

Petrochemical price monitor

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- Olefins and derivative product prices at 52-week low.** After weeks of delayed impact from lower oil price, product prices of olefins and derivatives finally slid to a 52-week low across the board, down 2-8% WoW. Propylene (-8% WoW) was hardest hit by weakening demand and abundant excess supply, mainly from China due to several on-purpose propylene plant shutdowns. PE/PP product spreads over naphtha inched up by 0.5-1.7% WoW on the sharp decline in naphtha price.
- Aromatics prices sour after brief recovery WoW.** Prices of PX and BZ fell 7-8.2% WoW to a new 52-week low due to lower feedstock cost and bearish demand for downstream products. Buyers are unwilling to build stock ahead of the year's end amidst declining oil price. Abundant additional supply of PX will continue to depress the near-term outlook for product prices. The outlook for BZ should be better than for PX due to limited feedstock from naphtha crackers, but near-term weak demand for downstream will continue to hold down BZ price and spread.
- Weaker PTA price offset by lower feedstock cost.** Integrated PET/PTA spread rose strongly by 16.7% WoW to a healthy US\$317/t. This was supported by cheaper feedstock rather than product prices, especially PTA, whose price continued to decline by 5.6% WoW to only US\$760/t, the lowest price since Feb'09. Outlook for PTA will remain weak entering the low season and in the presence of excess supply in the market. We thus do not expect the integrated spread of >US\$300/t to hang around for long.

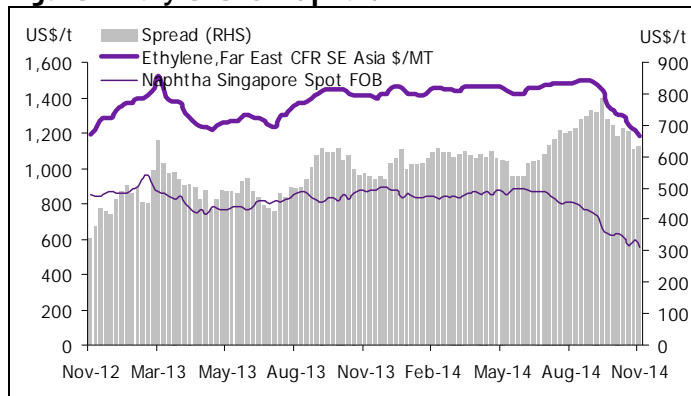
Investment view: Weaker product price/spread was reflected in a fall in the Petrochemical sector index (-2.9% WoW), underperforming the market (+0.2% WoW). This was led by PTTGC (-5.3% WoW) on concerns about a huge inventory loss in 4Q14 as oil price plunged after OPEC announced it is keeping its production ceiling unchanged. IVL's share price improved 2.2% WoW and valuation remains stretched in our view. We reaffirm our view that the outlook for the sector remains clouded by seasonally softer demand and short-term uncertainty of oil price.

