



## Petrochemical price monitor

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- Olefins chain slipping with naphtha price.** Lower naphtha price began to hurt PE/PP prices, which fell 0.6-1.3% WoW on poor buying sentiment in China, cautious over inventory buildup ahead of holidays in early October. Prices were also affected by high regional availability in key markets like China. Only ethylene still showed a favorable price, mainly due to limited regional product availability and reports of regional short covering. Non-integrated producers saw spread come down again, this week 9.5-20% WoW, with LDPE-ethylene spread down to a 20-month low of US\$95/t (-9.5% WoW) from >US\$200/t in Jan'14.
- PX price still softening.** Despite regional production cuts, PX price continued to slip, down 1.9% WoW to an 18-week low of US\$1,238/t. This reflected poor sentiment for downstream products, mainly PET and polyester. We believe greater production discipline by PTA producers in China also curtailed PX demand. ICIS reports a sharp fall in utilization rate for Chinese PTA producers to below 60% from 80% early this year, as three players joined to limit PTA supply to support prices.
- Margin hit by weak demand for PET/polyester.** PET/PTA spread fell 2.8% WoW to US\$298/t as muted demand and bearish sentiment in upstream markets held down regional PET and polyester prices. This sidelined PET buyers as they put off purchases despite the price slide on expectations of continued downward pressure on PET price in the near term. We expect ample supply and weak demand in low season will continue to pressure PET/PTA spread in 4Q14.

**Investment view:** The Petrochemical sector, down 1.1% WoW, continued to underperform the market (+0.7% WoW) reflecting investor concern about the possibility profits will be hit by inventory loss in 3Q14. IVL weakened 1.9% WoW and PTTGC by 1.2% WoW. Downward pressure on share price will continue in the near term as product price and spread keeps narrowing due to lower oil price and low seasonal demand. Hence we recommend investors stay on the sidelines before reentering after 3Q14 results are released in mid-Nov.

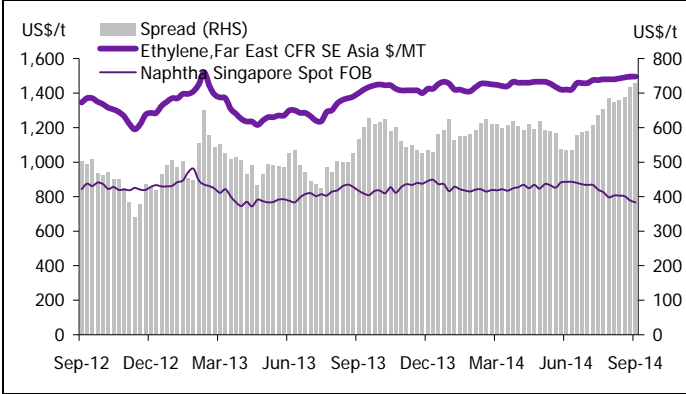
**Figure 1: Petrochemical price update**

