

Petrochemical price monitor

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■ **Weak demand, lower feedstock cost still in play.** Ethylene price remained under pressure, falling to a 15-week low of US\$1,435/t to below the YTD average of US\$1,455/t. This was due to a continuous decline in feedstock cost caused by lower oil price. Polyethylene price was more stable WoW with only HDPE price down by 0.3% WoW in market quieted by China's Golden Week and weak demand in the region. Buyers held off on restocking as the downturn in oil prices led them to expect prices to fall even more. We expect to see a sharp fall in PE-naphtha spread when there are more transactions in the market, since PE product prices have been stable for 4-5 weeks, widening spread to an abnormally high level.

■ **PX down to new 2014 low.** PX price settled at US\$1,118/t, this year's lowest – and a price not seen since 2009-10. Pulling price down was lower feedstock cost, weak demand and abundant supply. PX-naphtha spread also fell 1.4% WoW to US\$469/t, still 2.1% above the YTD average of US\$459/t. We expect PX spread to continue to weaken in 4Q14 on lower demand seasonally and more production cuts by PTA plants in response to weak PTA-PX spread (-10.8% WoW).

■ **PET/PTA spread up to 20-month high.** Lower PX and MEG prices lifted PET/PTA (but mainly PET) spread to a 20-month high of US\$359/t, despite a fall in PET and PTA prices of 2.1% and 7.7% WoW due to weak demand in the region. Bottle-grade PET price also fell 0.8% WoW, hit by slow demand and lower feedstock cost. We expect more pressure on PET/PTA prices and margins as downstream product buyers will bargain prices down on the steady decline in feedstock prices.

Investment view: The sector (+0.3% WoW) slightly outperformed the market (-0.1% WoW) last week due to the market correction. Investors seem to have largely priced in the sector's negatives such as pressure from lower oil and petrochemical product prices and weak profits due to inventory losses in 3Q14F (to be announced in mid-Nov). Although we expect bearish sentiment towards the sector to continue in coming weeks, a more attractive valuation may bring investors back sooner than expected.

