

## Petrochemical price monitor

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- **Propylene price still pressured.** Propylene was again the underperformer in the olefins chain, falling 0.9% WoW to a 20-week low of US\$1,388/t, pulled down by concerns of more supply from propane dehydrogenation (PDH) units in China. These are raising supply at the same time as buying sentiment for downstream PP markets is poor. This is bad news for naphtha-based producers like SCC and IRPC as they use a higher portion of propylene than gas-based rivals. Ethylene and PE prices were stagnant WoW, with weak buying interest and poor downstream demand. Product spread for non-integrated producers was stable WoW.
- **PX-ULG95 up, positive for integrated players.** Aromatics producers were hurt by lower PX price, which slid 3.8% WoW to an 11-week low of US\$1,318/t; spread over naphtha fell to US\$511/t. For integrated refineries, PX-ULG 95 spread fell 18% WoW to US\$364/t but the QTD average of US\$406/t is still way above the US\$216/t in 2Q14. We believe this will encourage integrated refiners to increase aromatics plant utilization to add more value to lower ULG95 price.
- **Integrated PET/PTA spread up on lower PX price.** Integrated PET/PTA spread rose 15.5% WoW to US\$305/t but the average spread QTD is US\$247/t, down 8% QoQ. Spread improved to above US\$300/t for the first time in the past four months. If this continues, it would be a good sign for 2H14 performances. PET bottle grade weakened 1% WoW on lower regional demand. This could stall PET/PTA spread in the near term.

**Investment view:** The petrochemical sector index (+1.5% WoW) outperformed the market slightly (+1.3% WoW), thanks to both PTTGC (+1.5%) and IVL (+1.9%). Although the latest product spread points to better profitability for IVL, we see its valuation as stretched. We see higher upside for PTTGC, which is our top pick for the sector, with an attractive valuation and improving earnings in 2H14.