	Current 19-Sep-14	52-week High/Low	-1W	-1M	-3M	-6M	-12M	3Q14 QTD	2Q14	QoQ%	YTD	Chg.	%YoY	2014F projection
Price														
Naphtha Singapore Spot FOB	767	897/767	-1.4%	-5.0%	-13.4%	-8.4%	-8.1%	826	863	-4.3%	845	19	2.4%	842
Ethylene, Far East CFR SE Asia \$/MT	1,495	1,495/1,400	0.0%	1.0%	5.3%	3.3%	6.8%	1,477	1,448	2.0%	1,455	130	9.8%	1,440
Propylene (C), Spot CFR F/E US/MT	1,360	1,503/1,360	-1.1%	-2.0%	-5.1%	-2.7%	-6.0%	1,418	1,420	-0.2%	1,432	61	4.5%	1,430
Polye HDPE Inj, South East Asia US/MT	1,585	1,620/1,510	-0.6%	-2.2%	0.0%	2.9%	5.0%	1,606	1,568	2.4%	1,573	114	7.8%	1,570
Polye LDPE-Film, Spot S.E Asia US/MT	1,590	1,680/1,590	-0.6%	-1.2%	-0.3%	-0.6%	-3.3%	1,603	1,605	-0.1%	1,617	130	8.7%	1,640
Polye LLDPE Film, F/E Spot SE Asia \$/MT	1,575	1,615/1,525	-1.3%	-2.5%	-0.9%	1.6%	3.6%	1,604	1,577	1.7%	1,581	115	7.9%	1,580
PP Film, Spot South East Asia US/MT	1,605	1,625/1,530	-0.6%	-1.2%	0.9%	3.5%	4.2%	1,615	1,581	2.1%	1,585	80	5.3%	1,570
Related stocks			PTTGC (-)   IRPC (Neutral)   SCC (-)   TPIPL (-)											
Para-Xylene CFR Chin M. Por Spot \$/MT	1,238	1,491/1,143	-1.9%	-6.0%	-10.1%	5.6%	-16.6%	1,360	1,263	7.7%	1,302	-219	-14.4%	1,190
Benzene, Far East CFR Spot F/E US/MT	1,220	1,385/1,220	0.0%	-6.7%	-9.5%	-1.2%	-7.8%	1,304	1,293	0.8%	1,300	-25	-1.9%	1,240
Related stocks			PTTGC (-)   TOP (-)   ESSO (-)											
MEG, Far East Spot CFR F/E US/MT	931	1,076/889	-1.2%	-6.2%	-6.6%	1.5%	-12.4%	980	939	4.3%	961	-96	-9.1%	1,110
PTA CFR South East Asia	925	1,060/865	-2.6%	-11.1%	-5.6%	4.5%	-13.1%	1,006	920	9.3%	953	-147	-13.4%	900
PET(Fibre Grade)A/P Spot CFR NEA \$/MT	1,225	1,400/1,185	-1.8%	-4.3%	-2.8%	0.4%	-12.5%	1,272	1,217	4.6%	1,251	-168	-11.8%	n.a.
Related stocks			PTTGC (-)   IVL (-)											
ABS Asia Pac. India Spot CFR US/MT	1,915	1,955/1,870	0.0%	-1.5%	0.5%	1.9%	-1.8%	1,926	1,901	1.3%	1,904	-61	-3.1%	n.a.
Polystyrene-GP, Spot Hong Kong US/MT	1,650	1,910/1,650	-0.9%	-3.8%	-3.8%	-5.4%	-13.6%	1,718	1,733	-0.9%	1,743	-109	-5.9%	n.a.
Related stocks			IRPC (-)											
PVC, Spot South East Asia US/MT	1,015	1,070/980	-1.9%	-3.3%	-3.3%	-3.3%	-0.5%	1,052	1,035	1.6%	1,042	27	2.6%	1,070
Related stocks			VNT (-)   TPC (-)											
Product spread														
Ethylene - naphtha	728	728/525	1.5%	8.2%	36.1%	19.2%	28.7%	652	586	11.3%	610	110	22.1%	598
Propylene - naphtha	593	665/530	-0.7%	2.1%	8.4%	5.8%	-3.3%	592	557	6.3%	587	42	7.7%	588
HDPE - naphtha	818	819/638	0.1%	0.6%	16.9%	16.3%	21.1%	781	705	10.7%	729	94	14.9%	728
LDPE - naphtha	823	851/709	0.1%	2.5%	16.0%	7.8%	1.6%	778	742	4.9%	772	111	16.7%	798
LDPE - Ethylene	95	270/95	-9.5%	-26.9%	-45.7%	-37.7%	-61.2%	126	156	-19.3%	162	0	0.1%	200
LLDPE - naphtha	808	819/662	-1.2%	0.0%	14.7%	13.3%	17.9%	779	714	9.0%	736	96	15.0%	738
PP - naphtha	838	838/657	0.1%	2.4%	18.9%	17.5%	18.8%	789	718	9.9%	740	61	8.9%	728
PX - naphtha	471	673/304	-2.7%	-7.7%	-4.3%	40.3%	-27.5%	535	400	33.7%	457	-238	-34.3%	348
BZ - naphtha	453	535/381	2.4%	-9.5%	-2.0%	13.8%	-7.2%	478	430	11.2%	455	-44	-8.9%	398
MEG - Ethylene	4	193/-20	-73.7%	-94.6%	-96.5%	-79.0%	-97.9%	64	41	55.8%	60	-177	-74.8%	217
PTA - PX	120	184/53	-7.5%	-34.5%	42.2%	-2.1%	20.2%	122	100	22.2%	107	-5	-4.1%	103
PET spread	178	253/121	0.6%	46.5%	21.0%	-14.9%	-10.0%	145	170	-14.8%	172	-19	-10.1%	n.a.
Integrated PET/PTA spread	298	352/190	-2.8%	-2.3%	28.7%	-10.2%	0.2%	266	269	-1.2%	278	-24	-7.9%	n.a.
ABS spread	1,217	1,222/1,070	0.0%	3.2%	11.2%	10.7%	0.8%	1,160	1,103	5.2%	1,116	-49	-4.2%	n.a.
PS spread	253	463/214	-5.6%	-0.1%	5.9%	-27.7%	-45.0%	259	291	-10.9%	294	-127	-30.2%	n.a.
PVC - ethylene	268	353/258	-7.0%	-13.7%	-21.3%	-18.0%	-16.4%	313	311	0.6%	315	-38	-10.9%	350