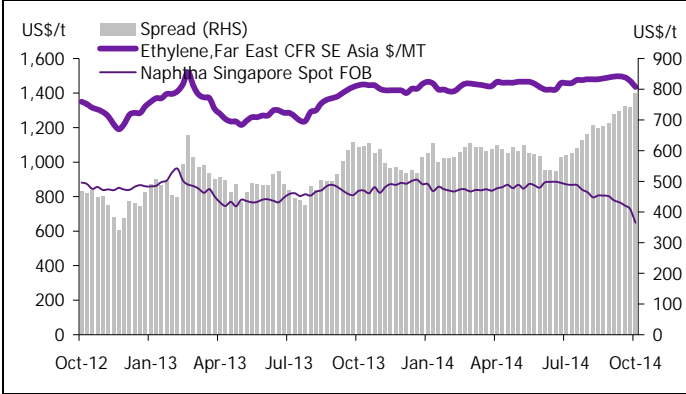
Figure 1: Petrochemical price update

	Current 10-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	649	897/649	-10.9%	-16.5%	-25.5%	-23.5%	-22.2%	820	863	-5.0%	835	10	1.2%	842
Ethylene, Far East CFR SE Asia \$/MT	1,435	1,495/1,400	-2.4%	-4.0%	-1.5%	-2.0%	-0.7%	1,478	1,448	2.1%	1,455	123	9.2%	1,440
Propylene (C), Spot CFR F/E US\$/MT	1,335	1,503/1,335	-1.3%	-2.9%	-8.4%	-4.5%	-7.3%	1,412	1,420	-0.5%	1,426	50	3.6%	1,430
Polye HDPE Inj, South East Asia US\$/MT	1,575	1,620/1,525	-0.3%	-1.3%	-1.3%	1.9%	3.6%	1,605	1,568	2.3%	1,574	110	7.5%	1,570
Polye LDPE-Film, Spot S.E Asia US\$/MT	1,575	1,680/1,575	0.0%	-1.6%	-1.3%	-2.2%	-5.4%	1,602	1,605	-0.2%	1,614	114	7.6%	1,640
Polye LLDPE Film, F/E Spot SE Asia \$/MT	1,575	1,615/1,530	0.0%	-1.3%	-1.6%	1.3%	2.9%	1,602	1,577	1.6%	1,580	110	7.5%	1,580
PP Film, Spot South East Asia US\$/MT	1,585	1,625/1,530	0.0%	-1.9%	-1.9%	1.9%	3.3%	1,613	1,581	2.0%	1,585	77	5.1%	1,570
Related stocks														
Para-Xylene CFR Chin M. Por Spot \$/MT	1,118	1,488/1,118	-7.1%	-11.4%	-21.6%	-8.6%	-24.7%	1,353	1,263	7.1%	1,294	-224	-14.8%	1,190
Benzene, Far East CFR Spot F/E US\$/MT	1,165	1,385/1,165	-2.3%	-4.5%	-13.4%	-8.6%	-10.6%	1,296	1,293	0.2%	1,292	-32	-2.4%	1,240
Related stocks														
MEG, Far East Spot CFR F/E US\$/MT	832	1,076/832	-7.2%	-11.8%	-15.7%	-10.4%	-21.5%	973	939	3.6%	955	-103	-9.7%	1,110
PTA CFR South East Asia	845	1,040/845	-7.7%	-11.1%	-15.9%	-5.6%	-19.9%	999	920	8.6%	948	-148	-13.5%	900
PET (Fibre Grade) A/P Spot CFR NEA \$/MT	1,190	1,360/1,185	-2.1%	-4.6%	-7.4%	-1.7%	-15.0%	1,268	1,217	4.2%	1,248	-169	-11.9%	n.a.
Related stocks														
ABS Asia Pac. India Spot CFR US\$/MT	1,900	1,950/1,870	-0.8%	-0.8%	-0.8%	0.3%	-2.6%	1,925	1,901	1.3%	1,904	-59	-3.0%	n.a.
Polystyrene-GP, Spot Hong Kong US\$/MT	1,630	1,880/1,630	-1.2%	-2.1%	-6.3%	-6.9%	-14.0%	1,713	1,733	-1.2%	1,736	-120	-6.5%	n.a.
Related stocks														
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%	1,039	22	2.1%	1,070
Related stocks														
Product spread														
Ethylene - naphtha	786	786/525	5.9%	9.5%	34.1%	27.4%	28.6%	659	586	12.5%	621	113	22.3%	598
Propylene - naphtha	686	686/530	9.9%	14.8%	17.0%	24.9%	13.2%	593	557	6.4%	591	40	7.2%	588
HDPE - naphtha	926	926/638	8.7%	13.3%	28.0%	32.9%	35.0%	785	705	11.3%	739	101	15.7%	728
LDPE - naphtha	926	926/709	9.3%	12.6%	28.0%	21.5%	11.4%	782	742	5.5%	779	105	15.5%	798
LDPE - Ethylene	140	270/93	33.3%	33.3%	1.8%	-3.4%	-36.4%	123	156	-20.9%	159	-8	-5.0%	200
LLDPE - naphtha	926	926/662	9.3%	13.3%	27.1%	31.0%	33.0%	782	714	9.5%	745	101	15.6%	738
PP - naphtha	936	936/657	9.2%	11.7%	25.9%	32.4%	33.5%	793	718	10.4%	750	67	9.9%	728
PX - naphtha	469	612/304	-1.4%	-3.2%	-15.4%	25.1%	-27.9%	533	400	33.4%	459	-234	-33.8%	348
BZ - naphtha	516	535/381	11.1%	16.6%	9.0%	20.9%	10.1%	477	430	10.8%	457	-41	-8.3%	398
MEG - Ethylene	-58	193/-58	n.m.	n.m.	n.m.	n.m.	n.m.	57	41	37.6%	53	-179	-77.3%	217
PTA - PX	119	184/53	-10.8%	-8.8%	50.6%	18.2%	30.8%	120	100	20.3%	107	-2	-2.2%	103
PET spread	240	253/121	27.8%	35.8%	53.8%	28.2%	16.2%	148	170	-13.0%	174	-18	-9.3%	n.a.
Integrated PET/PTA spread	359	359/190	11.8%	16.9%	52.7%	24.7%	20.6%	268	269	-0.7%	282	-20	-6.7%	n.a.
ABS spread	1,234	1,234/1,070	0.3%	1.4%	11.3%	12.4%	1.4%	1,165	1,103	5.7%	1,124	-45	-3.8%	n.a.
PS spread	294	460/214	4.2%	9.7%	15.2%	-7.7%	-34.3%	260	291	-10.7%	293	-131	-30.8%	n.a.
PVC - ethylene	278	353/249	6.7%	-3.5%	-14.9%	-2.6%	-11.2%	308	311	-1.0%	311	-40	-11.3%	350