Figure 1: Petrochemical price update

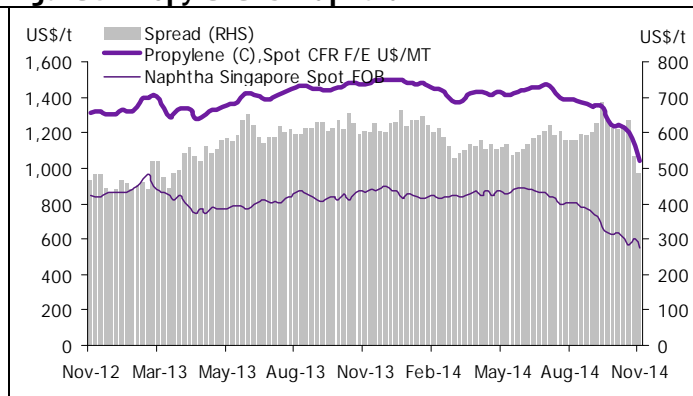
	Current 28-Nov-14	52-week High/Low	-1W	-1M	-3M	-6M	-12M	4Q14 QTD	3Q14	QoQ%	YTD	Chg.	%YoY	2014F projection
Price														
Naphtha Singapore Spot FOB	553	897/553	-7.5%	-12.8%	-31.5%	-36.2%	-36.3%	607	820	-25.9%	799	-28	-3.4%	842
Ethylene, Far East CFR SE Asia \$/MT	1,185	1,495/1,185	-2.9%	-8.8%	-20.2%	-18.6%	-16.3%	1,294	1,478	-12.5%	1,428	81	6.0%	1,440
Propylene (C), Spot CFR F/E US/MT	1,040	1,503/1,040	-8.0%	-16.5%	-24.9%	-27.0%	-29.5%	1,210	1,412	-14.3%	1,389	-2	-0.1%	1,430
Polye HDPE Inj, South East Asia US/MT	1,450	1,620/1,450	-2.7%	-5.8%	-10.2%	-8.2%	-5.2%	1,529	1,605	-4.7%	1,567	92	6.2%	1,570
Polye LDPE-Film, Spot S.E Asia US/MT	1,450	1,680/1,450	-2.0%	-6.5%	-9.9%	-9.4%	-12.1%	1,531	1,602	-4.4%	1,599	73	4.8%	1,640
Polye LLDPE Film, F/E Spot SE Asia \$/MT	1,440	1,615/1,440	-2.4%	-6.2%	-10.3%	-9.4%	-6.8%	1,524	1,602	-4.9%	1,571	89	6.0%	1,580
PP Film, Spot South East Asia US/MT	1,445	1,625/1,445	-2.0%	-6.5%	-10.5%	-9.1%	-5.6%	1,534	1,613	-4.9%	1,577	65	4.3%	1,570
Related stocks														
			PTTGC (-) IRPC (+) SCC (-) TPIPL (+)											
Para-Xylene CFR Chin M. Por Spot \$/MT	960	1,488/960	-8.2%	-7.9%	-26.1%	-23.6%	-32.4%	1,035	1,353	-23.5%	1,251	-248	-16.6%	1,190
Benzene, Far East CFR Spot F/E US/MT	928	1,385/928	-7.0%	-14.7%	-27.8%	-28.1%	-29.7%	1,049	1,296	-19.1%	1,252	-60	-4.6%	1,240
Related stocks														
			PTTGC (-) TOP (-) ESSO (-)											
MEG, Far East Spot CFR F/E US/MT	875	1,061/794	0.1%	5.0%	-10.6%	-5.9%	-14.2%	838	973	-13.9%	936	-115	-11.0%	1,110
PTA CFR South East Asia	760	1,040/760	-5.6%	-5.0%	-24.0%	-16.9%	-23.2%	798	999	-20.2%	924	-156	-14.5%	900
PET (Fibre Grade)A/P Spot CFR NEA \$/MT	1,080	1,313/1,060	0.0%	0.0%	-15.3%	-8.9%	-16.3%	1,100	1,268	-13.2%	1,223	-179	-12.8%	n.a.
Related stocks														
			PTTGC (+) IVL (+)											