Source: Datastream, SCBS Investment Research

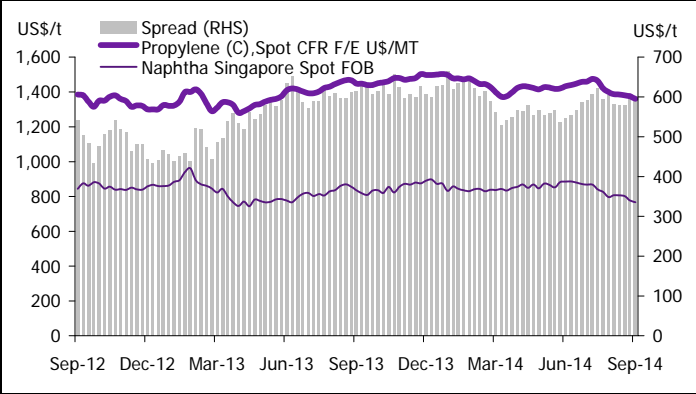
Note: Impact to related stocks is based on WoW performance

Figure 2: Ethylene vs. Naphtha



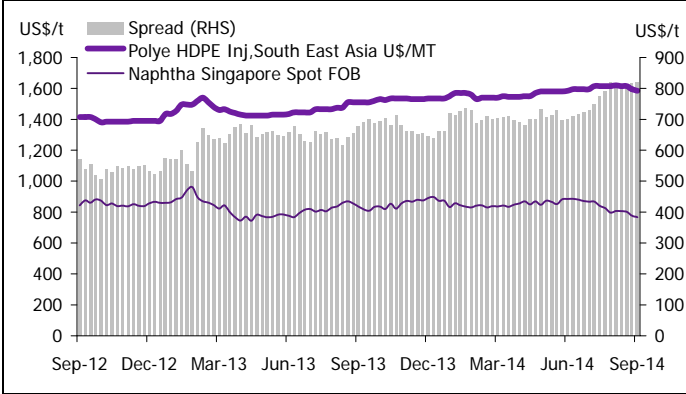
Source: Datastream, SCBS Investment Research