Figure 1: Petrochemical price update

	Current 22-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	807	897/796	1.3%	-7.0%	-7.7%	-4.2%	-3.5%	844	863	-2.1%	852	30	3.6%	842
Ethylene, Far East CFR SE Asia \$/MT	1,480	1,480/1,360	0.0%	0.3%	1.0%	3.1%	10.4%	1,470	1,448	1.5%	1,450	132	10.0%	1,440
Propylene (C), Spot CFR F/E US/MT	1,388	1,503/1,373	-0.9%	-5.9%	-2.8%	-5.1%	-4.0%	1,439	1,420	1.3%	1,439	78	5.8%	1,430
Polye HDPE Inj, South East Asia US/MT	1,620	1,620/1,475	0.3%	0.3%	2.5%	5.9%	9.8%	1,608	1,568	2.6%	1,570	115	7.9%	1,570
Polye LDPE-Film, Spot S.E Asia US/MT	1,610	1,680/1,583	0.0%	0.0%	0.6%	0.0%	2.9%	1,604	1,605	0.0%	1,619	148	10.1%	1,640
Polye LLDPE Film, F/E Spot SE Asia \$/MT	1,615	1,615/1,500	0.0%	0.0%	1.6%	5.6%	8.4%	1,609	1,577	2.0%	1,579	119	8.2%	1,580
PP Film, Spot South East Asia US/MT	1,625	1,625/1,525	0.0%	0.9%	2.2%	4.2%	7.3%	1,616	1,581	2.2%	1,582	80	5.4%	1,570
Related stocks			PTTGC (+)   IRPC (-)   SCC (-)   TPIPL (Neutral)											
Para-Xylene CFR Chin M. Por Spot \$/MT	1,318	1,515/1,143	-3.8%	-7.1%	4.6%	3.5%	-12.6%	1,405	1,263	11.2%	1,305	-218	-14.3%	1,190
Benzene, Far East CFR Spot F/E US/MT	1,308	1,385/1,220	-1.7%	-3.0%	1.8%	0.6%	2.1%	1,335	1,293	3.2%	1,307	-19	-1.5%	1,240
Related stocks			PTTGC (-)   TOP (-)   ESSO (-)											
MEG, Far East Spot CFR F/E US/MT	993	1,091/889	-1.3%	0.1%	8.7%	5.7%	-8.7%	992	939	5.6%	962	-93	-8.8%	1,110
PTA CFR South East Asia	1,040	1,085/865	1.0%	1.5%	16.2%	12.4%	-2.8%	1,026	920	11.5%	951	-151	-13.7%	900
PET (Fibre Grade)A/P Spot CFR NEA \$/MT	1,280	1,400/1,185	0.0%	0.0%	8.0%	0.8%	-9.9%	1,282	1,217	5.4%	1,251	-170	-12.0%	n.a.
Related stocks			PTTGC (-)   IVL (+)											
ABS Asia Pac. India Spot CFR US/MT	1,945	1,955/1,870	-0.3%	1.6%	2.1%	2.6%	-0.3%	1,926	1,901	1.3%	1,901	-65	-3.3%	n.a.
Polystyrene-GP, Spot Hong Kong US/MT	1,715	1,915/1,715	-0.9%	-2.3%	-0.6%	-3.1%	-9.7%	1,739	1,733	0.3%	1,751	-95	-5.2%	n.a.
Related stocks			IRPC (+)											
PVC, Spot South East Asia US/MT	1,050	1,070/980	-1.4%	-1.4%	-0.5%	-1.9%	1.9%	1,061	1,035	2.4%	1,043	28	2.8%	1,070
Related stocks			VNT (-)   TPC (-)											
Product spread														
Ethylene - naphtha	673	684/500	-1.5%	10.9%	13.9%	13.5%	33.6%	626	586	6.9%	599	102	20.6%	598
Propylene - naphtha	581	665/530	-3.8%	-4.4%	4.9%	-6.5%	-4.6%	594	557	6.7%	587	49	9.1%	588
HDPE - naphtha	813	819/615	-0.6%	8.8%	15.1%	18.1%	27.3%	764	705	8.3%	718	86	13.5%	728
LDPE - naphtha	803	851/709	-1.3%	8.2%	10.6%	4.5%	10.2%	760	742	2.5%	767	119	18.3%	798
LDPE - Ethylene	130	270/130	0.0%	-3.7%	-3.7%	-25.7%	-42.2%	134	156	-14.1%	168	16	10.8%	200
LLDPE - naphtha	808	819/640	-1.3%	8.2%	12.8%	17.4%	23.6%	764	714	7.0%	727	90	14.1%	738
PP - naphtha	818	829/657	-1.2%	10.2%	14.2%	13.9%	20.5%	772	718	7.5%	731	51	7.5%	728
PX - naphtha	511	673/304	-10.9%	-7.2%	32.4%	18.6%	-24.0%	560	400	40.1%	454	-247	-35.3%	348
BZ - naphtha	501	535/381	-6.1%	4.4%	21.7%	9.3%	12.8%	490	430	13.9%	455	-49	-9.7%	398
MEG - Ethylene	75	248/-20	-14.7%	-3.3%	1350.0%	51.4%	-70.7%	81	41	95.5%	63	-175	-73.5%	217
PTA - PX	184	184/53	31.6%	77.8%	140.6%	87.6%	104.5%	113	100	13.6%	103	-10	-8.5%	103
PET spread	121	253/121	-2.6%	-8.9%	-27.5%	-44.8%	-40.7%	134	170	-21.0%	173	-20	-10.2%	n.a.
Integrated PET/PTA spread	305	352/190	15.5%	29.0%	25.2%	-4.0%	3.6%	247	269	-8.2%	275	-29	-9.6%	n.a.
ABS spread	1,180	1,229/1,070	0.4%	5.4%	5.8%	9.2%	-3.8%	1,137	1,103	3.2%	1,105	-53	-4.6%	n.a.
PS spread	253	475/214	1.1%	-3.7%	-11.3%	-22.6%	-49.4%	258	291	-11.3%	298	-118	-28.4%	n.a.
PVC - ethylene	310	353/258	-4.6%	-5.3%	-3.9%	-12.1%	-13.9%	325	311	4.6%	318	-37	-10.5%	350

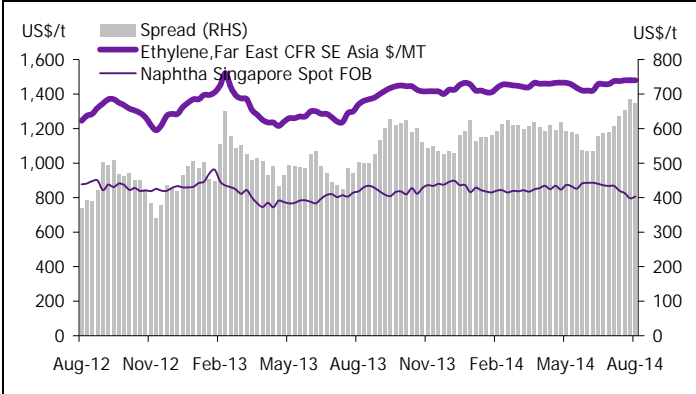
Source: Datastream, SCBS Investment Research