ABS Asia Pac. India Spot CFR US/MT	1,725	1,950/1,725	-1.7%	-7.0%	-10.9%	-9.4%	-7.8%	1,824	1,925	-5.3%	1,891	-61	-3.1%	n.a.
Polystyrene-GP, Spot Hong Kong US/MT	1,405	1,815/1,405	-3.1%	-10.8%	-17.6%	-18.1%	-20.6%	1,534	1,713	-10.4%	1,703	-146	-7.9%	n.a.
Related stocks														
			IRPC (+)											
PVC, Spot South East Asia US/MT	900	1,070/900	-1.6%	-7.7%	-14.3%	-14.7%	-10.0%	962	1,047	-8.2%	1,027	14	1.3%	1,070
Related stocks														
			VNT (+) TPC (-)											
Product spread														
Ethylene - naphtha	632	786/525	1.6%	-5.1%	-6.8%	7.4%	15.6%	687	659	4.2%	629	109	21.1%	598
Propylene - naphtha	487	686/487	-8.5%	-20.2%	-15.8%	-12.8%	-19.7%	603	593	1.7%	590	26	4.7%	588
HDPE - naphtha	897	956/638	0.5%	-1.0%	10.9%	25.7%	35.5%	922	785	17.4%	768	120	18.5%	728
LDPE - naphtha	897	956/709	1.7%	-2.0%	11.6%	22.3%	14.7%	924	782	18.1%	800	102	14.6%	798
LDPE - Ethylene	265	275/93	1.9%	6.0%	112.0%	82.8%	12.8%	238	123	92.4%	171	-8	-4.3%	200
LLDPE - naphtha	887	946/670	1.1%	-1.5%	11.1%	22.6%	31.0%	917	782	17.2%	772	118	18.0%	738
PP - naphtha	892	956/658	1.7%	-2.1%	10.3%	23.3%	34.8%	927	793	16.9%	778	93	13.6%	728
PX - naphtha	407	612/304	-9.1%	-0.3%	-17.3%	4.3%	-26.2%	428	533	-19.7%	452	-220	-32.8%	348
BZ - naphtha	375	535/375	-6.3%	-17.3%	-21.7%	-11.5%	-17.1%	442	477	-7.2%	453	-31	-6.5%	398
MEG - Ethylene	140	193/-58	19.4%	417.8%	144.0%	410.2%	-1.7%	36	57	-37.2%	51	-166	-76.6%	217
PTA - PX	136	184/53	8.4%	11.1%	-12.6%	38.8%	103.0%	125	120	4.0%	111	5	4.9%	103
PET spread	181	253/121	23.7%	10.1%	18.6%	24.1%	12.5%	185	148	25.0%	175	-17	-8.9%	n.a.
Integrated PET/PTA spread	317	359/190	16.7%	10.6%	2.8%	30.0%	39.1%	309	268	15.6%	285	-12	-4.0%	n.a.
ABS spread	1,179	1,251/1,070	0.0%	-5.3%	-0.4%	5.5%	4.4%	1,225	1,165	5.1%	1,139	-31	-2.7%	n.a.
PS spread	329	386/214	6.6%	-3.0%	26.8%	20.0%	3.7%	330	260	26.8%	299	-123	-29.1%	n.a.
PVC - ethylene	308	353/249	0.8%	-5.4%	0.0%	-6.1%	5.1%	315	308	2.2%	313	-27	-7.9%	350

