



## Petrochemical price monitor

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- Fall in oil price continues to hurt olefins prices.** Price of products in the olefins chain continued to follow oil and naphtha prices down, losing 0.2-1.2% WoW; HDPE and LLDPE were exceptions - prices were steady WoW. Weak demand in China ahead of "Golden Week" in early October was another factor. With naphtha price falling more steeply, product spreads for PE widened 1.7-2.3% WoW. Only PP still suffered from lower spread at 0.2% WoW due to slow demand in the region. Despite lower ethylene price (-0.2% WoW) non-integrated producers were still affected by lower spread, with LDPE-ethylene spread down 2.6% WoW to US\$93/t.
- PX price up WoW for first time in eight weeks.** PX price rose 2.3% WoW to US\$1,266/t after weeks of a decline. Behind this, we believe, is market hopes of more PTA production in the region which could increase demand for PX in the near term. For example, Jiangsu Sanfangxiang is likely to start commercial operations of a new PTA plant in mid-October 2014 with capacity of 1.2mtpa. This plant will need to build up PX feedstock to use in its production for weeks ahead of startup.
- Lower product prices, PX feedstock cost hurt PET/PTA margin.** Integrated PET/PTA spread fell sharply by 5.3% WoW to US\$282/t due mainly to lower PTA and PET prices, down 0.5-0.8% WoW on muted demand and bearish sentiment in upstream markets. Bottle grade PET weakened 2.7% WoW in SE Asia. Higher PX price was another factor behind the weaker PET/PTA spread. This is going to continue in 4Q14 in the presence of ample supply and weak demand in low season.

**Investment view:** The Petrochemical sector, down 1.3% WoW, continued to underperform the market (-0.2% WoW) reflecting investor concern about the possibility profits will be hit by inventory loss in 3Q14. IVL fell another 3.8% WoW and PTTGC by 0.4% 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. We maintain our stance that investors should stay on the sidelines before reentering after 3Q14 results are released in mid-Nov.

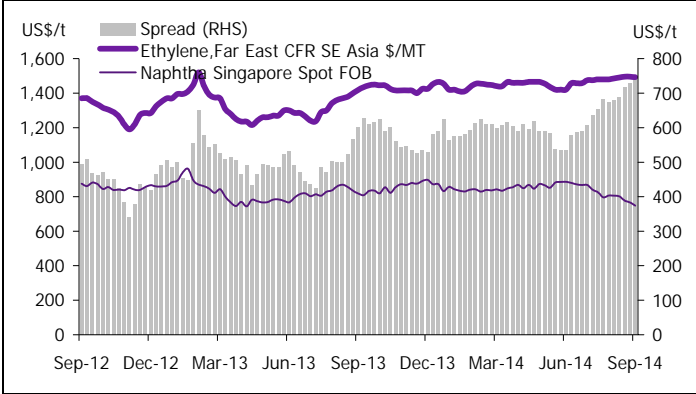
**Figure 1: Petrochemical price update**