Source: Datastream, SCBS Investment Research

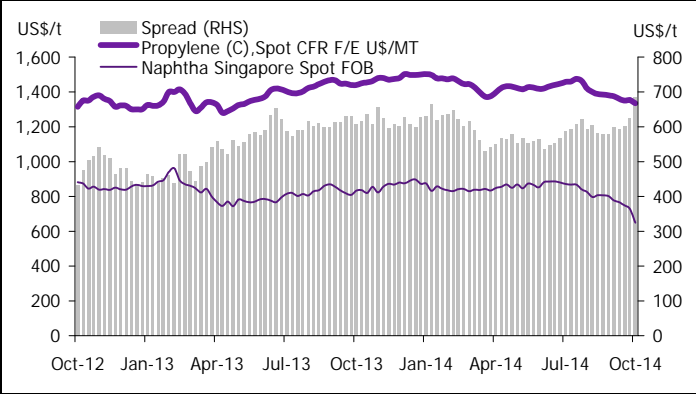
Note: Impact to related stocks is based on WoW performance

Figure 2: Ethylene vs. Naphtha



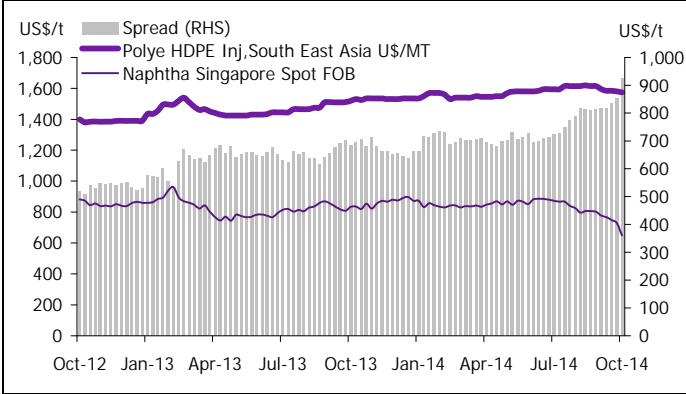
Source: Datastream, SCBS Investment Research

Figure 3: Propylene vs. Naphtha



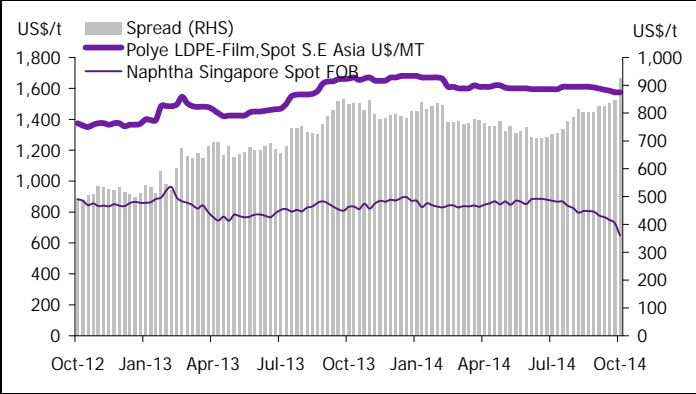
Source: Datastream, SCBS Investment Research

Figure 4: HDPE vs. Naphtha



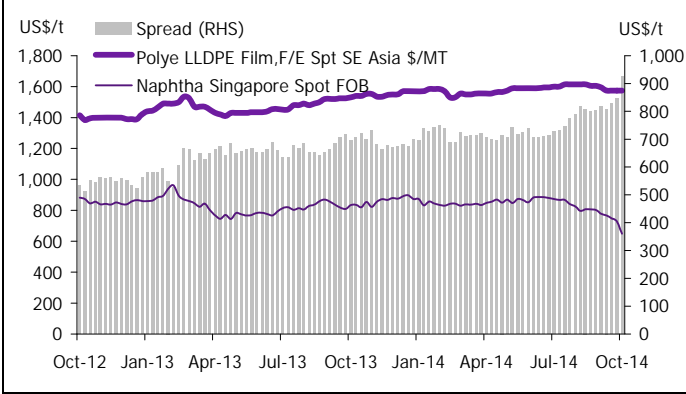
Source: Datastream, SCBS Investment Research