Source: Datastream, SCBS Investment Research

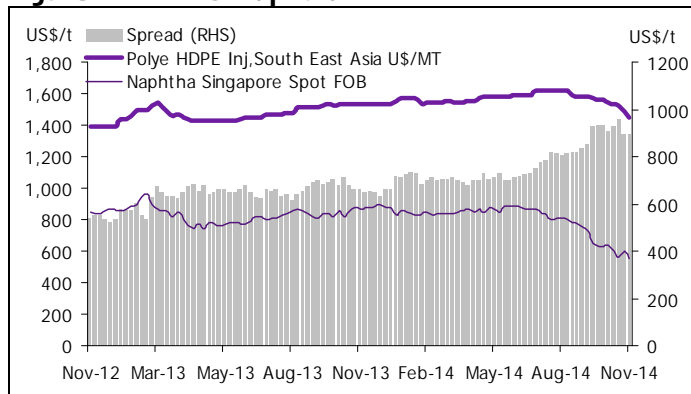
Note: Impact to related stocks is based on WoW performance

Figure 2: Ethylene vs. Naphtha

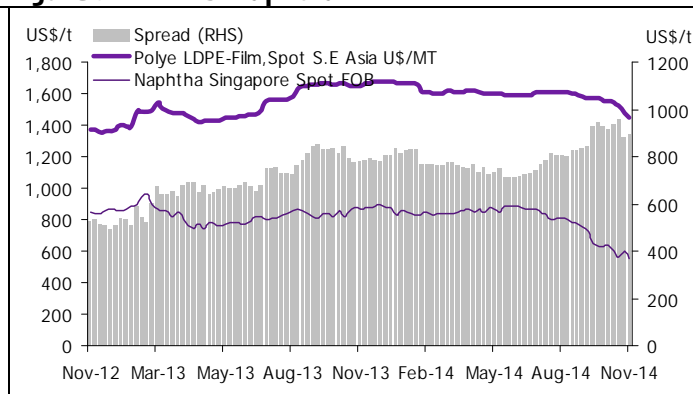
Source: Datastream, SCBS Investment Research

Figure 3: Propylene vs. Naphtha

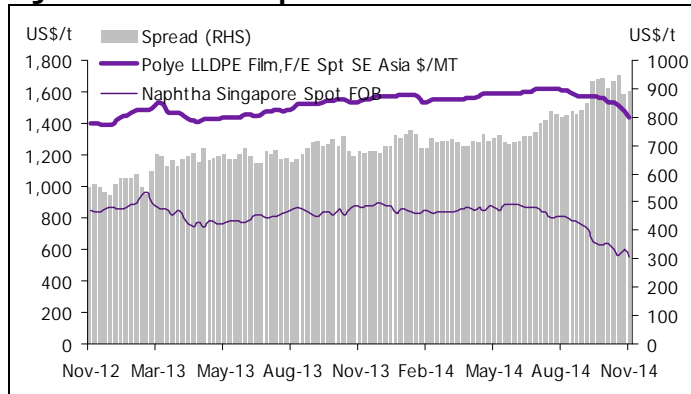
Source: Datastream, SCBS Investment Research

Figure 4: HDPE vs. Naphtha

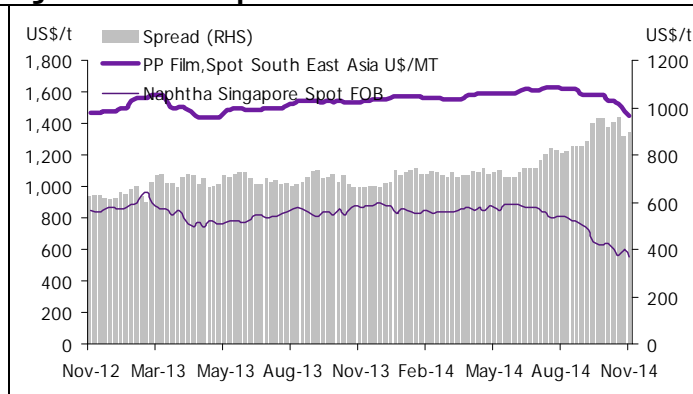
Source: Datastream, SCBS Investment Research

Figure 5: LDPE vs. Naphtha

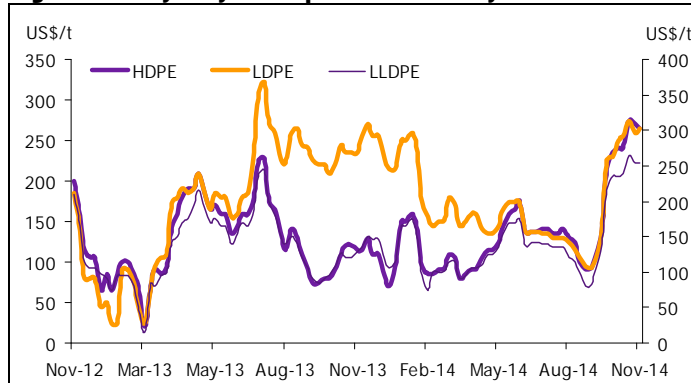
Source: Datastream, SCBS Investment Research

