

Petrochemical price monitor

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■ **Slow demand ate into olefins prices.** Muted regional buying trends, especially in China due to the National Day Golden Week starting from Oct 2, continued to influence petrochemical product prices in the region. Ethylene prices in Asia fell 1.5% WoW to an 11-week low of US\$1,470/t, though remained above the YTD average of US\$1,456/t. Demand for downstream products remained sluggish on seasonality and the slowdown in China's economy, leading PE prices down 0.3-0.6% WoW. We believe slowed demand and abundant supply will continue to keep buyers sidelined in anticipation of further falls in price from current levels. Still, much cheaper naphtha cost widened PE-naphtha spread 1.2-2.4% WoW.

■ **PX down WoW to 20-week low.** PX price nosedived 5% WoW to US\$1,203/t after the previous week's increase, the largest WoW decline since early July 2014. This reflects market anticipation of more production cuts by PTA producers in coming weeks after the recent weak PTA-PX spread. The startup of new PTA capacity in China will be offset by maintenance shutdowns of other plants in the region. We expect PX price to continue to decline in the near term on seasonality.

■ **Strong PET/PTA spread may not be sustained for long.** The sharp decline in PX price helped lift integrated PET/PTA spread 13.6% WoW to a 26-week high of US\$321/t despite weakening PET and PTA prices, pressured down by lower feedstock cost. Bottle-grade PET price dropped 2.7% WoW in the SEA market amidst crippled buying sentiment. We do not expect the strong PET/PTA spread to hang on for long, as buyers of downstream products will bargain prices down given the steady decline in feedstock prices.

Investment view: Bearish sentiment towards the Petrochemical sector continued, pressuring the index down 5.1% WoW and underperforming the market (-2.7% WoW). This reaffirms our view that market concerns on the sector's performance in 3Q14 will continue to depress share price in the near term. We maintain our stance that investors should stay on the sidelines before reentering after 3Q14 results are released in mid-Nov.

