	28.3%	5.4%	-790.6%	-17.2%	-72.2%	81	41	97.3%	63	-174	-73.6%	217
PTA - PX	140	140/53	22.6%	163.2%	68.0%	29.5%	8.3%	103	100	3.5%	100	-13	-11.3%	103
PET spread	125	253/124	0.8%	-12.7%	-36.8%	-31.5%	-22.6%	136	170	-20.0%	174	-18	-9.2%	n.a.
Integrated PET/PTA spread	264	352/190	11.3%	34.9%	-5.7%	-8.8%	-8.8%	239	269	-11.3%	275	-30	-10.0%	n.a.
ABS spread	1,175	1,229/1,070	1.5%	5.3%	5.7%	9.7%	-4.7%	1,131	1,103	2.6%	1,103	-53	-4.6%	n.a.
PS spread	250	500/214	-5.3%	-3.3%	-16.9%	-23.8%	-52.9%	259	291	-11.1%	300	-114	-27.6%	n.a.
PVC - ethylene	325	360/258	0.0%	-3.3%	15.0%	0.0%	-14.5%	328	311	5.3%	318	-37	-10.4%	350

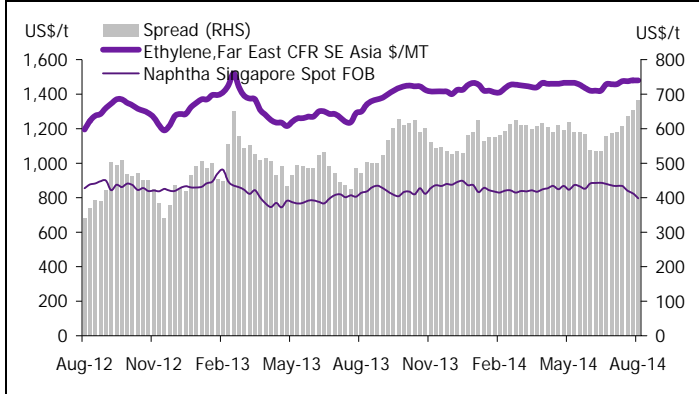
Source: Datastream, SCBS Investment Research

Note: Impact to related stocks is based on WoW performance

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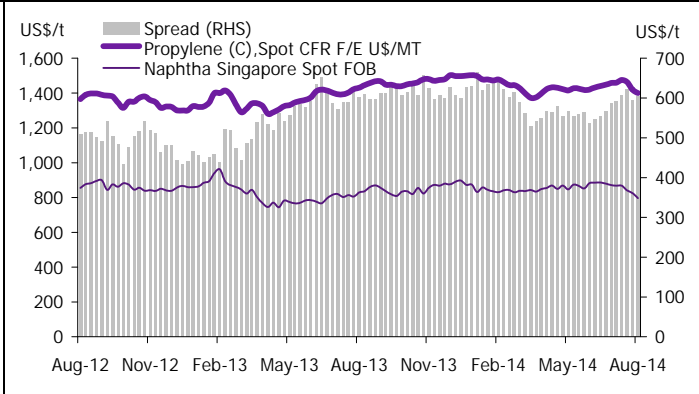
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Figure 2: Ethylene vs. Naphtha



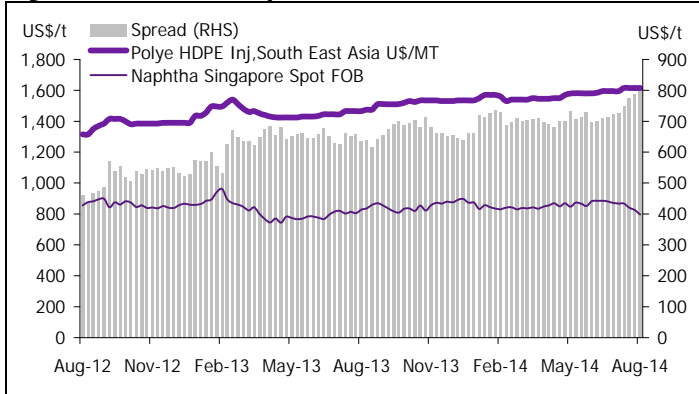
Source: Datastream, SCBS Investment Research

