

Petrochemical price monitor

Chaipat Thanawattano

(66-2) 949-1005

chaipat.thanawattano@scb.co.th

- **Ethylene price continued to rise amidst quiet trade.** Trading in petrochemical market was quiet in the first week of 2014 but ethylene price still rose 1.9% WoW to an 11-month high of US\$1,453/t on the back of reports of continued tight product availability in the region. Polyethylene prices were stable WoW, lacking transactions. With naphtha cost down 2.7% WoW, product spread widened in a range of 3.2% to 9.9% WoW. Only LDPE-ethylene spread was slashed by 10.8% WoW on higher ethylene cost.
- **PX price still on a downtrend.** PX price edged down 0.6% WoW to a 5-week low of US\$1,423/t as regional demand remained weak and concerns of huge additional supply continued to depress market sentiment. Despite a slight pickup in PX spread, more margin squeeze is expected in 2014F.
- **Lower feedstock cost and higher PET price boosted PET/PTA spread.** Integrated PET/PTA spread inched up 8% WoW to US\$247/t as prices of key feedstock (PX and MEG) declined 0.6-0.7% WoW while PET price rose marginally by 0.8% WoW. Lower PX price will continue to benefit PET/PTA producers in 2014F but the magnitude of the benefit is uncertain until the regional demand/supply balance shows steady improvement.

Investment view: The sector (-4.9% WoW) slightly outperformed the market (-5.2% WoW), though IVL's share price continued to fall to an 18-week low of Bt19.6/share on concerns of weaker product spread. PTTGC price fell a sharper 5.7% WoW on the market sell-off, but we see this as an opportunity to accumulate the stock. Supporting our view is a stronger operating performance QoQ in 4Q13F and higher product price ahead of the Chinese New Year. The company should also be a net beneficiary of the weaker baht despite some US\$-denominated debts.

