

Petrochemicals

SET Petro Index Close: 20/8/2024 512.62 -7.25 / -1.39% Bt899mn
 Bloomberg ticker: SETPETRO

Lower demand hit product spread

Bearish demand hurt petrochemical product price and spread in the recent week despite stable naphtha price, likely indicating market anxiety over the economic outlook, especially in China, which will prolong the petrochemical downcycle, lengthening the return to balanced demand/supply. After a dismal 2Q24, China's economy lost momentum further in July as new home prices fell at the fastest pace in nine years, industrial output slowed, export and investment growth dipped and unemployment rose. (Reuters) This will depress market sentiment for the rest of the year, in our view. There is nothing to encourage us in the sector at this time.

Average PE/PP spread fell back to below US\$400/t. Average PE/PP spread fell 2% WoW to a 6-week low of US\$391/t as PE/PP price slid 1% WoW on lower HDPE and LDPE prices. Again, these were adjusted down to align with lower feedstock cost in previous weeks. LDPE supply has increased recently as more attractive spread led producers to switch from producing ethylene vinyl acetate (EVA) to LDPE, since many facilities are designed to handle production of both using similar high-pressure processes. (ChemAnalyst) This pulled LDPE price down 2% WoW to a 9-week low of US\$1,250/t: still above 12MMA of US\$1,120/t, still at 10% premium to HDPE and LLDPE.

Lower demand hurt aromatics spread. Aromatics product spread weakened WoW, led by PX whose spread fell 2% WoW to a 2-year low of US\$351/t. This reflects slower demand for gasoline blending and lower operating rate of PTA plants given unviable product spread and less demand from polyester producers, the key users of PX. Meanwhile, PX supply has increased steadily on higher operating rates in China, on the rise since July to 86%, and higher rates at producers outside China after maintenance shutdowns. (CCFGroup) Benzene spread in 3Q24TD is US\$320/t, still above 12MMA of US\$309/t but the WoW decline of 5% to US\$303/t suggests softer demand as inventory is sufficient until the end of this summer's high season.

Integrated PET spread up slightly WoW. Despite a 1% WoW slip in PET bottle chip price to US\$900/t, integrated PET spread rose 2% WoW to a 4-week high of US\$121/t, vs. 12MMA of US\$103/t, driven by cheaper feedstock cost (PX and PTA) although MEG price rose 1% WoW on tighter supply. We expect PET bottle chip price to remain pressured for the rest of the year on lower off-season demand and more anti-dumping duties imposed by key markets against PET from China, including Mexico, India, South Korea and most recently Malaysia. (CZ) Further, capacity additions of 4mtpa will continue to enter the market though this will be offset by operating rate cuts by older and less cost competitive producers. Average integrated PET spread in 3Q24TD is up 8% QoQ to US\$106/t, the best quarter in 2024.