Note: Impact to related stocks is based on WoW performance

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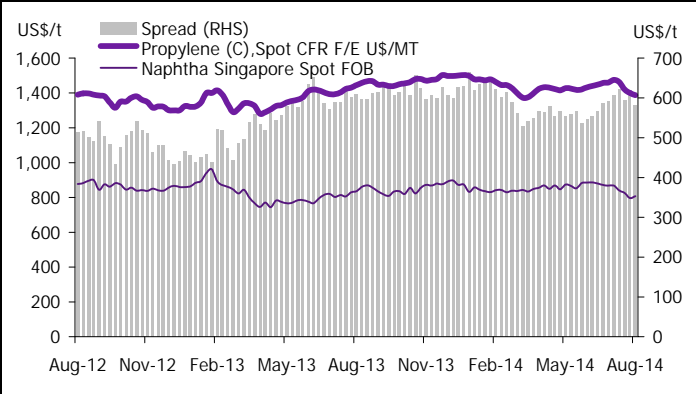
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Figure 2: Ethylene vs. Naphtha



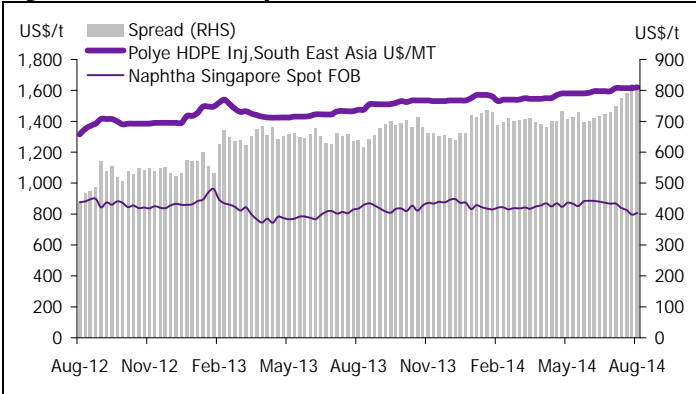
Source: Datastream, SCBS Investment Research

Figure 3: Propylene vs. Naphtha



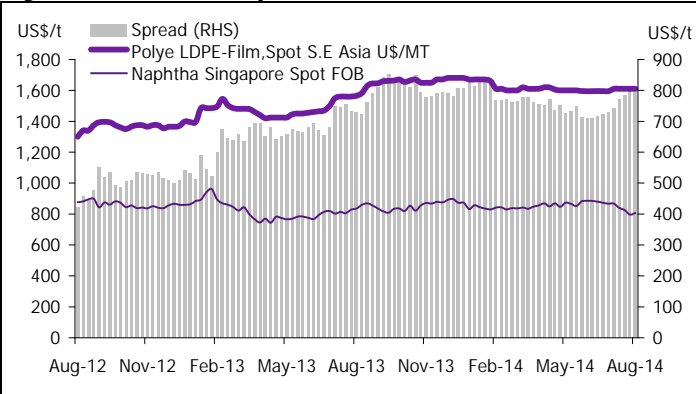
Source: Datastream, SCBS Investment Research

Figure 4: HDPE vs. Naphtha



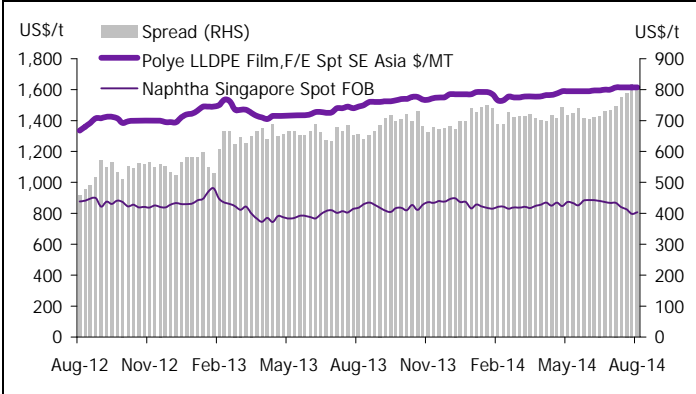
Source: Datastream, SCBS Investment Research