Figure 1: Petrochemical price update

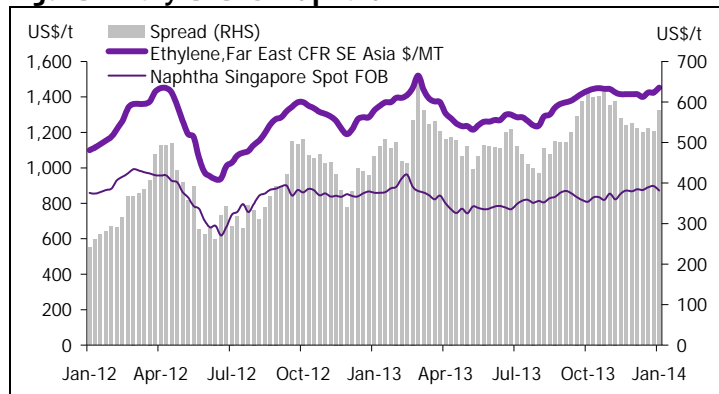
	Current 3-Jan-14	52-week High/Low	-1W	-1M	-3M	-6M	-12M	4Q13 QTD	3Q13	QoQ%	YTD	Chg.	%YoY	2014F projection
Price														
Naphtha Singapore Spot FOB	873	962/744	-2.7%	-1%	8%	10%	2%	855	827	3%	833	-19	-2%	822
Ethylene, Far East CFR SE Asia \$/MT	1,453	1,520/1,215	1.9%	3%	1%	13%	10%	1,427	1,321	8%	1,352	124	10%	1,320
Propylene (C), Spot CFR F/E US/MT	1,500	1,503/1,280	0.2%	1%	4%	6%	15%	1,472	1,430	3%	1,398	36	3%	1,370
Polye HDPE Inj, South East Asia US/MT	1,535	1,540/1,425	0.0%	0%	2%	6%	10%	1,530	1,476	4%	1,478	108	8%	1,440
Polye LDPE-Film, Spot S.E Asia US/MT	1,680	1,680/1,395	0.0%	1%	1%	15%	23%	1,664	1,569	6%	1,534	174	13%	1,490
Polye LLDPE Film, F/E Spot SE Asia \$/MT	1,570	1,570/1,410	0.0%	1%	3%	8%	10%	1,546	1,489	4%	1,487	133	10%	1,480
PP Film, Spot South East Asia US/MT	1,555	1,580/1,440	0.0%	1%	1%	4%	5%	1,539	1,513	2%	1,515	71	5%	1,490
Related stocks														
PTTGC (Neutral) IRPC (+) SCC (+) TPIPL (-)														
Para-Xylene CFR Chin M. Por Spot \$/MT	1,423	1,721/1,406	-0.6%	-1%	-4%	0%	-16%	1,432	1,486	-4%	1,498	-22	-1%	1,390
Benzene, Far East CFR Spot F/E US/MT	1,353	1,443/1,218	0.0%	1%	4%	11%	-10%	1,298	1,275	2%	1,318	89	7%	1,220
Related stocks														
PTTGC (-) TOP (-) ESSO (-)														
MEG, Far East Spot CFR F/E US/MT	1,028	1,195/944	-0.7%	-2%	-3%	6%	-15%	1,043	1,067	-2%	1,054	28	3%	1,040
PTA CFR South East Asia	1,005	1,200/990	0.0%	0%	-5%	-6%	-15%	1,009	1,082	-7%	1,076	-26	-2%	1,050
PET (Fibre Grade)/P Spot CFR NEA \$/MT	1,310	1,540/1,290	0.8%	2%	-6%	-3%	-14%	1,330	1,385	-4%	1,396	15	1%	n.a.
Related stocks														
PTTGC (-) IVL (+)														
ABS Asia Pac. India Spot CFR US/MT	1,895	2,060/1,870	0.0%	1%	-3%	-2%	-7%	1,904	1,918	-1%	1,949	-49	-2%	n.a.
Polystyrene-GP, Spot Hong Kong US/MT	1,800	1,915/1,765	0.0%	2%	-5%	-1%	-3%	1,817	1,892	-4%	1,845	261	16%	n.a.
Related stocks														
IRPC (Neutral)														
PVC, Spot South East Asia US/MT	1,010	1,083/950	0.0%	1%	-2%	0%	1%	1,003	1,020	-2%	1,013	33	3%	1,030
Related stocks														
VNT (-) TPC (Neutral)														
Product spread														
Ethylene - naphtha	580	650/424	9.9%	8%	-7%	18%	25%	572	494	16%	520	143	38%	498
Propylene - naphtha	627	658/438	4.5%	4%	-1%	1%	42%	617	603	2%	565	55	11%	548
HDPE - naphtha	662	713/533	3.9%	2%	-6%	2%	25%	675	649	4%	645	127	24%	618
LDPE - naphtha	807	851/511	3.2%	2%	-5%	20%	58%	809	741	9%	702	193	38%	668
LDPE - Ethylene	228	323/25	-10.8%	-11%	1%	26%	406%	237	248	-4%	182	50	37%	170
LLDPE - naphtha	697	730/528	3.7%	4%	-3%	6%	24%	691	662	4%	654	152	30%	658
PP - naphtha	682	736/598	3.7%	3%	-7%	-2%	11%	684	686	0%	682	90	15%	668
PX - naphtha	550	817/534	2.9%	-1%	-18%	-13%	-34%	577	659	-12%	665	-3	0%	568
BZ - naphtha	480	594/396	5.4%	5%	-3%	13%	-26%	443	448	-1%	485	108	29%	398
MEG - Ethylene	127	358/127	-15.9%	-27%	-26%	-26%	-67%	158	248	-37%	216	-49	-18%	222
PTA - PX	80	155/62	7.8%	17%	-14%	-41%	-9%	78	116	-33%	102	-12	-11%	119
PET spread	166	273/128	8.1%	17%	-19%	-5%	-4%	179	168	6%	188	26	16%	n.a.
Integrated PET/PTA spread	247	391/211	8.0%	17%	-17%	-21%	-5%	256	284	-10%	291	13	5%	n.a.
ABS spread	1,124	1,272/1,040	0.0%	-1%	-8%	-8%	-3%	1,169	1,237	-5%	1,167	50	4%	n.a.
PS spread	310	565/305	-2.5%	2%	-31%	-35%	12%	378	502	-25%	411	154	60%	n.a.
PVC - ethylene	284	398/258	-4.6%	-3%	-11%	-23%	-16%	289	360	-20%	336	-29	-8%	370

Source: Datastream, SCBS Investment Research

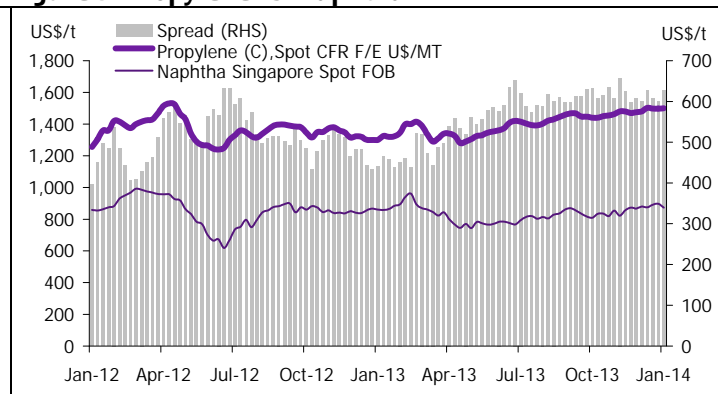
Note: Impact to related stocks is based on WoW performance