Figure 3: Propylene vs. Naphtha



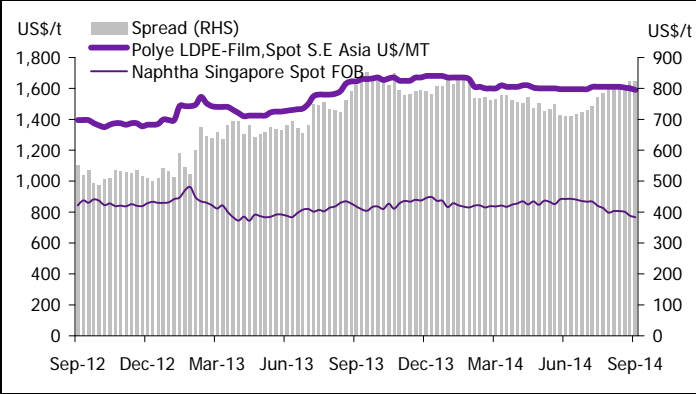
Source: Datastream, SCBS Investment Research

Figure 4: HDPE vs. Naphtha



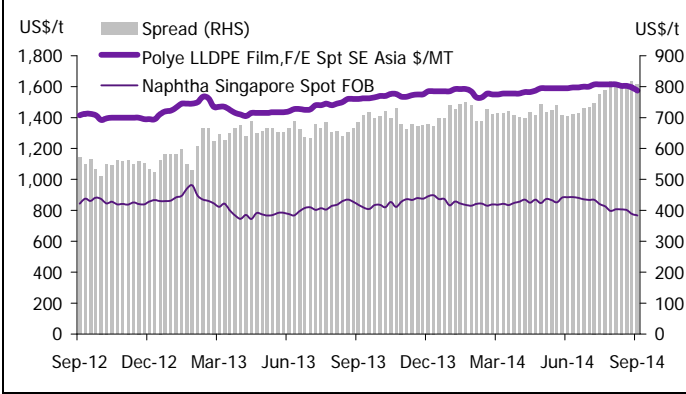
Source: Datastream, SCBS Investment Research

Figure 5: LDPE vs. Naphtha



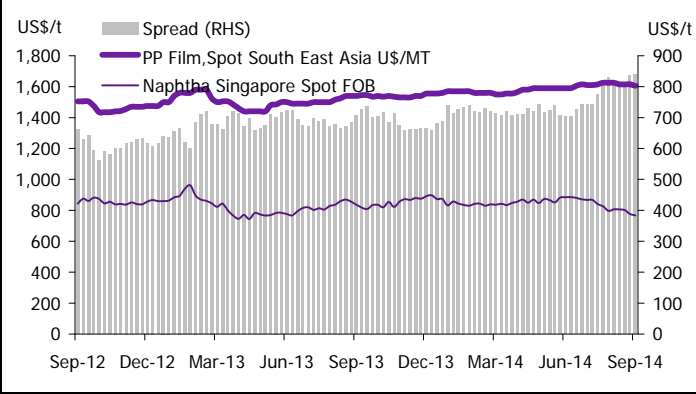
Source: Datastream, SCBS Investment Research

Figure 6: LLDPE vs. Naphtha



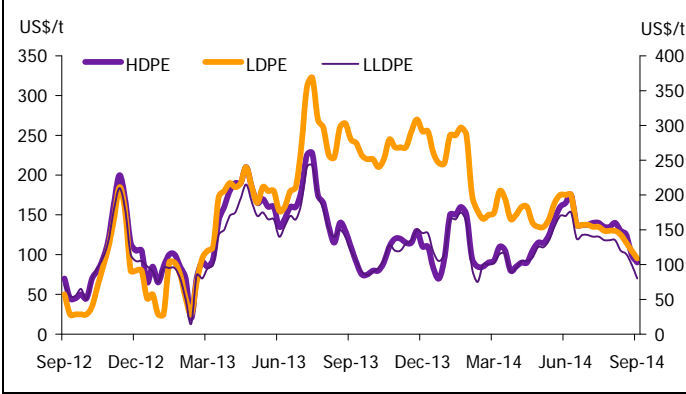
Source: Datastream, SCBS Investment Research