Figure 5: LDPE vs. Naphtha



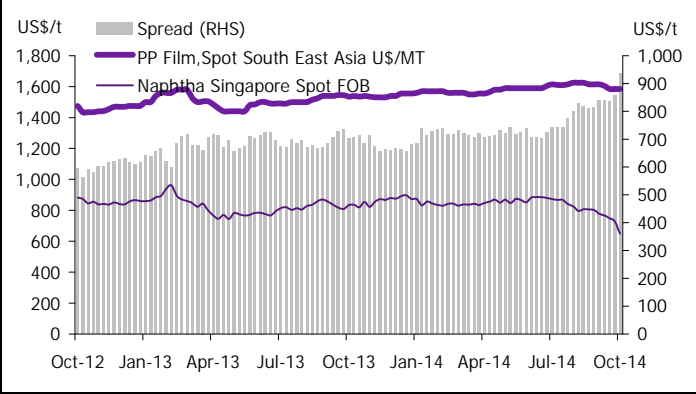
Source: Datastream, SCBS Investment Research

Figure 6: LLDPE vs. Naphtha



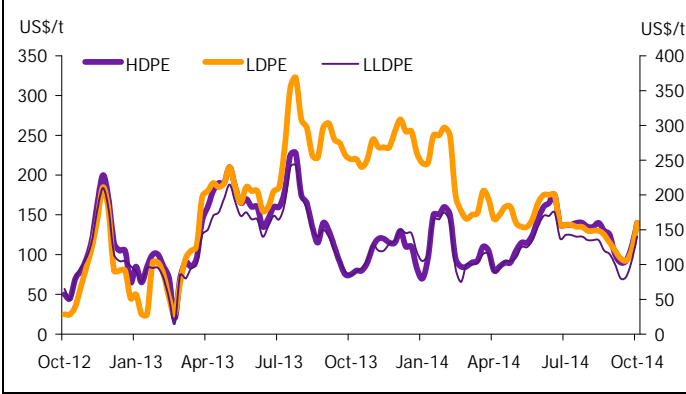
Source: Datastream, SCBS Investment Research

Figure 7: PP vs. Naphtha



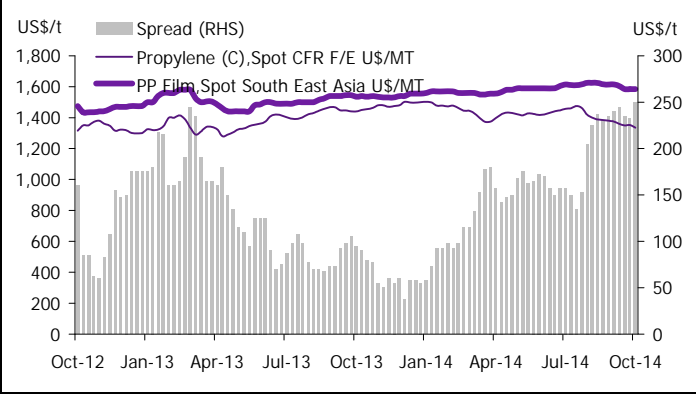
Source: Datastream, SCBS Investment Research