Figure 5: LDPE vs. Naphtha



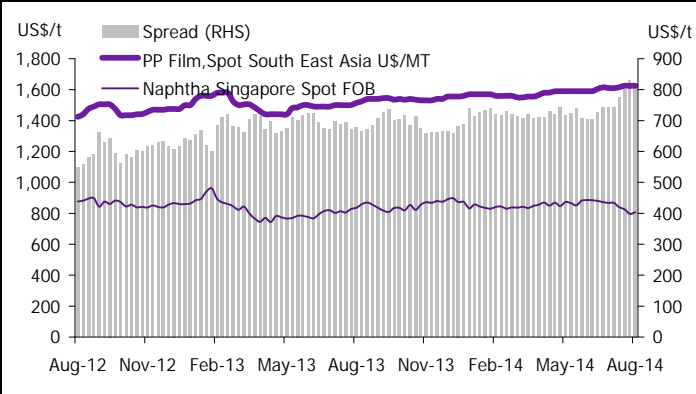
Source: Datastream, SCBS Investment Research

Figure 6: LLDPE vs. Naphtha



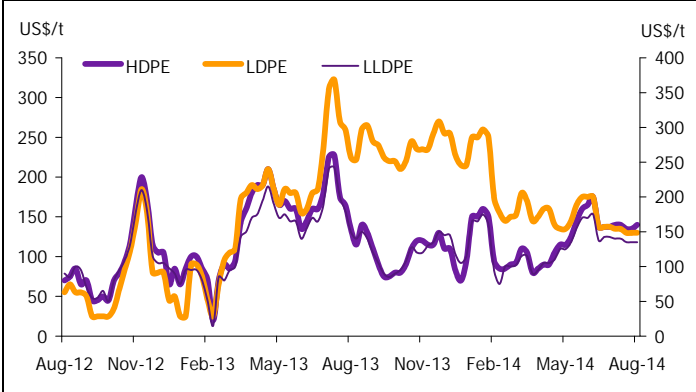
Source: Datastream, SCBS Investment Research

Figure 7: PP vs. Naphtha



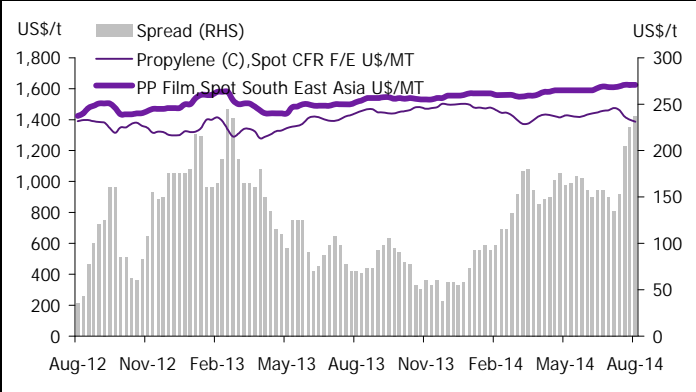
Source: Datastream, SCBS Investment Research