Figure 7: PP vs. Naphtha



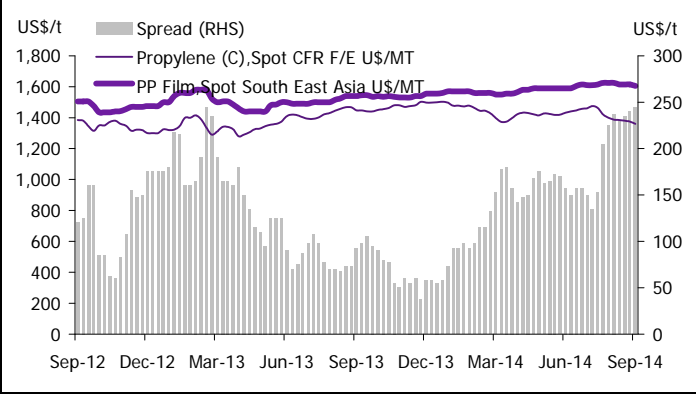
Source: Datastream, SCBS Investment Research

Figure 8: Polyethylene spread over ethylene

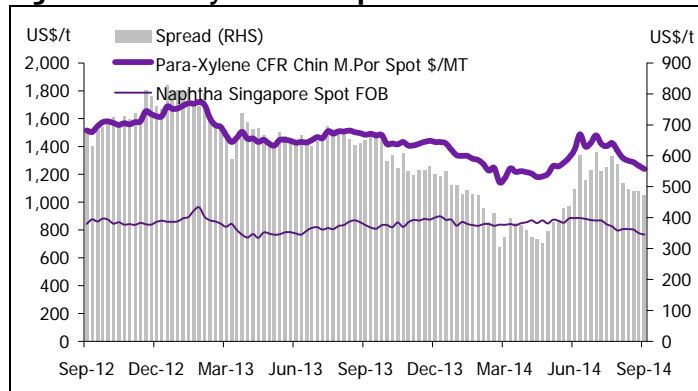


Source: Datastream, SCBS Investment Research

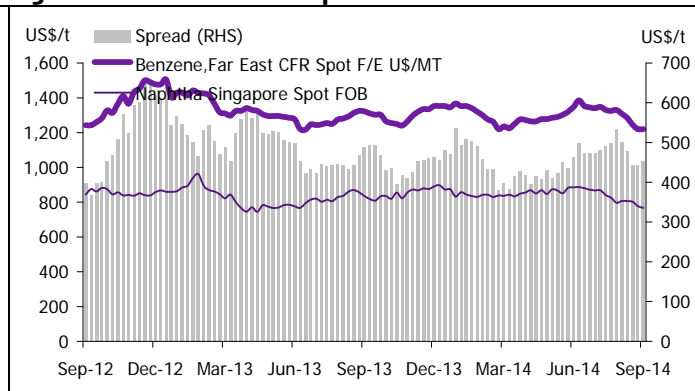
Figure 9: Polypropylene vs. propylene



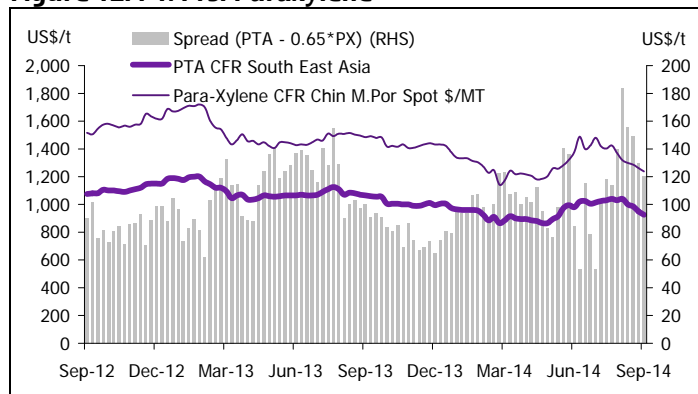
Source: Datastream, SCBS Investment Research