	Current 26-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	748	897/748	-2.4%	-7.2%	-15.6%	-11.2%	-8.5%	820	863	-5.0%	842	17	2.1%	842
Ethylene, Far East CFR SE Asia \$/MT	1,493	1,495/1,400	-0.2%	0.5%	5.1%	3.6%	5.1%	1,478	1,448	2.1%	1,456	128	9.7%	1,440
Propylene (C), Spot CFR F/E US/MT	1,350	1,503/1,350	-0.7%	-2.5%	-6.3%	-1.6%	-6.7%	1,412	1,420	-0.5%	1,430	57	4.2%	1,430
Polye HDPE Inj, South East Asia US/MT	1,585	1,620/1,510	0.0%	-1.9%	-0.6%	2.3%	5.0%	1,605	1,568	2.3%	1,574	113	7.7%	1,570
Polye LDPE-Film, Spot S.E Asia US/MT	1,585	1,680/1,585	-0.3%	-1.6%	-0.6%	-2.2%	-4.5%	1,602	1,605	-0.2%	1,616	125	8.4%	1,640
Polye LLDPE Film, F/E Spot SE Asia \$/MT	1,575	1,615/1,525	0.0%	-1.9%	-1.3%	1.3%	3.3%	1,602	1,577	1.6%	1,580	114	7.7%	1,580
PP Film, Spot South East Asia US/MT	1,585	1,625/1,530	-1.2%	-1.9%	-0.3%	2.3%	2.6%	1,613	1,581	2.0%	1,585	79	5.2%	1,570
Related stocks														
			PTTGC (Neural)   IRPC (+)   SCC (+)   TPIPL (-)											
Para-Xylene CFR Chin M. Por Spot \$/MT	1,266	1,488/1,143	2.3%	-2.5%	-14.9%	1.9%	-15.1%	1,353	1,263	7.1%	1,301	-219	-14.4%	1,190
Benzene, Far East CFR Spot F/E US/MT	1,205	1,385/1,205	-1.2%	-6.2%	-13.0%	-1.6%	-8.0%	1,296	1,293	0.2%	1,298	-27	-2.0%	1,240
Related stocks														
			PTTGC (+)   TOP (+)   ESSO (+)											
MEG, Far East Spot CFR F/E US/MT	892	1,076/889	-4.2%	-8.8%	-11.4%	-5.4%	-16.0%	973	939	3.6%	960	-98	-9.3%	1,110
PTA CFR South East Asia	920	1,055/865	-0.5%	-8.0%	-9.8%	0.5%	-13.2%	999	920	8.6%	952	-147	-13.4%	900
PET(Fibre Grade)A/P Spot CFR NEA \$/MT	1,215	1,400/1,185	-0.8%	-4.7%	-5.4%	-0.8%	-13.2%	1,268	1,217	4.2%	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%	-1.0%	0.3%	1.9%	-2.0%	1,925	1,901	1.3%	1,904	-60	-3.1%	n.a.
Polystyrene-GP, Spot Hong Kong US/MT	1,650	1,895/1,650	0.0%	-3.2%	-4.1%	-5.4%	-13.6%	1,713	1,733	-1.2%	1,741	-113	-6.1%	n.a.
Related stocks														
			IRPC (+)											
PVC, Spot South East Asia US/MT	995	1,070/980	-2.0%	-5.2%	-5.7%	-2.9%	-3.9%	1,047	1,035	1.2%	1,041	25	2.5%	1,070
Related stocks														
			VNT (-)   TPC (-)											
Product spread														
Ethylene - naphtha	744	744/525	2.2%	9.7%	39.5%	24.6%	23.6%	659	586	12.5%	613	111	22.2%	598
Propylene - naphtha	602	665/530	1.5%	4.0%	8.7%	13.6%	-4.4%	593	557	6.4%	588	40	7.3%	588
HDPE - naphtha	837	837/638	2.3%	3.5%	18.1%	18.3%	20.9%	785	705	11.3%	731	96	15.1%	728
LDPE - naphtha	837	851/709	1.7%	4.1%	18.1%	7.7%	-0.6%	782	742	5.5%	774	108	16.2%	798
LDPE - Ethylene	93	270/93	-2.6%	-26.0%	-47.1%	-48.6%	-61.5%	123	156	-20.9%	161	-4	-2.2%	200
LLDPE - naphtha	827	827/662	2.3%	3.5%	16.7%	16.1%	17.0%	782	714	9.5%	738	96	15.0%	738
PP - naphtha	837	838/657	-0.2%	3.5%	18.9%	18.3%	15.1%	793	718	10.4%	743	62	9.1%	728
PX - naphtha	518	670/304	9.9%	5.1%	-13.9%	29.5%	-23.0%	533	400	33.4%	458	-236	-34.0%	348
BZ - naphtha	457	535/381	0.8%	-4.6%	-8.4%	19.5%	-7.1%	477	430	10.8%	455	-44	-8.8%	398
MEG - Ethylene	-33	193/-33	-913.4%	-158.2%	-126.3%	-166.4%	-118.3%	57	41	37.6%	57	-178	-75.6%	217
PTA - PX	97	184/53	-19.3%	-37.6%	82.8%	-9.6%	6.9%	120	100	20.3%	106	-4	-3.9%	103
PET spread	185	253/121	4.2%	21.3%	35.2%	2.2%	-8.0%	148	170	-13.0%	172	-19	-10.0%	n.a.
Integrated PET/PTA spread	282	352/190	-5.3%	-8.4%	48.5%	-2.2%	-3.4%	268	269	-0.7%	279	-23	-7.8%	n.a.
ABS spread	1,225	1,225/1,070	0.7%	3.4%	13.1%	11.0%	0.6%	1,165	1,103	5.7%	1,118	-48	-4.1%	n.a.
PS spread	265	460/214	5.0%	2.3%	23.9%	-26.3%	-42.8%	260	291	-10.7%	294	-129	-30.5%	n.a.
PVC - ethylene	249	353/249	-7.0%	-19.1%	-27.9%	-18.4%	-23.5%	308	311	-1.0%	313	-39	-11.2%	350