Figure 6: LLDPE vs. Naphtha

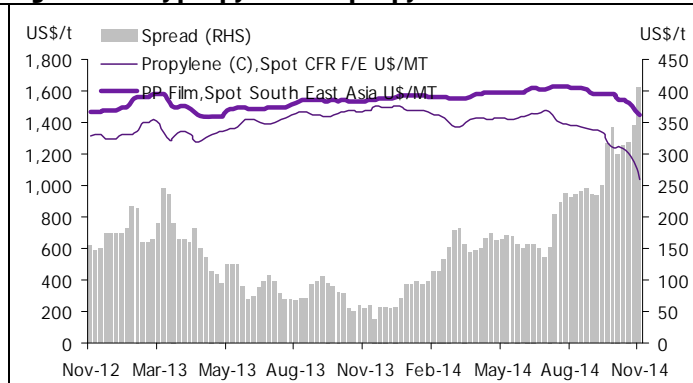
Source: Datastream, SCBS Investment Research

Figure 7: PP vs. Naphtha

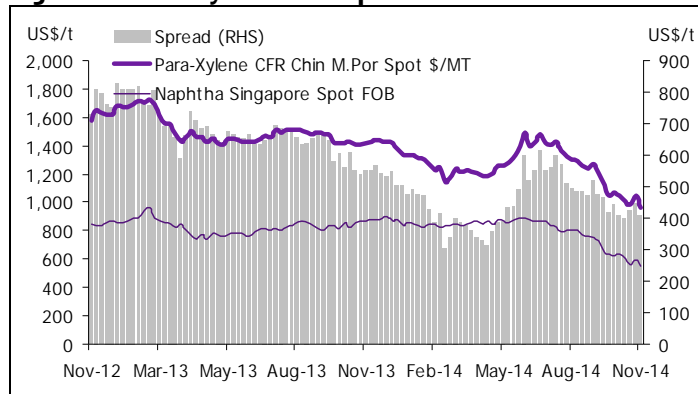
Source: Datastream, SCBS Investment Research

Figure 8: Polyethylene spread over ethylene

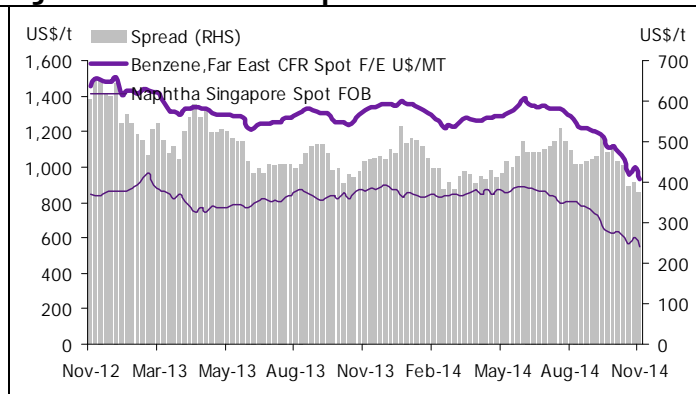
Source: Datastream, SCBS Investment Research

Figure 9: Polypropylene vs. propylene

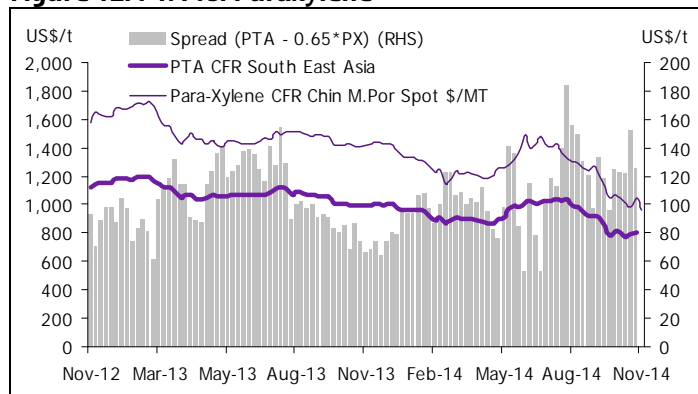
Source: Datastream, SCBS Investment Research