Key product prices and spread

(US\$/t)	Current 16-Aug-24	-1W	-1M	-3M	-6M	-12M	3Q24 QTD	2Q24	QoQ%	2024 YTD	YoY%	12MMA
Naphtha (Japan) C&F	674	0%	-4%	0%	-3%	4%	690	686	1%	687	6%	678
Ethylene (SE Asia) CFR	940	1%	-4%	-3%	-2%	9%	933	979	-5%	961	10%	939
Propylene (SE Asia) CFR	925	0%	1%	13%	5%	8%	912	832	10%	874	0%	852
HDPE (SE Asia Film) CFR	1,000	-1%	-4%	-2%	-3%	-3%	1,026	1,035	-1%	1,029	-1%	1,024
LDPE (SE Asia Film) CFR	1,250	-2%	-5%	10%	13%	21%	1,299	1,179	10%	1,174	10%	1,116
LLDPE (SE Asia Film) CFR	1,020	0%	-2%	1%	1%	1%	1,033	1,031	0%	1,022	0%	1,010
PP (SE Asia Inj) CFR	990	0%	-3%	-1%	0%	2%	1,004	1,006	0%	997	-1%	982
Related stocks	PTTGC (-)	SCC (-)	IRPC (-)									
Paraxylene (FOB)	1,025	-2%	-5%	-6%	-7%	-8%	1,071	1,108	-3%	1,096	0%	1,104
Benzene (FOB Korea Spot)	1,005	-1%	0%	-4%	-4%	10%	1,010	1,057	-4%	1,028	15%	986
Related stocks	PTTGC (-)	TOP (-)										
MEG (SE Asia) CFR	555	1%	0%	4%	0%	18%	559	532	5%	545	8%	524
PTA (SE Asia) CFR	750	-2%	-5%	-6%	-6%	-5%	782	802	-2%	791	-2%	792
PET Bottle (NE Asia) FOB	900	-1%	-3%	0%	-3%	-3%	913	918	-1%	919	-5%	918
Related stocks	PTTGC (-)	IVL (+)										
ABS (SE Asia) CFR	1,510	0%	-2%	1%	13%	14%	1,527	1,508	1%	1,454	6%	1,409
PS GPPS (SE Asia) CFR	1,330	0%	-3%	-4%	5%	11%	1,350	1,379	-2%	1,328	6%	1,297
Related stocks	IRPC (+)											
PVC (SE Asia) CFR	830	-1%	-1%	2%	5%	-9%	849	812	4%	810	-5%	815
Related stocks	SCC (-)	PTTGC (-)										
Spread												
Ethylene - naphtha	266	1%	15%	-9%	2%	23%	243	293	-17%	274	20%	261
Propylene - naphtha	251	-1%	16%	82%	36%	19%	222	146	52%	187	-18%	174
HDPE - naphtha	326	-3%	-4%	-5%	-3%	-14%	336	350	-4%	342	-13%	346
LDPE - naphtha	576	-4%	-6%	24%	39%	51%	609	493	23%	487	17%	438
LDPE - Ethylene	310	-7%	-18%	82%	100%	88%	366	200	83%	213	12%	177
LLDPE - naphtha	346	-1%	2%	4%	10%	-4%	343	345	-1%	335	-11%	332
PP - naphtha	316	-1%	-1%	-2%	7%	-2%	314	320	-2%	310	-13%	304
PX - naphtha	351	-7%	-7%	-16%	-14%	-24%	381	423	-10%	409	-9%	426
BZ - naphtha	331	-5%	8%	-11%	-5%	27%	320	371	-14%	341	38%	308
MEG - Ethylene	-28	n.a.	n.a.	n.a.	n.a.	n.a.	-20	-75	n.a.	-51	n.a.	-59
PTA - PX	63	3%	-9%	3%	6%	37%	65	59	9%	56	-20%	52
PET spread	66	2%	7%	93%	24%	-27%	50	47	7%	54	-48%	59
ABS spread	870	1%	-2%	3%	21%	5%	878	845	4%	814	-5%	809
PS spread	263	4%	-14%	-2%	57%	14%	282	260	8%	238	-17%	246
PVC - ethylene	353	-1%	-1%	6%	23%	-30%	366	334	10%	322	-22%	339

Source: Industry data, Bloomberg Finance L.P. and InnovestX Research

Note: The impact on related stocks is based on WoW change.

Valuation summary

	Rating	Price (Bt)	TP (Bt)	ETR (%)	P/E (x) 24F 25F 24F 25F	P/BV (x) 24F 25F
GGC	Underperform	4.6	5.2	14.3	n.m.	20.4 0.5 0.5
IVL	Neutral	18.4	19.0	6.5	15.8	8.4 0.7 0.7
PTTGC	Outperform	23.6	35.0	51.7	10.6	8.5 0.4 0.4
Average					13.2 12.4 0.5 0.5	

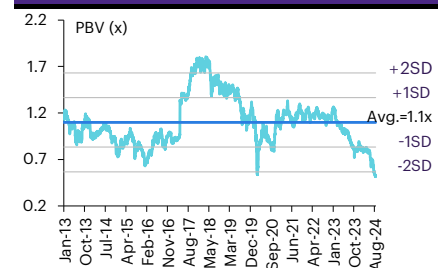
Source: InnovestX Research

Price performance

(%)	Absolute			Relative to SET		
	1M	3M	12M	1M	3M	12M
GGC	(19.3)	(40.0)	(59.3)	(20.9)	(38.1)	(53.2)
IVL	2.8	(26.1)	(39.7)	0.7	(23.7)	(30.7)
PTTGC	(10.1)	(36.2)	(35.3)	(11.9)	(34.2)	(25.7)