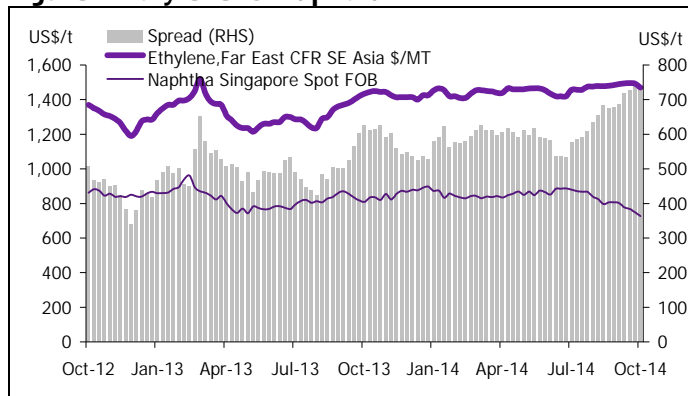
Figure 1: Petrochemical price update

	Current 3-Oct-14	52-week High/Low	-1W	-1M	-3M	-6M	-12M	3Q14 QTD	2Q14	QoQ%	YTD	Chg.	%YoY	2014F projection
Price														
Naphtha Singapore Spot FOB	728	897/728	-2.7%	-9.2%	-17.3%	-12.7%	-10.0%	820	863	-5.0%	839	15	1.8%	842
Ethylene, Far East CFR SE Asia \$/MT	1,470	1,495/1,400	-1.5%	-1.3%	0.9%	2.1%	2.4%	1,478	1,448	2.1%	1,456	126	9.5%	1,440
Propylene (C), Spot CFR F/E US/MT	1,353	1,503/1,350	0.2%	-2.0%	-6.6%	-1.6%	-6.1%	1,412	1,420	-0.5%	1,428	54	3.9%	1,430
Polye HDPE Inj, South East Asia US/MT	1,580	1,620/1,520	-0.3%	-2.2%	-0.9%	2.3%	4.6%	1,605	1,568	2.3%	1,574	112	7.6%	1,570
Polye LDPE-Film, Spot S.E Asia US/MT	1,575	1,680/1,575	-0.6%	-1.9%	-1.3%	-2.2%	-5.1%	1,602	1,605	-0.2%	1,615	120	8.0%	1,640
Polye LLDPE Film, F/E Spot SE Asia \$/MT	1,575	1,615/1,530	0.0%	-1.9%	-1.3%	1.3%	3.3%	1,602	1,577	1.6%	1,580	112	7.6%	1,580
PP Film, Spot South East Asia US/MT	1,585	1,625/1,530	0.0%	-1.9%	-1.2%	1.9%	2.6%	1,613	1,581	2.0%	1,585	78	5.2%	1,570
Related stocks			PTTGC (-) IRPC (+) SCC (+) TPIPL (+)											
Para-Xylene CFR Chin M. Por Spot \$/MT	1,203	1,488/1,143	-5.0%	-6.5%	-14.1%	-1.2%	-18.7%	1,353	1,263	7.1%	1,298	-221	-14.5%	1,190
Benzene, Far East CFR Spot F/E US/MT	1,193	1,385/1,193	-1.0%	-4.2%	-11.8%	-4.6%	-8.4%	1,296	1,293	0.2%	1,295	-29	-2.2%	1,240
Related stocks			PTTGC (-) TOP (-) ESSO (-)											
MEG, Far East Spot CFR F/E US/MT	896	1,076/889	0.4%	-7.9%	-10.3%	-4.9%	-15.7%	973	939	3.6%	958	-100	-9.4%	1,110
PTA CFR South East Asia	915	1,055/865	-0.5%	-7.1%	-10.7%	1.7%	-13.3%	999	920	8.6%	951	-147	-13.4%	900
PET(Fibre Grade)A/P Spot CFR NEA \$/MT	1,215	1,400/1,185	0.0%	-4.0%	-5.8%	-0.4%	-13.2%	1,268	1,217	4.2%	1,250	-168	-11.9%	n.a.
Related stocks			PTTGC (+) IVL (+)											
ABS Asia Pac. India Spot CFR US/MT	1,915	1,950/1,870	0.0%	-1.0%	0.0%	1.1%	-2.0%	1,925	1,901	1.3%	1,904	-60	-3.0%	n.a.
Polystyrene-GP, Spot Hong Kong US/MT	1,650	1,895/1,650	0.0%	-2.1%	-4.9%	-5.7%	-12.9%	1,713	1,733	-1.2%	1,739	-116	-6.3%	n.a.
Related stocks			IRPC (+)											
PVC, Spot South East Asia US/MT	995	1,070/980	0.0%	-3.9%	-5.7%	-2.2%	-3.9%	1,047	1,035	1.2%	1,040	23	2.3%	1,070
Related stocks			VNT (+) TPC (Neutral)											
Product spread														
Ethylene - naphtha	742	744/525	-0.3%	7.8%	28.5%	22.5%	18.5%	659	586	12.5%	616	111	22.1%	598
Propylene - naphtha	625	665/530	3.7%	8.0%	10.1%	15.5%	-1.1%	593	557	6.4%	589	39	7.1%	588
HDPE - naphtha	852	852/638	1.8%	4.8%	19.2%	19.9%	21.5%	785	705	11.3%	734	97	15.2%	728
LDPE - naphtha	847	848/709	1.2%	5.5%	18.5%	9.2%	-0.5%	782	742	5.5%	776	105	15.6%	798
LDPE - Ethylene	105	270/93	13.5%	-8.7%	-23.6%	-38.2%	-53.3%	123	156	-20.9%	159	-7	-4.0%	200
LLDPE - naphtha	847	847/662	2.4%	5.5%	18.5%	17.5%	18.3%	782	714	9.5%	741	97	15.1%	738
PP - naphtha	857	857/657	2.4%	5.4%	18.2%	18.9%	16.4%	793	718	10.4%	746	63	9.3%	728
PX - naphtha	475	650/304	-8.3%	-2.0%	-8.6%	23.9%	-29.1%	533	400	33.4%	459	-235	-33.9%	348
BZ - naphtha	465	535/381	1.7%	4.8%	-1.6%	11.7%	-5.9%	477	430	10.8%	456	-44	-8.7%	398
MEG - Ethylene	-15	193/-33	-53.8%	-131.6%	-116.2%	-131.3%	-108.9%	57	41	37.6%	55	-178	-76.2%	217
PTA - PX	133	184/53	37.0%	-10.6%	15.7%	22.5%	42.1%	120	100	20.3%	107	-3	-2.9%	103
PET spread	188	253/121	1.3%	20.1%	33.1%	-0.3%	-8.5%	148	170	-13.0%	173	-19	-10.0%	n.a.
Integrated PET/PTA spread	321	352/190	13.6%	5.1%	25.3%	8.0%	7.3%	268	269	-0.7%	280	-22	-7.4%	n.a.
ABS spread	1,231	1,231/1,070	0.4%	2.1%	11.6%	11.0%	0.7%	1,165	1,103	5.7%	1,121	-46	-4.0%	n.a.
PS spread	282	460/214	6.2%	4.6%	15.5%	-18.3%	-37.4%	260	291	-10.7%	293	-130	-30.7%	n.a.
PVC - ethylene	260	353/249	4.5%	-10.3%	-20.3%	-12.6%	-18.1%	308	311	-1.0%	312	-40	-11.3%	350