Figure 3: Propylene vs. Naphtha



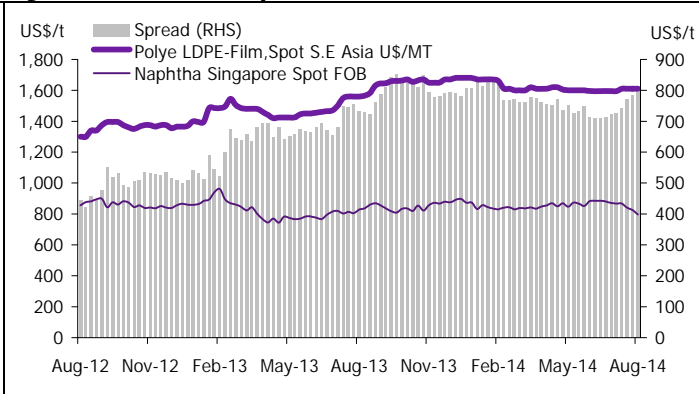
Source: Datastream, SCBS Investment Research

Figure 4: HDPE vs. Naphtha



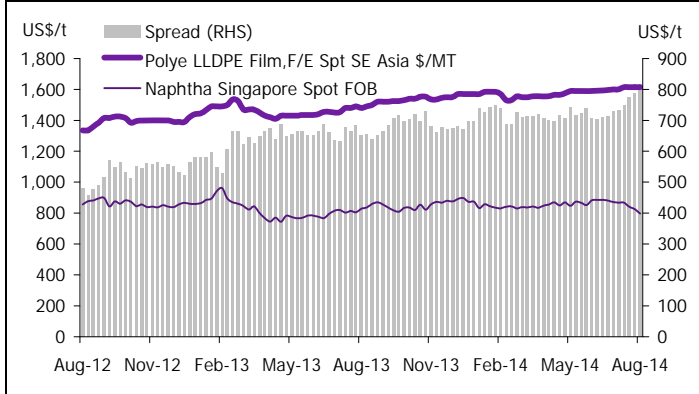
Source: Datastream, SCBS Investment Research

Figure 5: LDPE vs. Naphtha



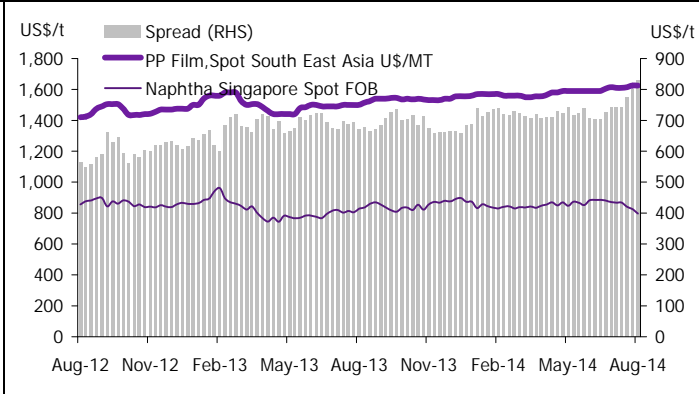
Source: Datastream, SCBS Investment Research

Figure 6: LLDPE vs. Naphtha



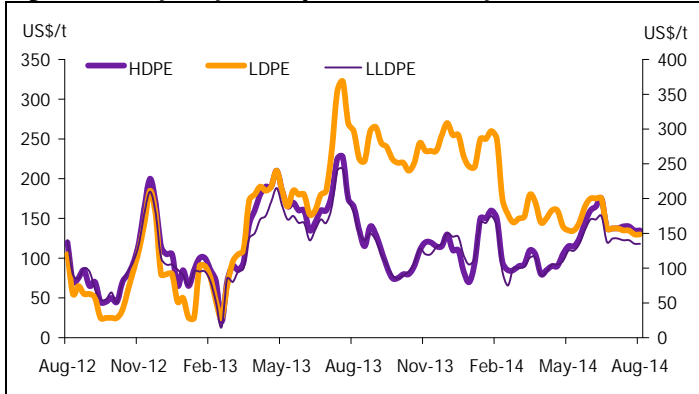
Source: Datastream, SCBS Investment Research