Source: SET and InnovestX Research

PBV band - SETPETRO



Source: SET, InnovestX Research

Analyst

Chaipat Thanawattano

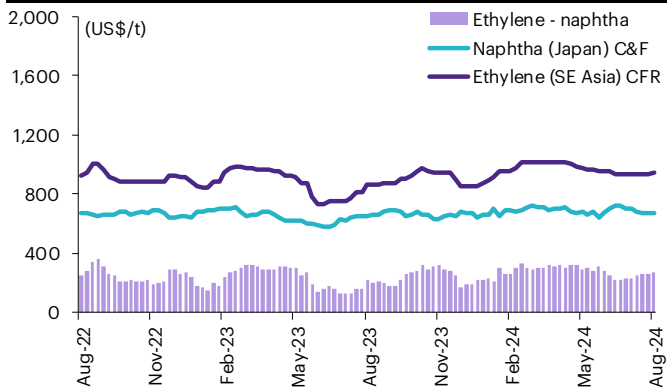
Fundamental Investment

Analyst on Securities

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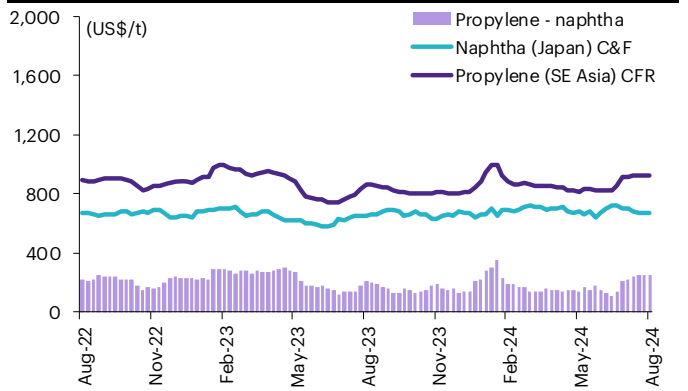
chaipat.thanawattano@scb.co.th

Figure 1: Ethylene vs. naphtha



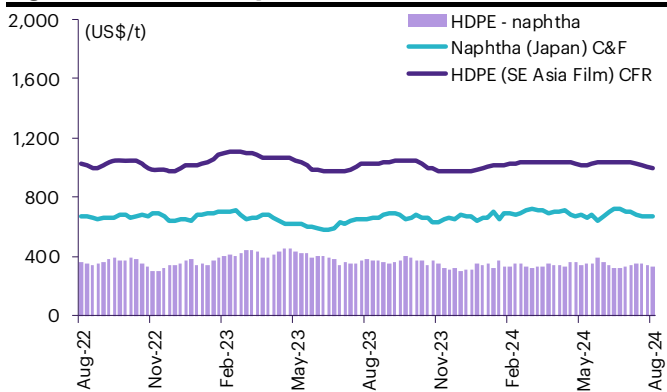
Source: Industry data, Bloomberg Finance L.P. and InnovestX Research

Figure 2: Propylene vs. naphtha



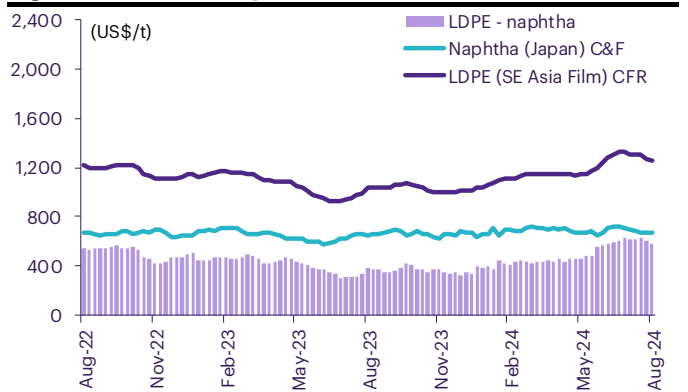
Source: Industry data, Bloomberg Finance L.P. and InnovestX Research