Tel: (662) 949-1000
 Fax: (662) 949-1030
 www.scb.co.th

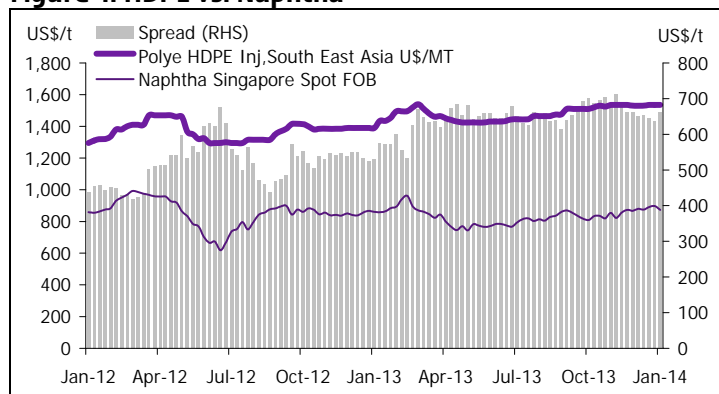
The information in this report has been obtained from sources believed to be reliable. However, its accuracy or completeness is not guaranteed. Any opinions expressed herein reflect our judgment at this date and are subject to change without notice. This report is for information only. It is not to be construed as an offer, or solicitation of an offer to sell or buy any securities. We accept no liability for any loss arising from the use of this document. We or our associates may have an interest in the companies mentioned therein.

Figure 2: Ethylene vs. Naphtha

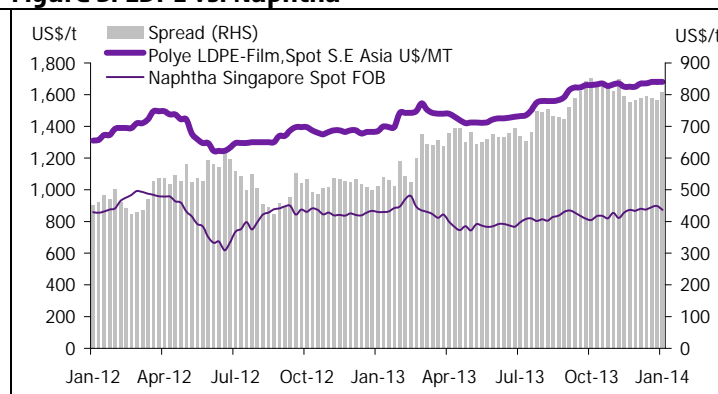
Source: Datastream, SCBS Investment Research

Figure 3: Propylene vs. Naphtha

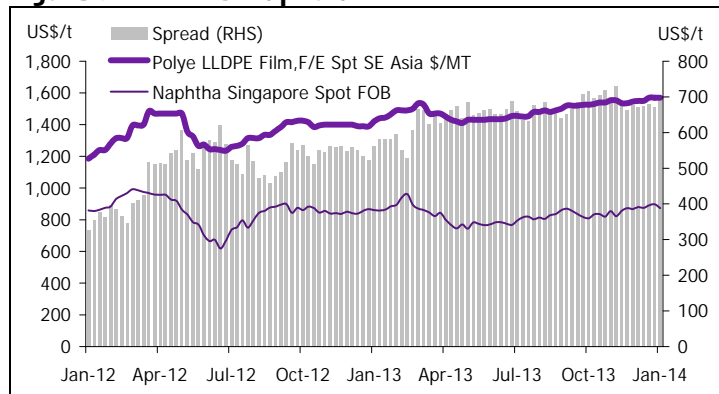
Source: Datastream, SCBS Investment Research

Figure 4: HDPE vs. Naphtha

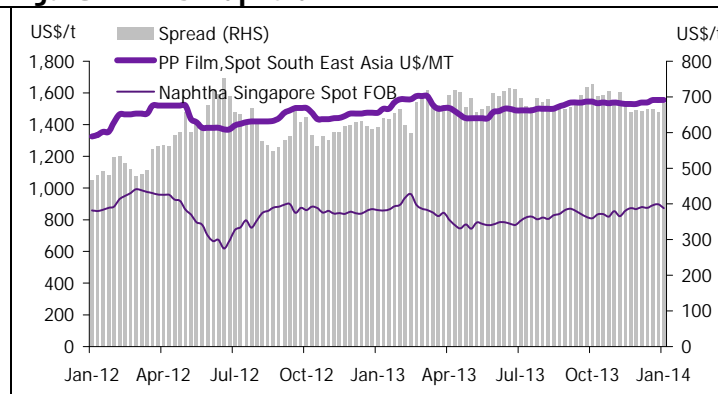
Source: Datastream, SCBS Investment Research