Figure 8: Polyethylene spread over ethylene

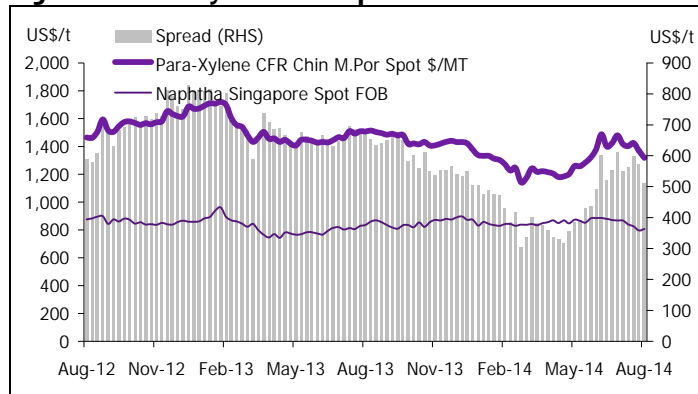


Source: Datastream, SCBS Investment Research

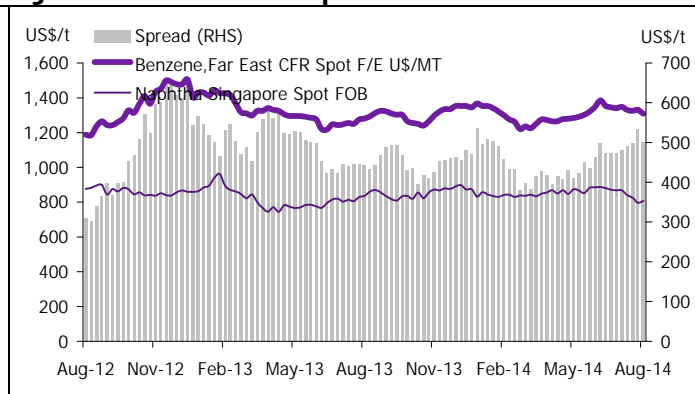
Figure 9: Polypropylene vs. propylene



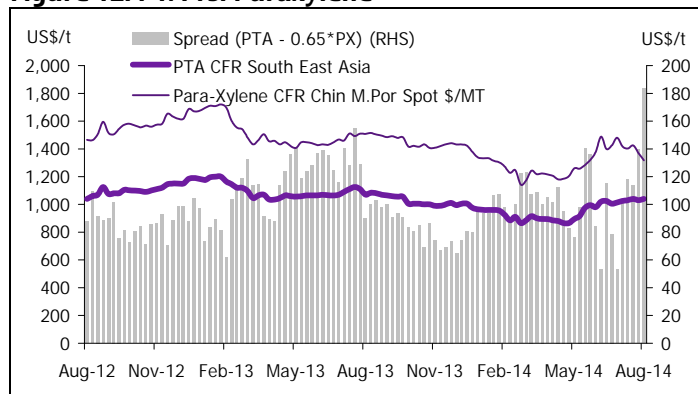
Source: Datastream, SCBS Investment Research

**Figure 10: Paraxylene vs. Naphtha**

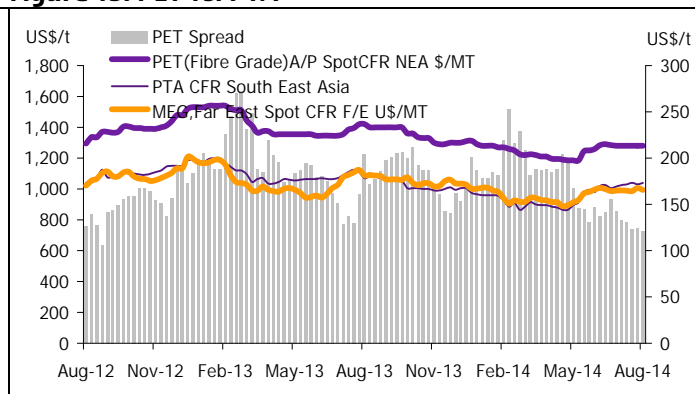
Source: Datastream, SCBS Investment Research

**Figure 11: Benzene vs. Naphtha**

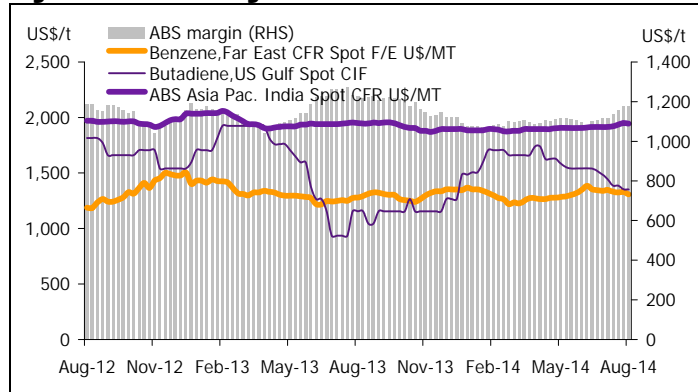
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**Figure 12: PTA vs. Paraxylene**

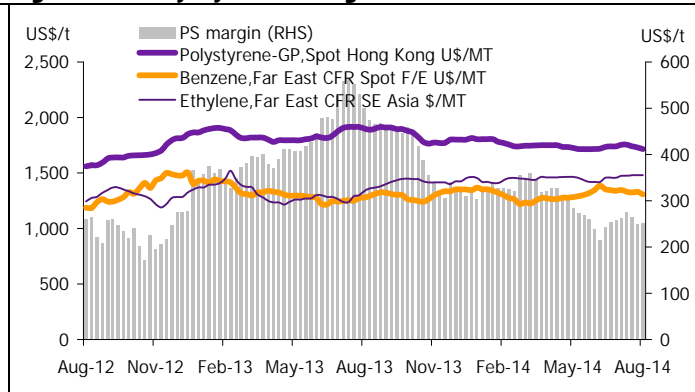
Source: Datastream, SCBS Investment Research