Source: Datastream, SCBS Investment Research

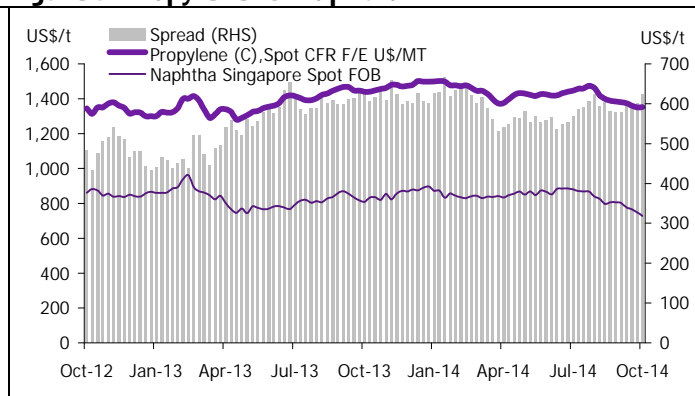
Note: Impact to related stocks is based on WoW performance

Figure 2: Ethylene vs. Naphtha



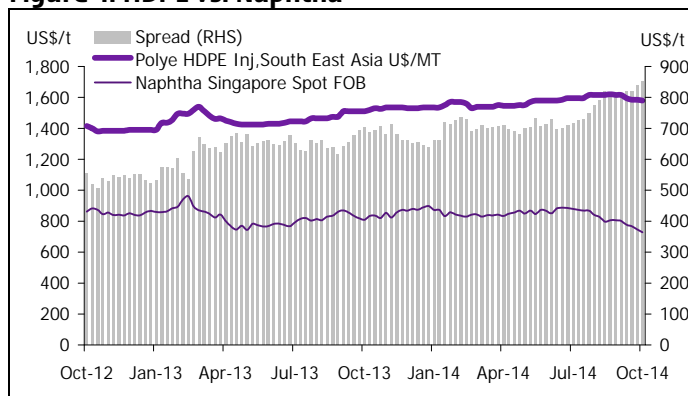
Source: Datastream, SCBS Investment Research