Figure 7: PP vs. Naphtha



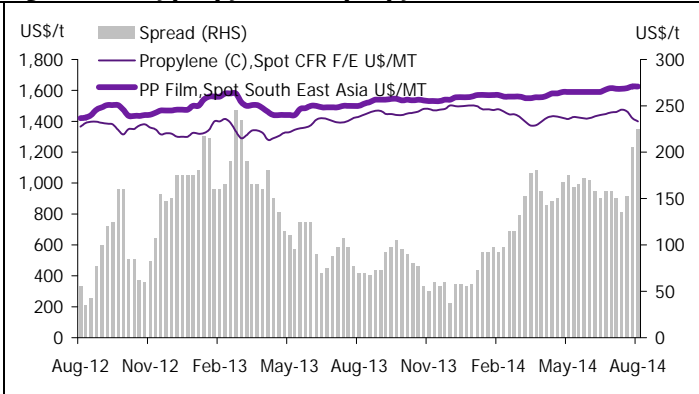
Source: Datastream, SCBS Investment Research

Figure 8: Polyethylene spread over ethylene

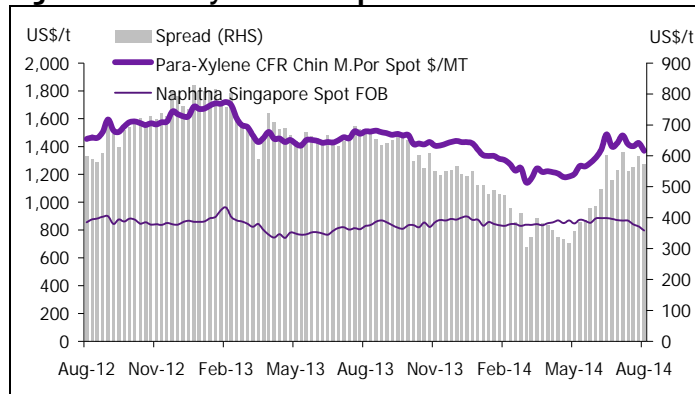


Source: Datastream, SCBS Investment Research

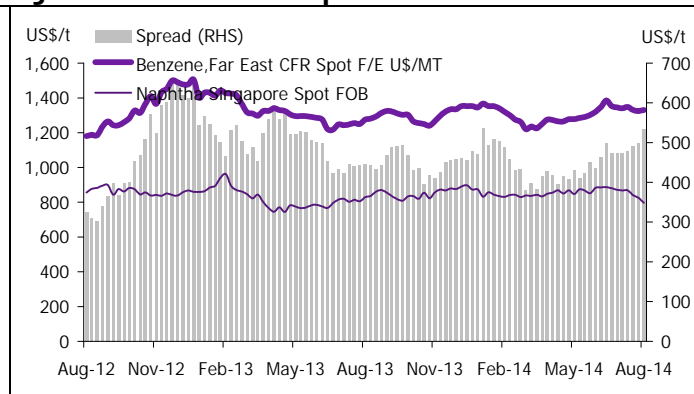
Figure 9: Polypropylene vs. propylene



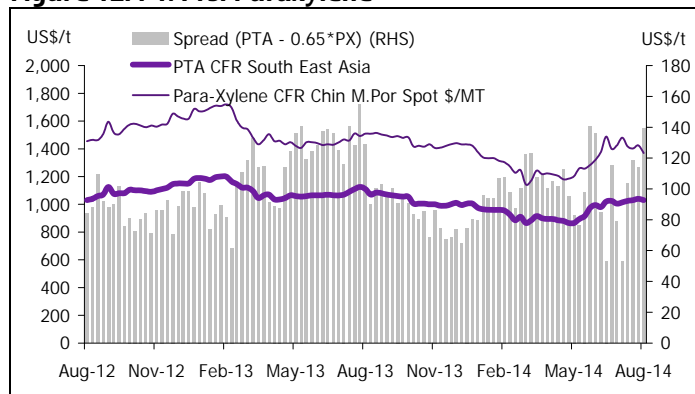
Source: Datastream, SCBS Investment Research