**Figure 10: Paraxylene vs. Naphtha**

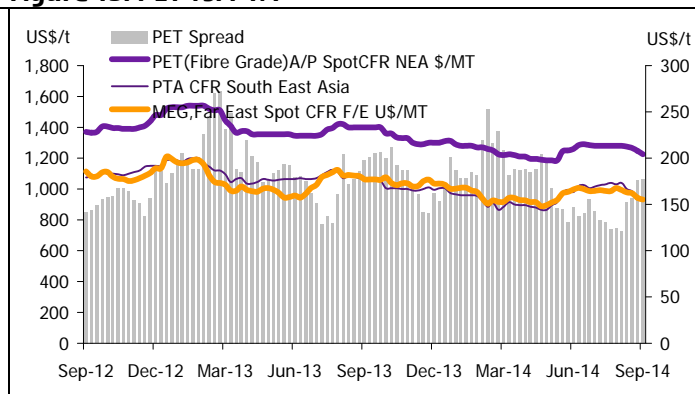
Source: Datastream, SCBS Investment Research

**Figure 11: Benzene vs. Naphtha**

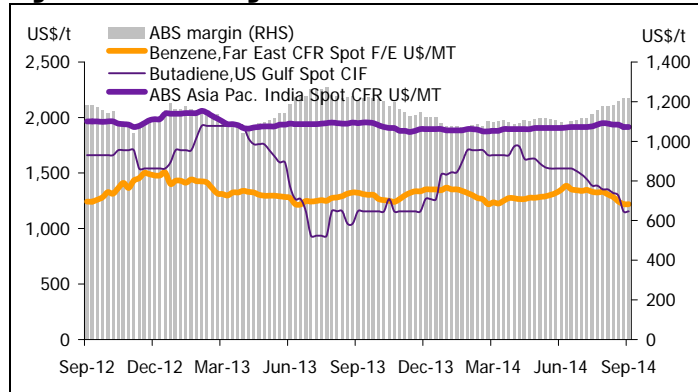
Source: Datastream, SCBS Investment Research

**Figure 12: PTA vs. Paraxylene**

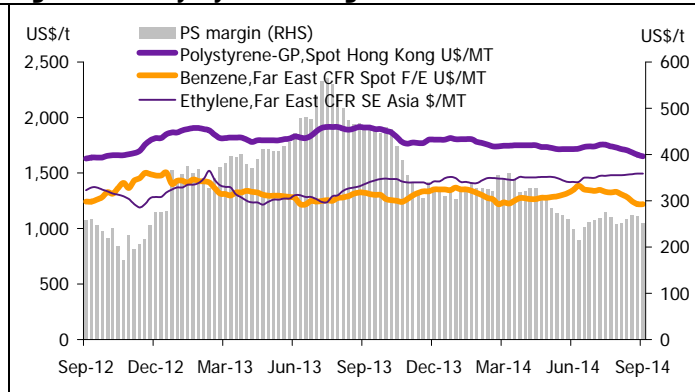
Source: Datastream, SCBS Investment Research

**Figure 13: PET vs. PTA**

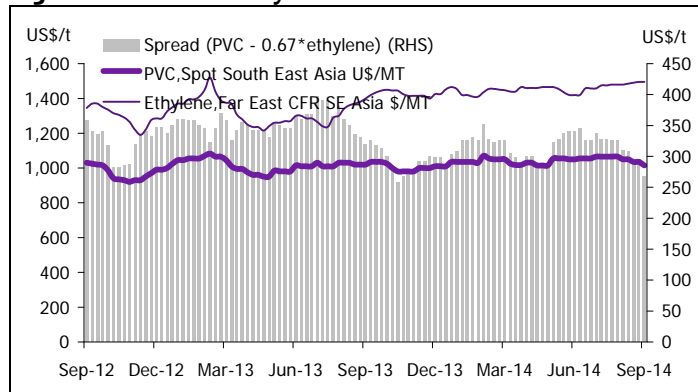
Source: Datastream, SCBS Investment Research