Source: Datastream, SCBS Investment Research

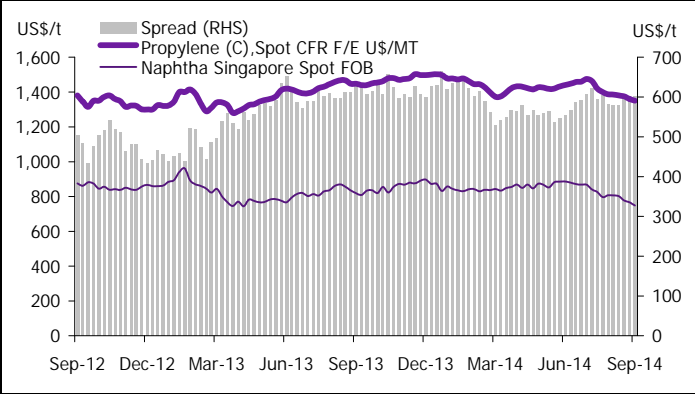
Note: Impact to related stocks is based on WoW performance

Figure 2: Ethylene vs. Naphtha



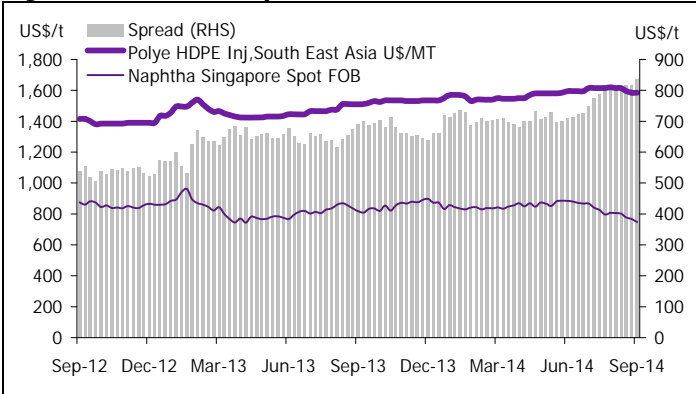
Source: Datastream, SCBS Investment Research

Figure 3: Propylene vs. Naphtha



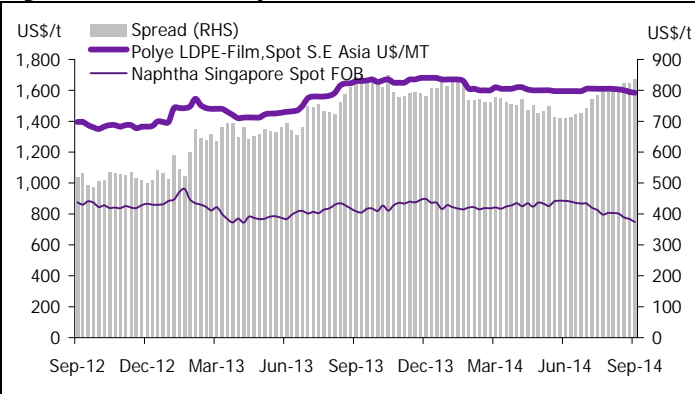
Source: Datastream, SCBS Investment Research

Figure 4: HDPE vs. Naphtha



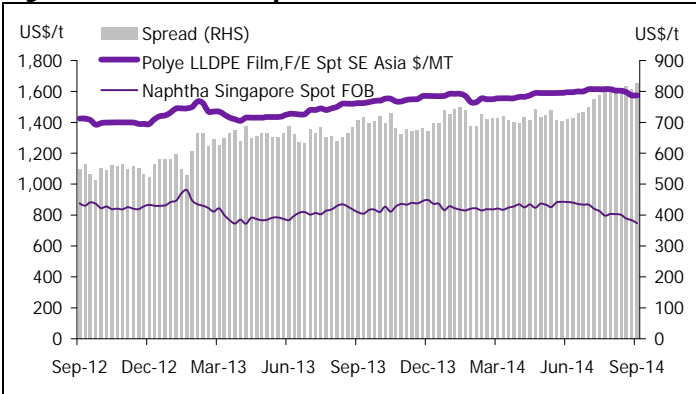
Source: Datastream, SCBS Investment Research