**Figure 10: Paraxylene vs. Naphtha**

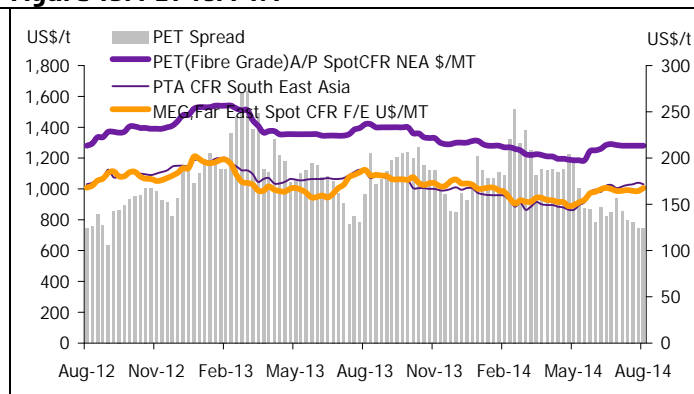
Source: Datastream, SCBS Investment Research

**Figure 11: Benzene vs. Naphtha**

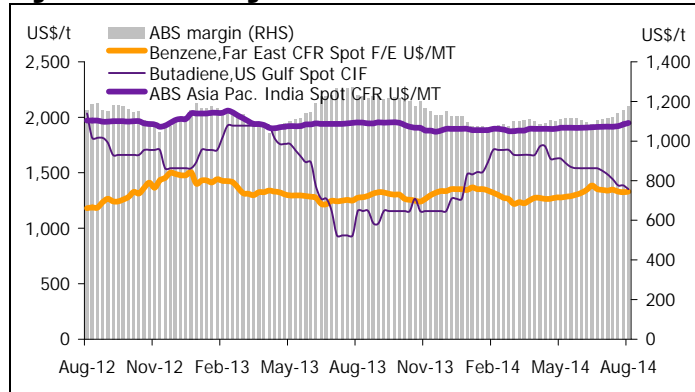
Source: Datastream, SCBS Investment Research

**Figure 12: PTA vs. Paraxylene**

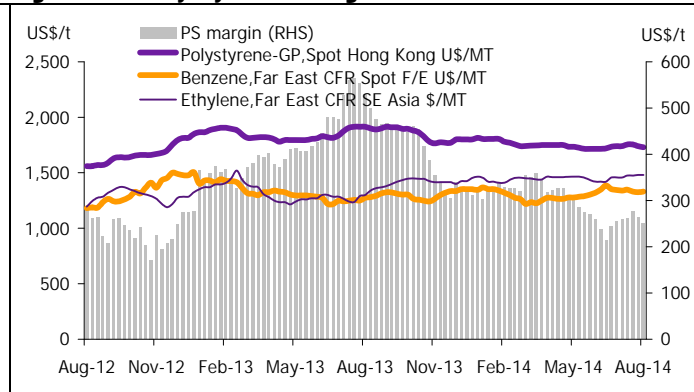
Source: Datastream, SCBS Investment Research

**Figure 13: PET vs. PTA**

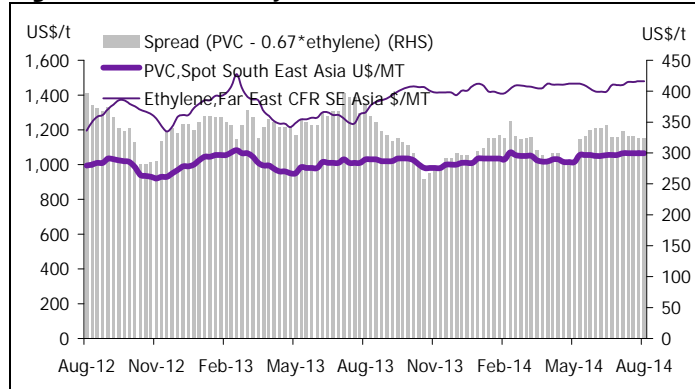
Source: Datastream, SCBS Investment Research