Figure 3: Propylene vs. Naphtha



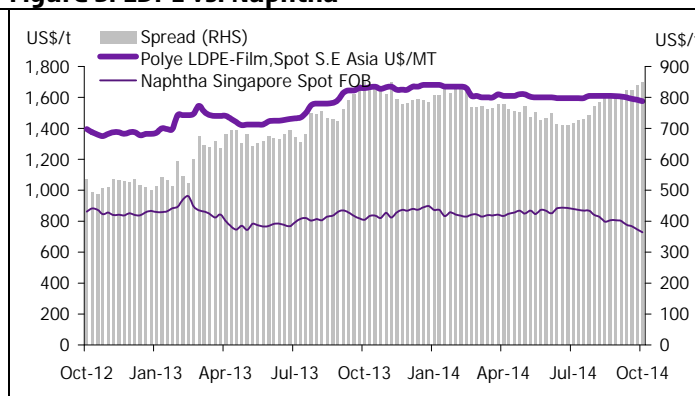
Source: Datastream, SCBS Investment Research

Figure 4: HDPE vs. Naphtha



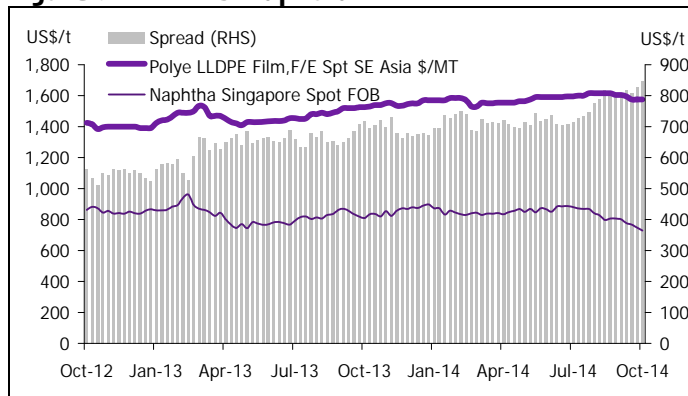
Source: Datastream, SCBS Investment Research

Figure 5: LDPE vs. Naphtha



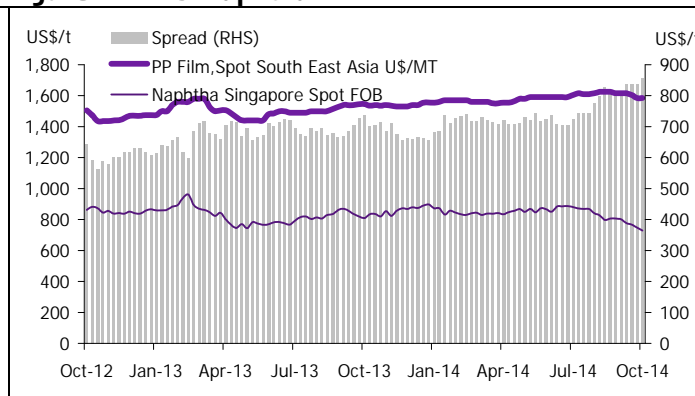
Source: Datastream, SCBS Investment Research

Figure 6: LLDPE vs. Naphtha



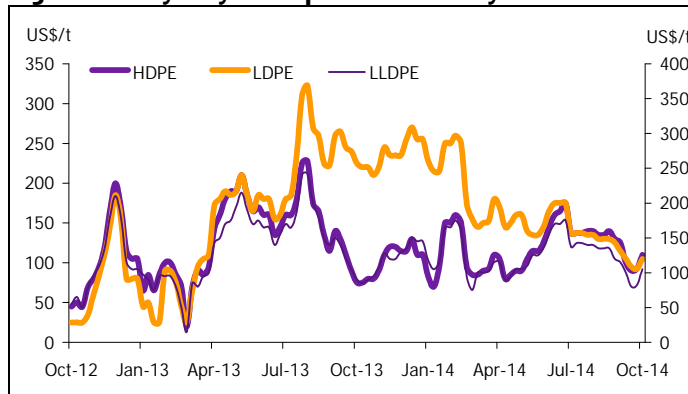
Source: Datastream, SCBS Investment Research