Figure 10: Paraxylene vs. Naphtha

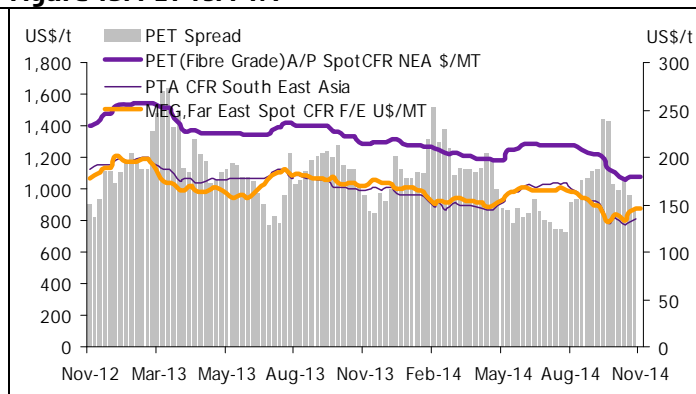
Source: Datastream, SCBS Investment Research

Figure 11: Benzene vs. Naphtha

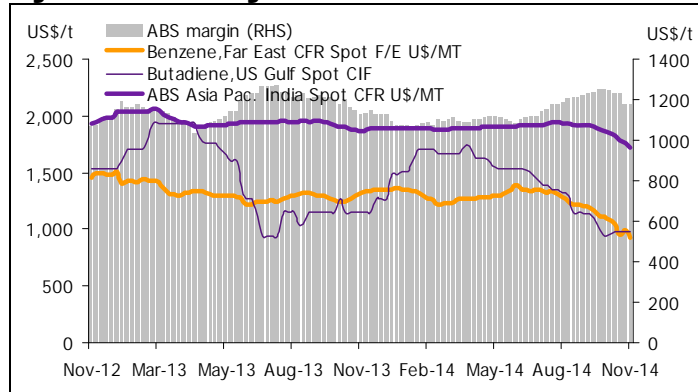
Source: Datastream, SCBS Investment Research

Figure 12: PTA vs. Paraxylene

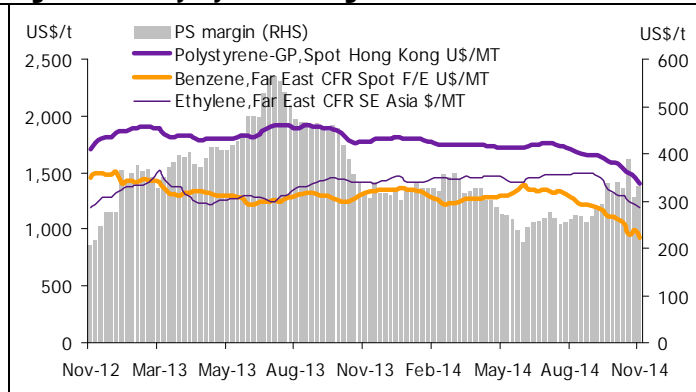
Source: Datastream, SCBS Investment Research

Figure 13: PET vs. PTA

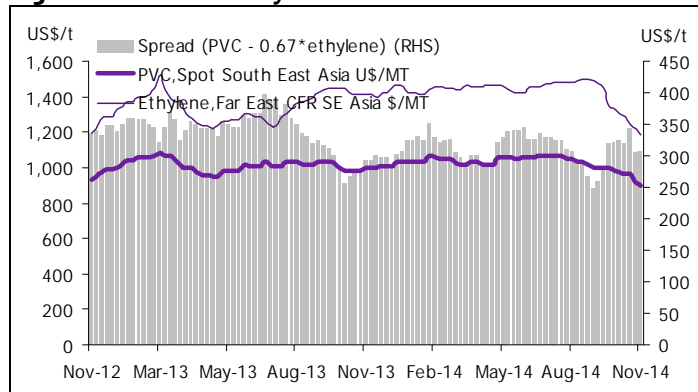
Source: Datastream, SCBS Investment Research