Figure 5: LDPE vs. Naphtha



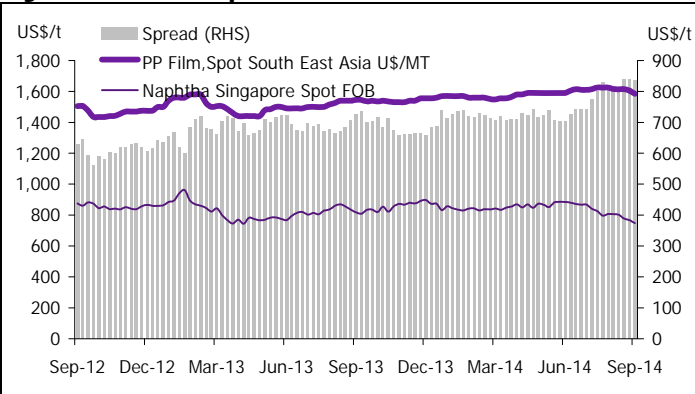
Source: Datastream, SCBS Investment Research

Figure 6: LLDPE vs. Naphtha



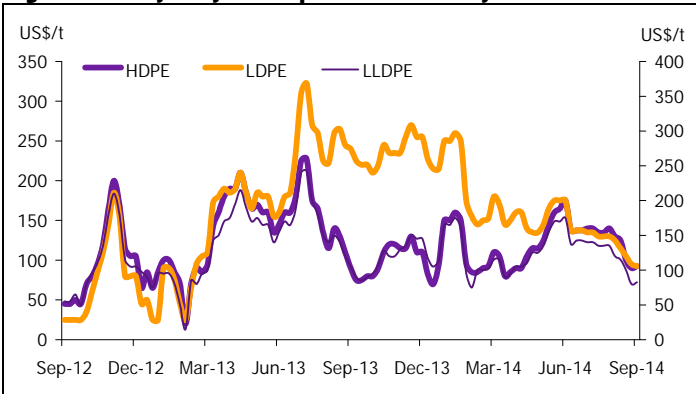
Source: Datastream, SCBS Investment Research

Figure 7: PP vs. Naphtha



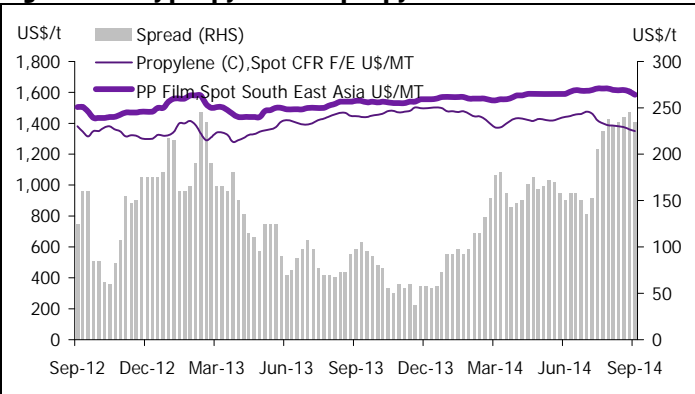
Source: Datastream, SCBS Investment Research