Figure 3: HDPE vs. naphtha



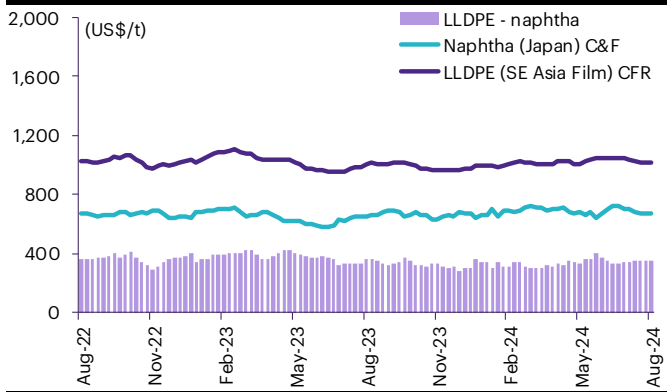
Source: Industry data, Bloomberg Finance L.P. and InnovestX Research

Figure 4: LDPE vs. naphtha



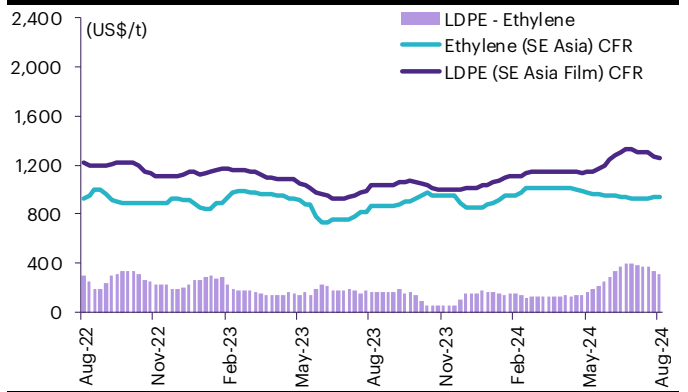
Source: Industry data, Bloomberg Finance L.P. and InnovestX Research

Figure 5: LLDPE vs. naphtha



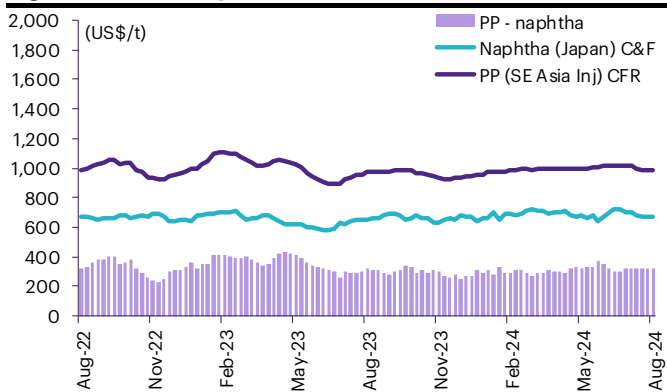
Source: Industry data, Bloomberg Finance L.P. and InnovestX Research

Figure 6: LDPE vs. ethylene



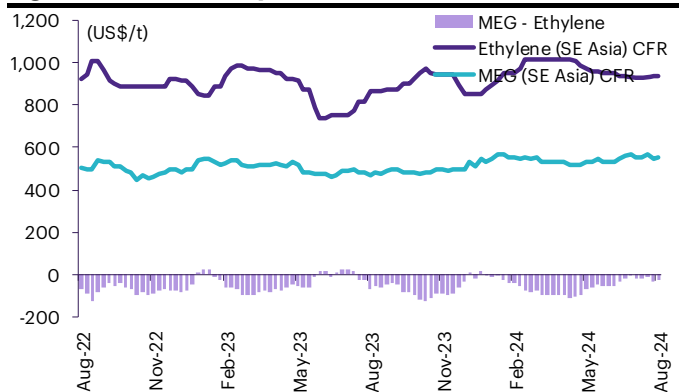
Source: Industry data, Bloomberg Finance L.P. and InnovestX Research