Figure 7: PP vs. Naphtha



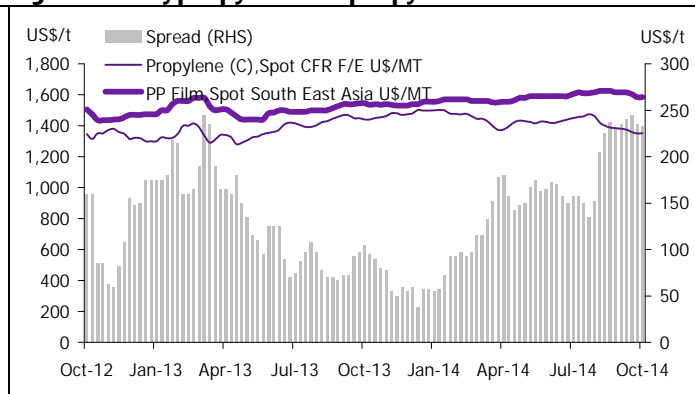
Source: Datastream, SCBS Investment Research

Figure 8: Polyethylene spread over ethylene

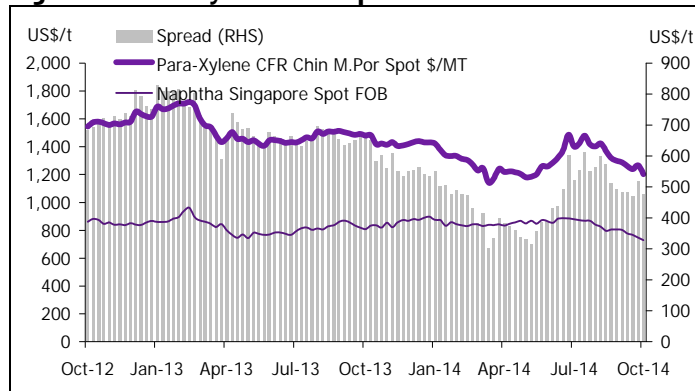


Source: Datastream, SCBS Investment Research

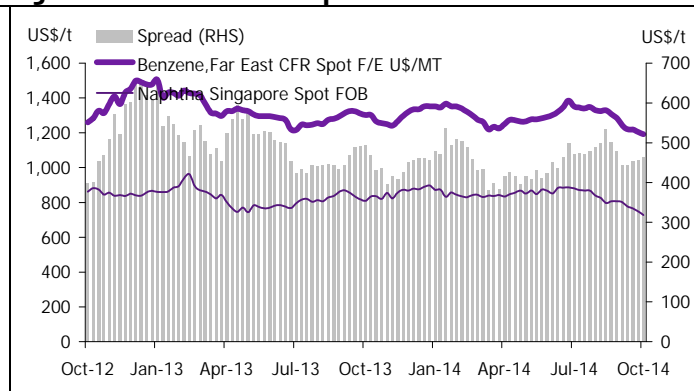
Figure 9: Polypropylene vs. propylene



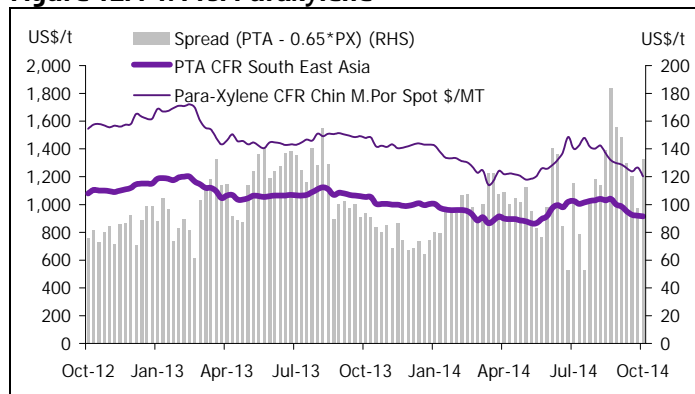
Source: Datastream, SCBS Investment Research