Figure 14: ABS margin

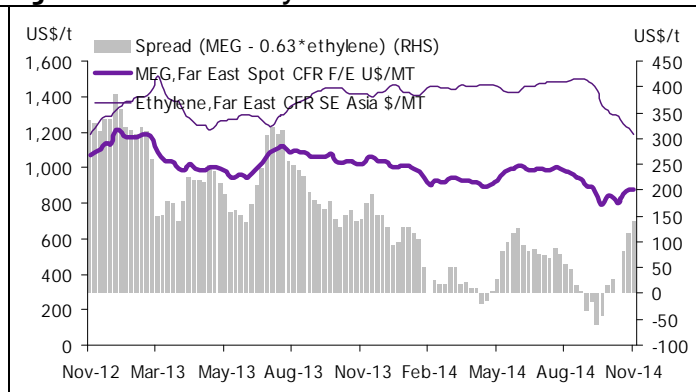
Source: Datastream, SCBS Investment Research

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	4Q14 QTD	3Q14	QoQ%	YTD	12MMA	2014F projection	Momentum
PTTGC	Ethylene/Propylene	21%	Ethylene, Far East CFR SE Asia \$/MT	1,294	1,478	-12%	1,428	1,428	1,440	↘
			Propylene (C), Spot CFR F/E US\$/MT	1,210	1,412	-14%	1,389	1,400	1,430	↘
	HDPE	19%	Polye HDPE Inj, South East Asia US\$/MT	1,529	1,605	-5%	1,567	1,564	1,570	↘
	LLDPE	7%	Polye LLDPE Film, F/E Spot SE Asia \$/MT	1,524	1,602	-5%	1,571	1,570	1,580	↘
	LDPE	4%	Polye LDPE-Film, Spot S.E Asia US\$/MT	1,531	1,602	-4%	1,599	1,607	1,640	↘
	MEG	6%	MEG, Far East Spot CFR F/E US\$/MT	838	973	-14%	936	946	1,110	→
	PX	28%	PX - naphtha	428	533	-20%	452	461	348	↘
IRPC	BZ	15%	BZ - naphtha	442	477	-7%	453	454	398	↘
	Ethylene/Propylene	15%	Ethylene - naphtha	687	659	4%	629	621	598	↘
			Propylene - naphtha	603	593	2%	590	592	588	↘
	HDPE	12%	HDPE - naphtha	922	785	17%	768	756	728	→
	PP	28%	PP - naphtha	927	793	17%	778	767	728	→
	ABS	7%	ABS spread	1,225	1,165	5%	1,139	1,138	n.a.	↘
	BTX	23%	BZ - naphtha	442	477	-7%	453	454	398	↘
SCC	PS	12%	PS spread	330	260	27%	299	301	n.a.	→
	HDPE	40%	HDPE - naphtha	922	785	17%	768	756	728	→
	LDPE	3%	LDPE - naphtha	924	782	18%	800	799	798	→
	LLDPE	3%	LLDPE - naphtha	917	782	17%	772	763	738	→
	PP	25%	PP - naphtha	927	793	17%	778	767	728	→
TPIPL	PVC	28%	PVC - Ethylene/EDC	408	428	-5%	414	390	n.a.	↘
	LDPE	60%	LDPE - Ethylene	238	123	92%	171	179	200	↗
TOP	PX	60%	PX - naphtha	428	533	-20%	452	461	348	↘
	BZ	21%	BZ - naphtha	442	477	-7%	453	454	398	↘
IVL	PTA	25%	PTA - PX	125	120	4%	111	107	103	→
	PET/Polyester	67%	PET spread	185	148	25%	175	173	n.a.	↗
	MEG - NA	8%								
VNT	PVC	63%	PVC - ethylene	315	308	2%	313	311	350	↘
TPC	PVC	100%	PVC - Ethylene/EDC	408	428	-5%	414	390	n.a.	↘

Source: Datastream, SCBS Investment Research

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