**Figure 14: ABS margin**

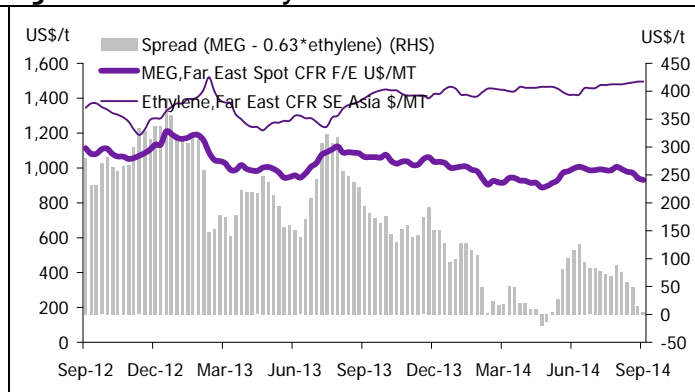
Source: Datastream, SCBS Investment Research

**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	1,477	1,448	2%	1,455	1,447	1,440	↗
			Propylene (C), Spot CFR F/E US/MT	1,418	1,420	0%	1,432	1,442	1,430	↘
	HDPE	19%	Polye HDPE Inj, South East Asia US/MT	1,606	1,568	2%	1,573	1,561	1,570	→
	LLDPE	7%	Polye LLDPE Film, F/E Spt SE Asia \$/MT	1,604	1,577	2%	1,581	1,571	1,580	↘
	LDPE	4%	Polye LDPE-Film, Spot S.E Asia US/MT	1,603	1,605	0%	1,617	1,630	1,640	↘
	MEG	6%	MEG, Far East Spot CFR F/E US/MT	980	939	4%	961	984	1,110	↘
	PX	28%	PX - naphtha	535	400	34%	457	491	348	↘
IRPC	Ethylene/Propylene	15%	BZ - naphtha	478	430	11%	455	453	398	↘
			Ethylene - naphtha	652	586	11%	610	600	598	↗
			Propylene - naphtha	592	557	6%	587	595	588	↗
	HDPE	12%	HDPE - naphtha	781	705	11%	729	714	728	↗
	PP	28%	PP - naphtha	789	718	10%	740	726	728	↗
	ABS	7%	ABS spread	1,160	1,103	5%	1,116	1,131	n.a.	↗
	BTX	23%	BZ - naphtha	478	430	11%	455	453	398	↘
SCC	PS	12%	PS spread	259	291	-11%	294	319	n.a.	→
	HDPE	40%	HDPE - naphtha	781	705	11%	729	714	728	↗
	LDPE	3%	LDPE - naphtha	778	742	5%	772	783	798	↗
	LLDPE	3%	LLDPE - naphtha	779	714	9%	736	724	738	→
	PP	25%	PP - naphtha	789	718	10%	740	726	728	↗
	PVC	28%	PVC - Ethylene/EDC	432	405	7%	418	403	n.a.	↘
TPIPL	LDPE	60%	LDPE - Ethylene	126	156	-19%	162	182	200	↘
TOP	PX	60%	PX - naphtha	535	400	34%	457	491	348	↘
	BZ	21%	BZ - naphtha	478	430	11%	455	453	398	↘
IVL	PTA	25%	PTA - PX	122	100	22%	107	99	103	→
	PET/Polyester	67%	PET spread	145	170	-15%	172	174	n.a.	↗
	MEG	8%								
VNT	PVC	63%	PVC - ethylene	313	311	1%	315	308	350	↘
TPC	PVC	100%	PVC - Ethylene/EDC	432	405	7%	418	403	n.a.	↘

Source: Datastream, SCBS Investment Research

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