Figure 8: Polyethylene spread over ethylene

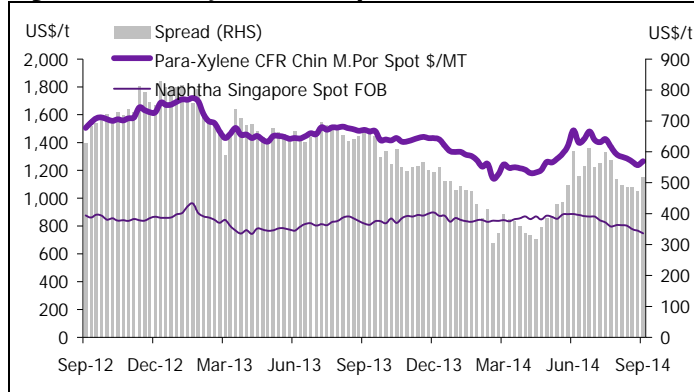


Source: Datastream, SCBS Investment Research

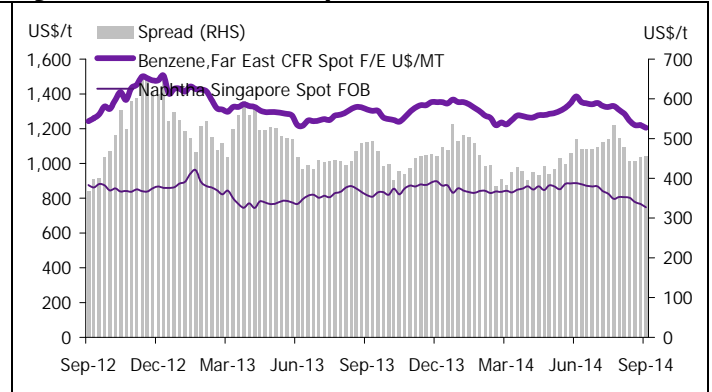
Figure 9: Polypropylene vs. propylene



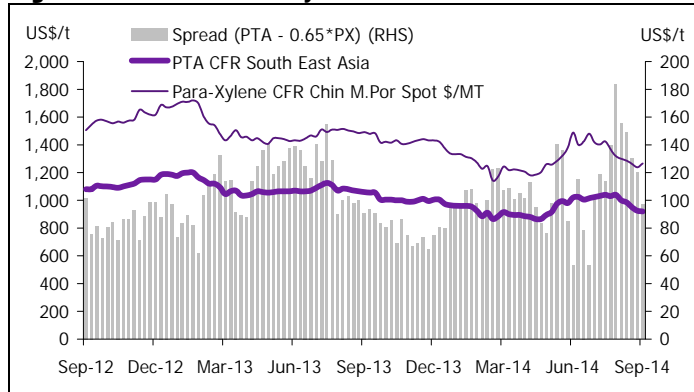
Source: Datastream, SCBS Investment Research

**Figure 10: Paraxylene vs. Naphtha**

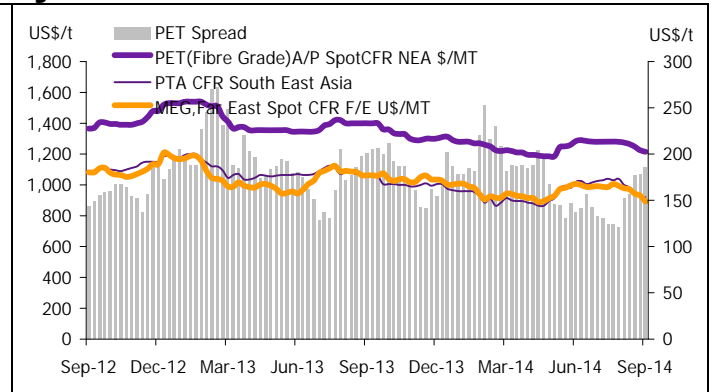
Source: Datastream, SCBS Investment Research

**Figure 11: Benzene vs. Naphtha**

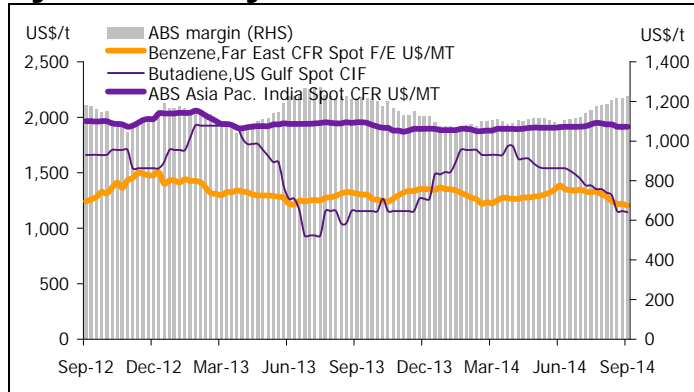
Source: Datastream, SCBS Investment Research

**Figure 12: PTA vs. Paraxylene**

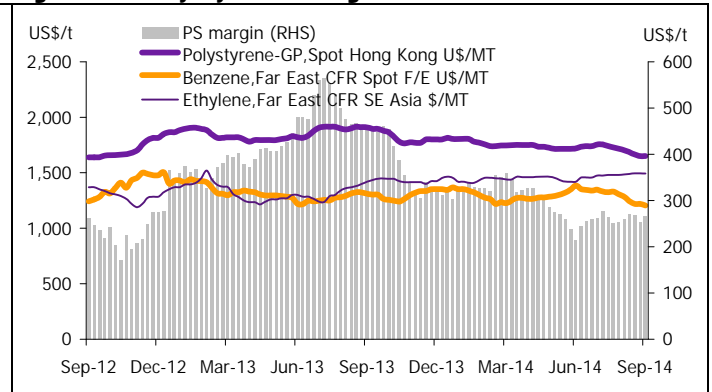
Source: Datastream, SCBS Investment Research