**Figure 14: ABS margin**

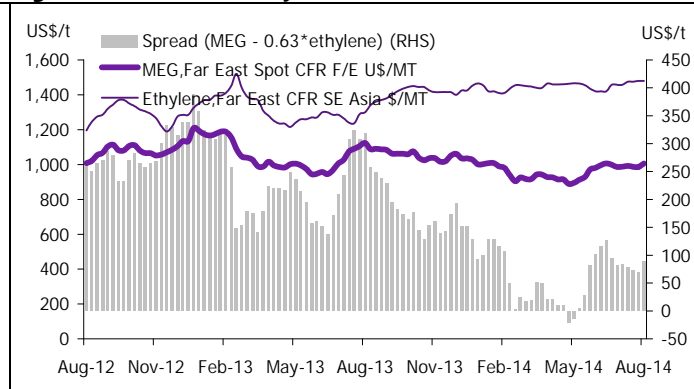
Source: Datastream, SCBS Investment Research

**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	1,469	1,448	1%	1,449	1,436	1,440	↗
			Propylene (C), Spot CFR F/E US/MT	1,446	1,420	2%	1,440	1,450	1,430	↘
	HDPE	19%	Polye HDPE Inj, South East Asia US/MT	1,606	1,568	2%	1,568	1,551	1,570	↗
	LLDPE	7%	Polye LLDPE Film, F/E Spt SE Asia \$/MT	1,608	1,577	2%	1,578	1,562	1,580	↗
	LDPE	4%	Polye LDPE-Film, Spot S.E Asia US/MT	1,604	1,605	0%	1,619	1,631	1,640	↗
	MEG	6%	MEG, Far East Spot CFR F/E US/MT	992	939	6%	961	995	1,110	↗
	PX	28%	PX - naphtha	567	400	42%	452	507	348	→
IRPC	BZ	15%	BZ - naphtha	489	430	14%	454	452	398	↗
	Ethylene/Propylene	15%	Ethylene - naphtha	619	586	6%	596	583	598	↗
			Propylene - naphtha	596	557	7%	588	597	588	↗
	HDPE	12%	HDPE - naphtha	757	705	7%	716	698	728	↗
	PP	28%	PP - naphtha	765	718	7%	728	712	728	↗
	ABS	7%	ABS spread	1,131	1,103	3%	1,103	1,133	n.a.	↗
	BTX	23%	BZ - naphtha	489	430	14%	454	452	398	↗
SCC	PS	12%	PS spread	259	291	-11%	300	339	n.a.	↘
	HDPE	40%	HDPE - naphtha	757	705	7%	716	698	728	↗
	LDPE	3%	LDPE - naphtha	754	742	2%	766	778	798	↗
	LLDPE	3%	LLDPE - naphtha	758	714	6%	725	710	738	↗
	PP	25%	PP - naphtha	765	718	7%	728	712	728	↗
	PVC	28%	PVC - Ethylene/EDC	442	405	9%	419	414	n.a.	→
	TPIPL	60%	LDPE - Ethylene	135	156	-14%	170	195	200	↘
TOP	PX	60%	PX - naphtha	567	400	42%	452	507	348	→
	BZ	21%	BZ - naphtha	489	430	14%	454	452	398	↗
IVL	PTA	25%	PTA - PX	103	100	4%	100	94	103	↗
	PET/Polyester	67%	PET spread	136	170	-20%	174	177	n.a.	↘
	MEG	8%								
VNT	PVC	63%	PVC - ethylene	328	311	5%	318	313	350	→
TPC	PVC	100%	PVC - Ethylene/EDC	442	405	9%	419	414	n.a.	→

Source: Datastream, SCBS Investment Research

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