Figure 8: Polyethylene spread over ethylene

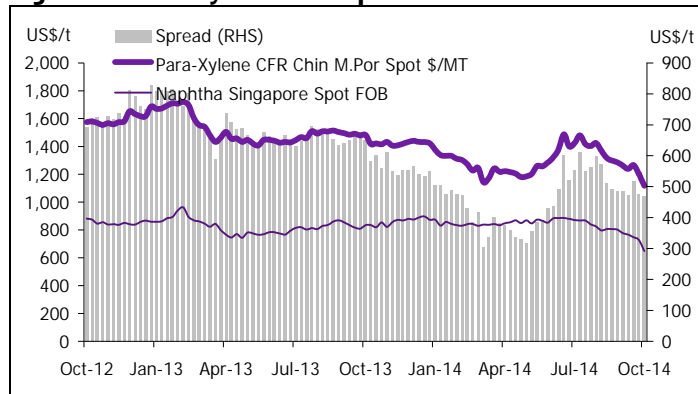


Source: Datastream, SCBS Investment Research

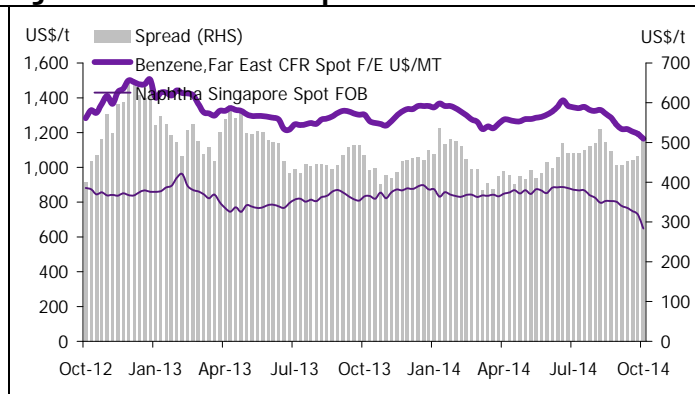
Figure 9: Polypropylene vs. propylene



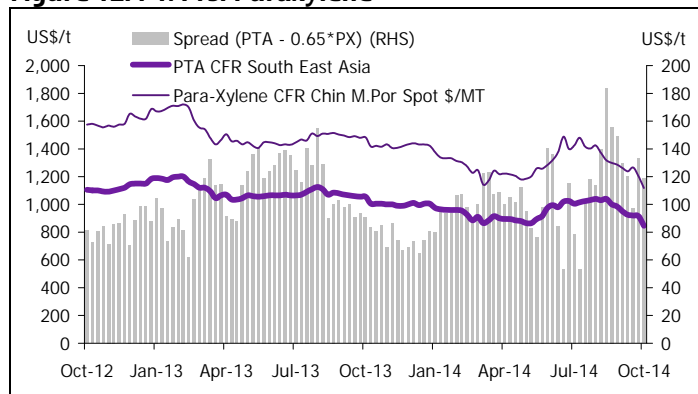
Source: Datastream, SCBS Investment Research

Figure 10: Paraxylene vs. Naphtha

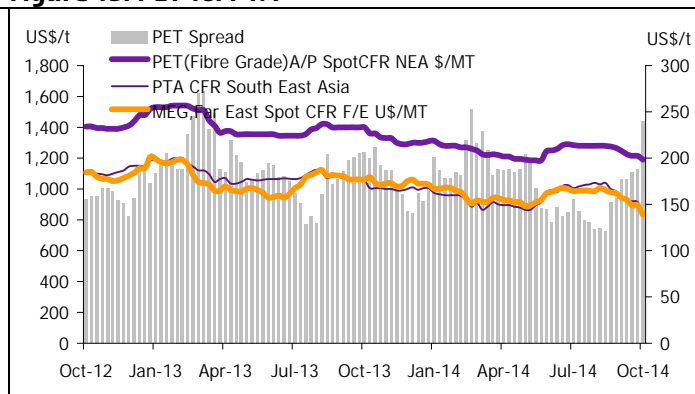
Source: Datastream, SCBS Investment Research

Figure 11: Benzene vs. Naphtha

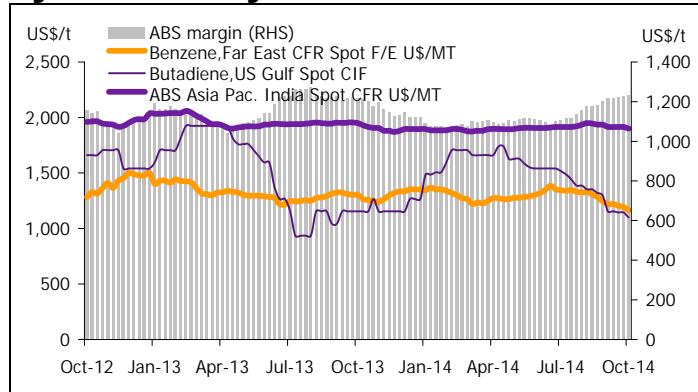
Source: Datastream, SCBS Investment Research

Figure 12: PTA vs. Paraxylene

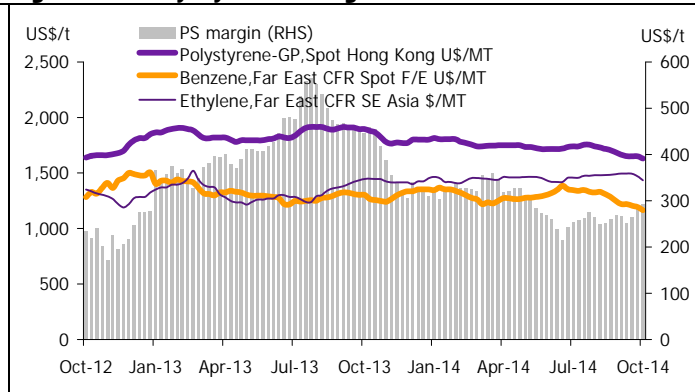
Source: Datastream, SCBS Investment Research