**Figure 13: PET vs. PTA**

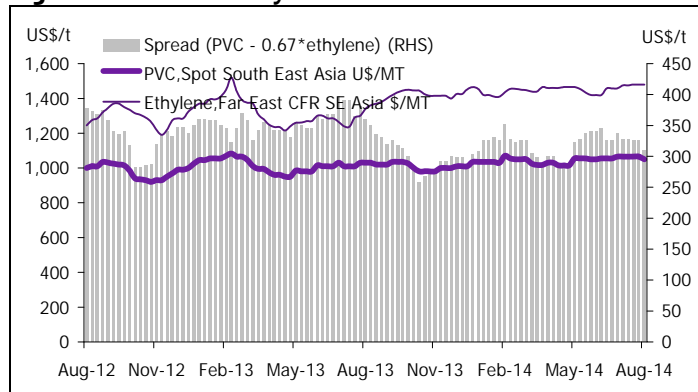
Source: Datastream, SCBS Investment Research

**Figure 14: ABS margin**

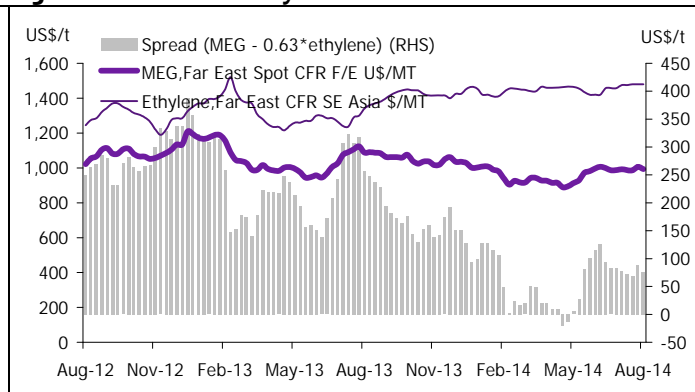
Source: Datastream, SCBS Investment Research

**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	1,470	1,448	2%	1,450	1,438	1,440	↗
			Propylene (C), Spot CFR F/E US/MT	1,439	1,420	1%	1,439	1,449	1,430	↘
	HDPE	19%	Polye HDPE Inj, South East Asia US/MT	1,608	1,568	3%	1,570	1,553	1,570	↗
	LLDPE	7%	Polye LLDPE Film, F/E Spt SE Asia \$/MT	1,609	1,577	2%	1,579	1,565	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%	962	993	1,110	↗
	PX	28%	PX - naphtha	560	400	40%	454	504	348	→
IRPC	BZ	15%	BZ - naphtha	490	430	14%	455	453	398	↗
	Ethylene/Propylene	15%	Ethylene - naphtha	626	586	7%	599	586	598	↗
			Propylene - naphtha	594	557	7%	587	597	588	→
	HDPE	12%	HDPE - naphtha	764	705	8%	718	701	728	↗
	PP	28%	PP - naphtha	772	718	7%	731	715	728	↗
	ABS	7%	ABS spread	1,137	1,103	3%	1,105	1,132	n.a.	↗
	BTX	23%	BZ - naphtha	490	430	14%	455	453	398	↗
SCC	PS	12%	PS spread	258	291	-11%	298	334	n.a.	↘
	HDPE	40%	HDPE - naphtha	764	705	8%	718	701	728	↗
	LDPE	3%	LDPE - naphtha	760	742	2%	767	779	798	↗
	LLDPE	3%	LLDPE - naphtha	764	714	7%	727	713	738	↗
	PP	25%	PP - naphtha	772	718	7%	731	715	728	↗
	PVC	28%	PVC - Ethylene/EDC	440	405	9%	419	412	n.a.	↘
	TPIPL	60%	LDPE - Ethylene	134	156	-14%	168	193	200	↘
TOP	PX	60%	PX - naphtha	560	400	40%	454	504	348	→
	BZ	21%	BZ - naphtha	490	430	14%	455	453	398	↗
IVL	PTA	25%	PTA - PX	113	100	14%	103	96	103	↗
	PET/Polyester	67%	PET spread	134	170	-21%	173	175	n.a.	↘
	MEG	8%								
VNT	PVC	63%	PVC - ethylene	325	311	5%	318	312	350	↘
TPC	PVC	100%	PVC - Ethylene/EDC	440	405	9%	419	412	n.a.	↘

Source: Datastream, SCBS Investment Research

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