Figure 10: Paraxylene vs. Naphtha

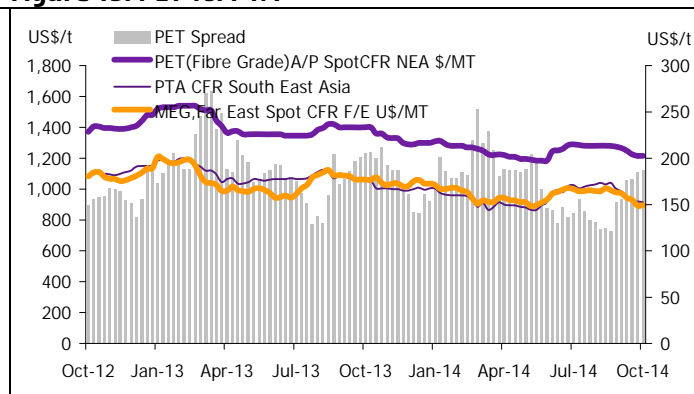
Source: Datastream, SCBS Investment Research

Figure 11: Benzene vs. Naphtha

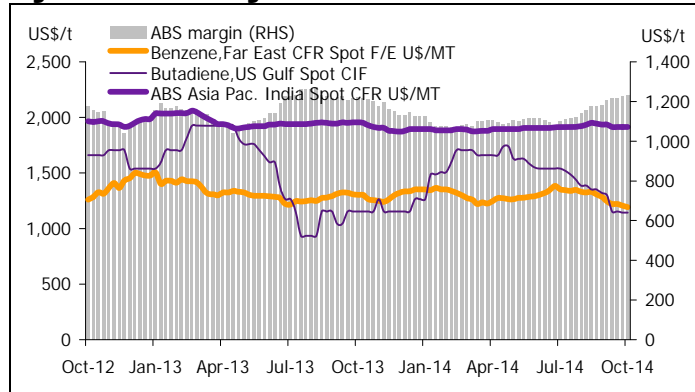
Source: Datastream, SCBS Investment Research

Figure 12: PTA vs. Paraxylene

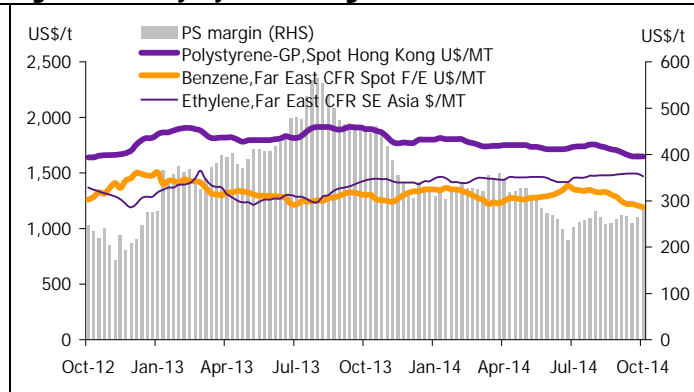
Source: Datastream, SCBS Investment Research

Figure 13: PET vs. PTA

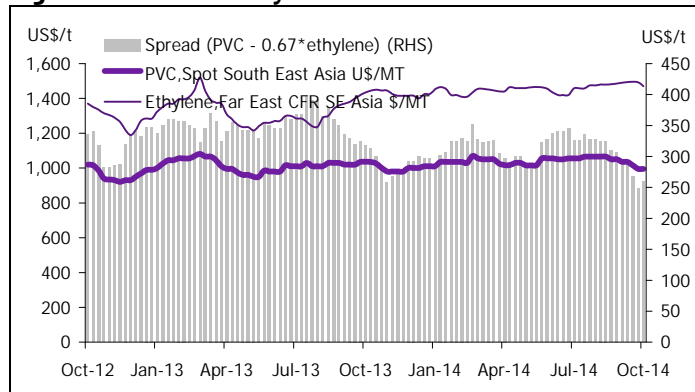
Source: Datastream, SCBS Investment Research