Figure 13: PET vs. PTA

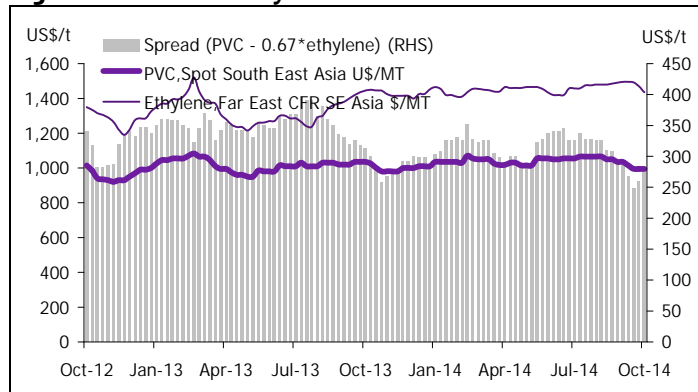
Source: Datastream, SCBS Investment Research

Figure 14: ABS margin

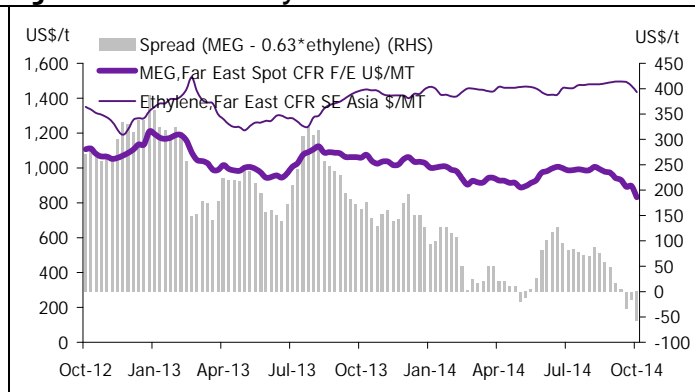
Source: Datastream, SCBS Investment Research

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%	1,455	1,449	1,440	↗
			Propylene (C), Spot CFR F/E US\$/MT	1,412	1,420	-1%	1,426	1,437	1,430	↘
	HDPE	19%	Polye HDPE Inj, South East Asia US\$/MT	1,605	1,568	2%	1,574	1,565	1,570	↘
	LLDPE	7%	Polye LLDPE Film, F/E Spt SE Asia \$/MT	1,602	1,577	2%	1,580	1,574	1,580	↘
	LDPE	4%	Polye LDPE-Film, Spot S.E Asia US\$/MT	1,602	1,605	0%	1,614	1,625	1,640	↘
	MEG	6%	MEG, Far East Spot CFR F/E US\$/MT	973	939	4%	955	973	1,110	↘
	PX	28%	PX - naphtha	533	400	33%	459	481	348	↘
IRPC	BZ	15%	BZ - naphtha	477	430	11%	457	453	398	↗
	Ethylene/Propylene	15%	Ethylene - naphtha	659	586	13%	621	609	598	↗
			Propylene - naphtha	593	557	6%	591	596	588	↗
	HDPE	12%	HDPE - naphtha	785	705	11%	739	725	728	↗
	PP	28%	PP - naphtha	793	718	10%	750	735	728	↗
	ABS	7%	ABS spread	1,165	1,103	6%	1,124	1,132	n.a.	↗
	BTX	23%	BZ - naphtha	477	430	11%	457	453	398	↗
SCC	PS	12%	PS spread	260	291	-11%	293	309	n.a.	↗
	HDPE	40%	HDPE - naphtha	785	705	11%	739	725	728	↗
	LDPE	3%	LDPE - naphtha	782	742	5%	779	784	798	↗
	LLDPE	3%	LLDPE - naphtha	782	714	10%	745	733	738	↗
	PP	25%	PP - naphtha	793	718	10%	750	735	728	↗
	PVC	28%	PVC - Ethylene/EDC	428	405	6%	416	396	n.a.	↘
	TPIPL	60%	LDPE - Ethylene	123	156	-21%	159	176	200	↗
TOP	PX	60%	PX - naphtha	533	400	33%	459	481	348	↘
	BZ	21%	BZ - naphtha	477	430	11%	457	453	398	↗
IVL	PTA	25%	PTA - PX	120	100	20%	107	101	103	→
	PET/Polyester	67%	PET spread	148	170	-13%	174	174	n.a.	↗
	MEG	8%								
VNT	PVC	63%	PVC - ethylene	308	311	-1%	311	305	350	↘
TPC	PVC	100%	PVC - Ethylene/EDC	428	405	6%	416	396	n.a.	↘

Source: Datastream, SCBS Investment Research

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