Figure 7: PP vs. naphtha



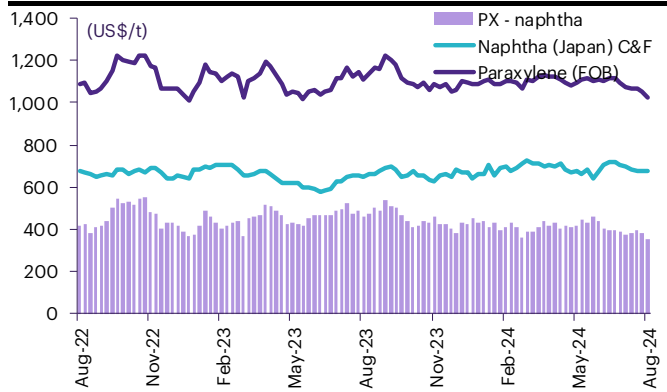
Source: Industry data, Bloomberg Finance L.P. and InnovestX Research

Figure 8: MEG vs. ethylene



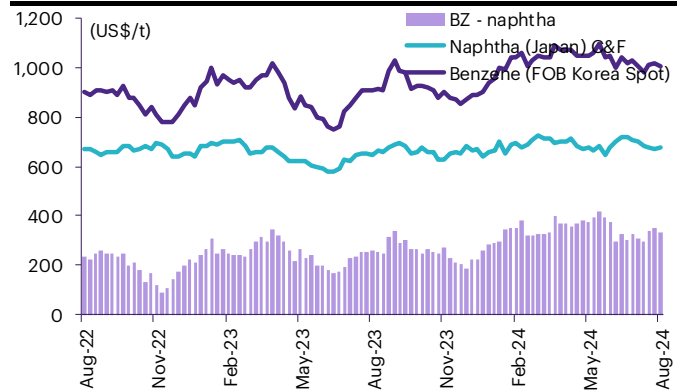
Source: Industry data, Bloomberg Finance L.P. and InnovestX Research

Figure 9: Paraxylene vs. naphtha



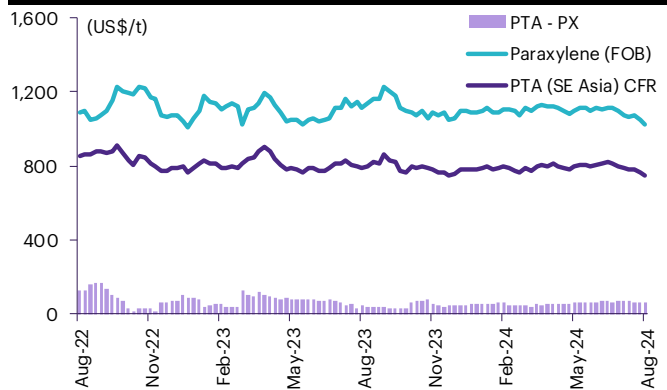
Source: Industry data, Bloomberg Finance L.P. and InnovestX Research

Figure 10: Benzene vs. naphtha



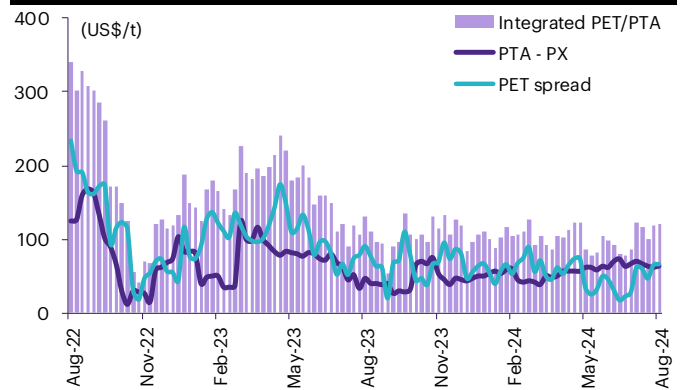
Source: Industry data, Bloomberg Finance L.P. and InnovestX Research