Figure 14: ABS margin

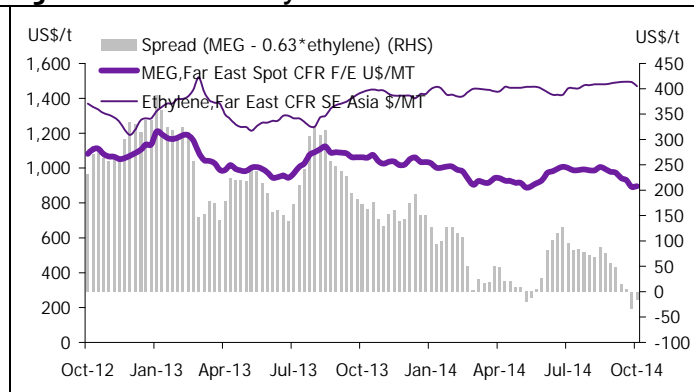
Source: Datastream, SCBS Investment Research

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	1,478	1,448	2%	1,456	1,449	1,440	→
			Propylene (C), Spot CFR F/E US\$/MT	1,412	1,420	-1%	1,428	1,439	1,430	↓
	HDPE	19%	Polye HDPE Inj, South East Asia US\$/MT	1,605	1,568	2%	1,574	1,564	1,570	↓
	LLDPE	7%	Polye LLDPE Film, F/E Spt SE Asia \$/MT	1,602	1,577	2%	1,580	1,573	1,580	↓
	LDPE	4%	Polye LDPE-Film, Spot S.E Asia US\$/MT	1,602	1,605	0%	1,615	1,626	1,640	↓
	MEG	6%	MEG, Far East Spot CFR F/E US\$/MT	973	939	4%	958	977	1,110	↓
	PX	28%	PX - naphtha	533	400	33%	459	484	348	↓
IRPC	BZ	15%	BZ - naphtha	477	430	11%	456	452	398	→
	Ethylene/Propylene	15%	Ethylene - naphtha	659	586	13%	616	605	598	↗
			Propylene - naphtha	593	557	6%	589	595	588	↗
	HDPE	12%	HDPE - naphtha	785	705	11%	734	720	728	↗
	PP	28%	PP - naphtha	793	718	10%	746	731	728	↗
	ABS	7%	ABS spread	1,165	1,103	6%	1,121	1,131	n.a.	↗
	BTX	23%	BZ - naphtha	477	430	11%	456	452	398	→
SCC	PS	12%	PS spread	260	291	-11%	293	311	n.a.	↗
	HDPE	40%	HDPE - naphtha	785	705	11%	734	720	728	↗
	LDPE	3%	LDPE - naphtha	782	742	5%	776	783	798	↗
	LLDPE	3%	LLDPE - naphtha	782	714	10%	741	729	738	↗
	PP	25%	PP - naphtha	793	718	10%	746	731	728	↗
	PVC	28%	PVC - Ethylene/EDC	428	405	6%	417	398	n.a.	↓
	TPIPL	60%	LDPE - Ethylene	123	156	-21%	159	177	200	↓
TOP	PX	60%	PX - naphtha	533	400	33%	459	484	348	↓
	BZ	21%	BZ - naphtha	477	430	11%	456	452	398	→
IVL	PTA	25%	PTA - PX	120	100	20%	107	100	103	→
	PET/Polyester	67%	PET spread	148	170	-13%	173	173	n.a.	↗
	MEG	8%								
VNT	PVC	63%	PVC - ethylene	308	311	-1%	312	306	350	↓
TPC	PVC	100%	PVC - Ethylene/EDC	428	405	6%	417	398	n.a.	↓

Source: Datastream, SCBS Investment Research

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