**Figure 13: PET vs. PTA**

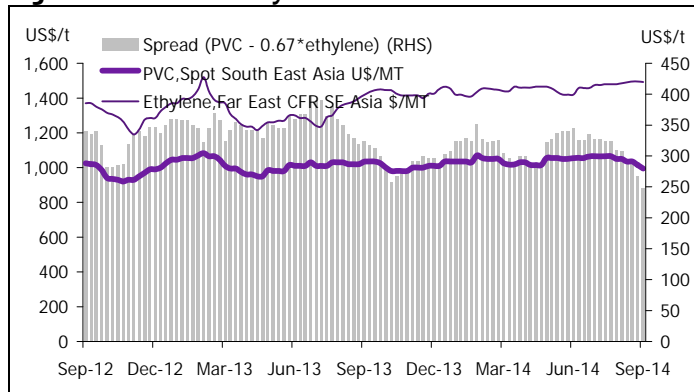
Source: Datastream, SCBS Investment Research

**Figure 14: ABS margin**

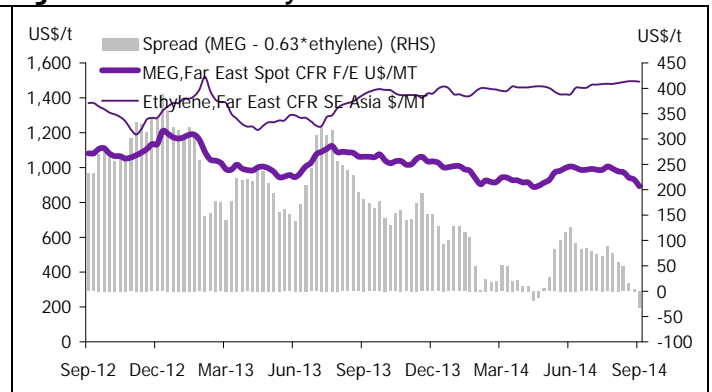
Source: Datastream, SCBS Investment Research

**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	1,478	1,448	2%	1,456	1,448	1,440	↗
			Propylene (C), Spot CFR F/E US/MT	1,412	1,420	-1%	1,430	1,440	1,430	↘
	HDPE	19%	Polye HDPE Inj, South East Asia US/MT	1,605	1,568	2%	1,574	1,563	1,570	↘
	LLDPE	7%	Polye LLDPE Film, F/E Spt SE Asia \$/MT	1,602	1,577	2%	1,580	1,572	1,580	↘
	LDPE	4%	Polye LDPE-Film, Spot S.E Asia US/MT	1,602	1,605	0%	1,616	1,628	1,640	↘
	MEG	6%	MEG, Far East Spot CFR F/E US/MT	973	939	4%	960	980	1,110	↘
	PX	28%	PX - naphtha	533	400	33%	458	488	348	→
IRPC	BZ	15%	BZ - naphtha	477	430	11%	455	452	398	↘
	Ethylene/Propylene	15%	Ethylene - naphtha	659	586	13%	613	603	598	↗
			Propylene - naphtha	593	557	6%	588	595	588	↗
	HDPE	12%	HDPE - naphtha	785	705	11%	731	717	728	↗
	PP	28%	PP - naphtha	793	718	10%	743	728	728	↗
	ABS	7%	ABS spread	1,165	1,103	6%	1,118	1,131	n.a.	↗
	BTX	23%	BZ - naphtha	477	430	11%	455	452	398	↘
SCC	PS	12%	PS spread	260	291	-11%	294	315	n.a.	↗
	HDPE	40%	HDPE - naphtha	785	705	11%	731	717	728	↗
	LDPE	3%	LDPE - naphtha	782	742	5%	774	783	798	↗
	LLDPE	3%	LLDPE - naphtha	782	714	10%	738	726	738	↗
	PP	25%	PP - naphtha	793	718	10%	743	728	728	↗
	PVC	28%	PVC - Ethylene/EDC	428	405	6%	417	401	n.a.	↘
TPIPL	LDPE	60%	LDPE - Ethylene	123	156	-21%	161	180	200	↘
TOP	PX	60%	PX - naphtha	533	400	33%	458	488	348	→
	BZ	21%	BZ - naphtha	477	430	11%	455	452	398	↘
IVL	PTA	25%	PTA - PX	120	100	20%	106	99	103	→
	PET/Polyester	67%	PET spread	148	170	-13%	172	174	n.a.	↗
	MEG	8%								
VNT	PVC	63%	PVC - ethylene	308	311	-1%	313	307	350	↘
TPC	PVC	100%	PVC - Ethylene/EDC	428	405	6%	417	401	n.a.	↘

Source: Datastream, SCBS Investment Research

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