Figure 11: PTA vs. paraxylene



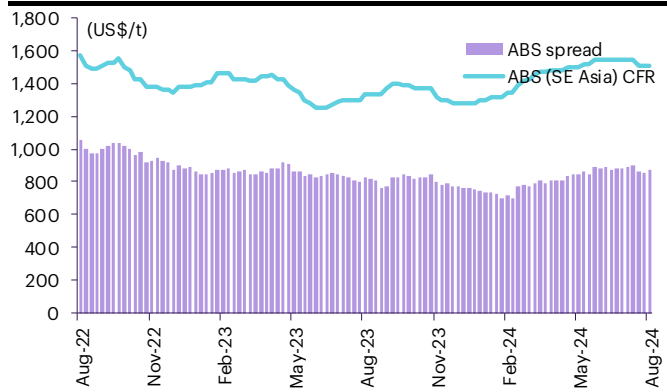
Source: Industry data, Bloomberg Finance L.P. and InnovestX Research

Figure 12: Integrated PET spread



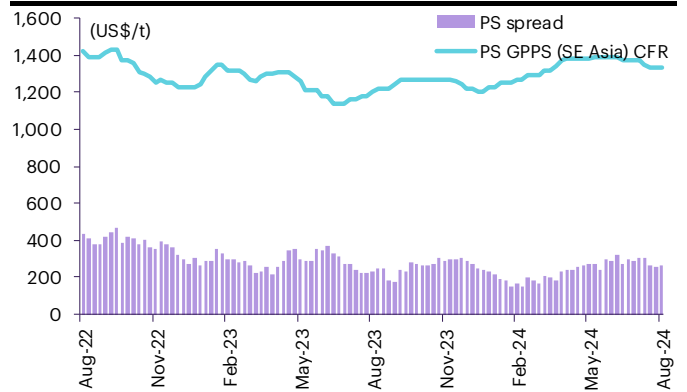
Source: Industry data, Bloomberg Finance L.P. and InnovestX Research

Figure 13: ABS price and product spread



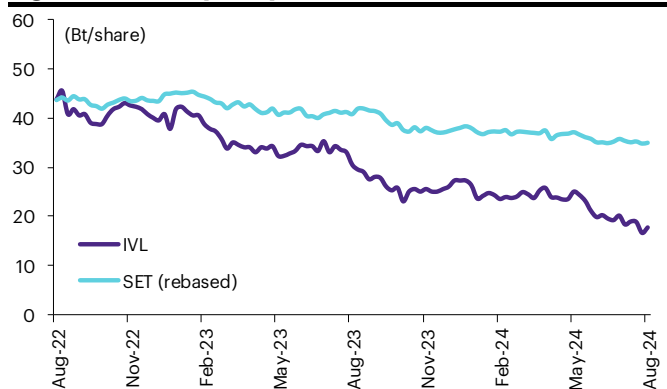
Source: Industry data, Bloomberg Finance L.P. and InnovestX Research

Figure 14: Polystyrene price and product spread



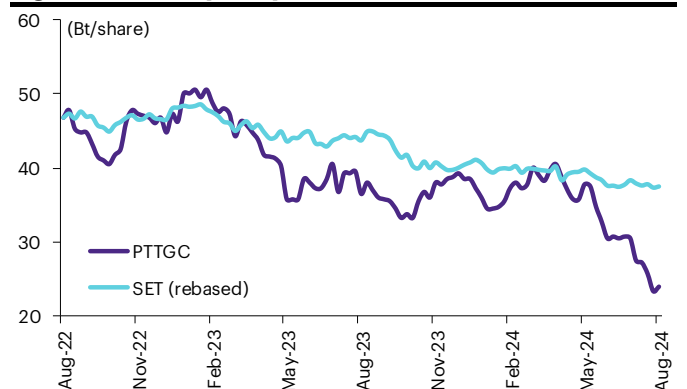
Source: Industry data, Bloomberg Finance L.P. and InnovestX Research

Figure 15: Share price performance – IVL



Source: Bloomberg Finance L.P. and InnovestX Research

Figure 16: Share price performance – PTTGC



Source: Bloomberg Finance L.P. and InnovestX Research

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