Figure 5: LDPE vs. Naphtha

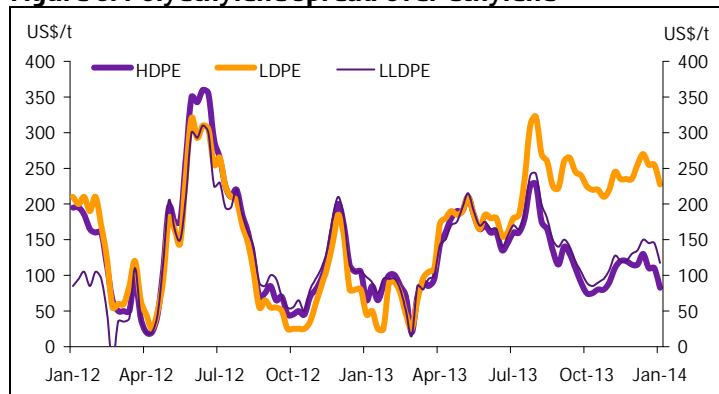
Source: Datastream, SCBS Investment Research

Figure 6: LLDPE vs. Naphtha

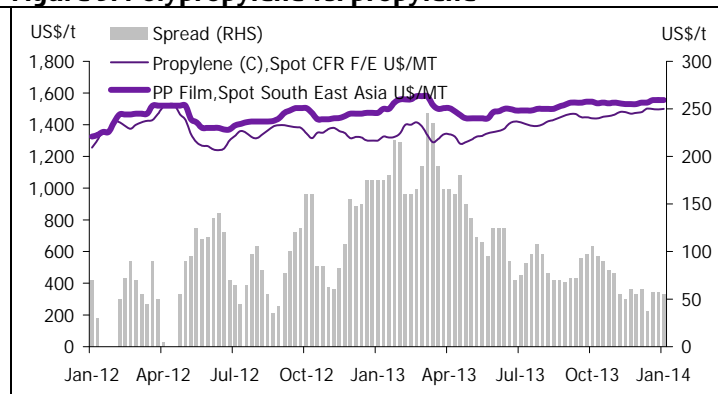
Source: Datastream, SCBS Investment Research

Figure 7: PP vs. Naphtha

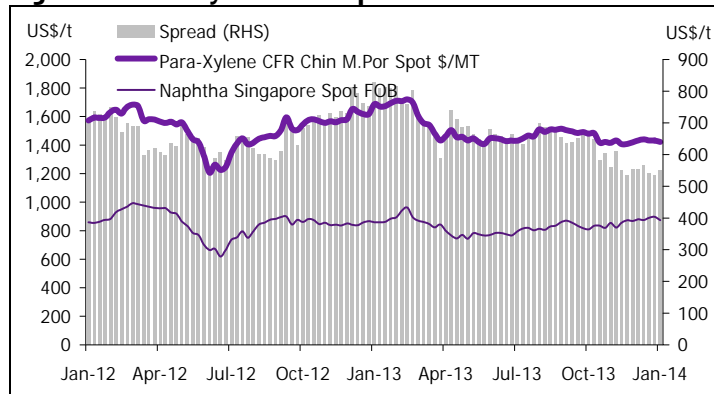
Source: Datastream, SCBS Investment Research

Figure 8: Polyethylene spread over ethylene

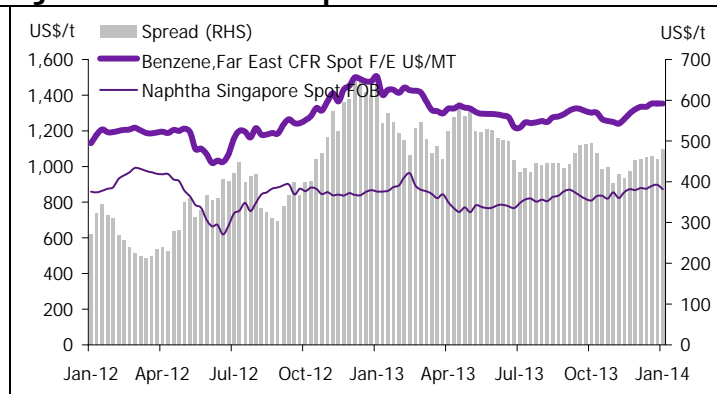
Source: Datastream, SCBS Investment Research

Figure 9: Polypropylene vs. propylene

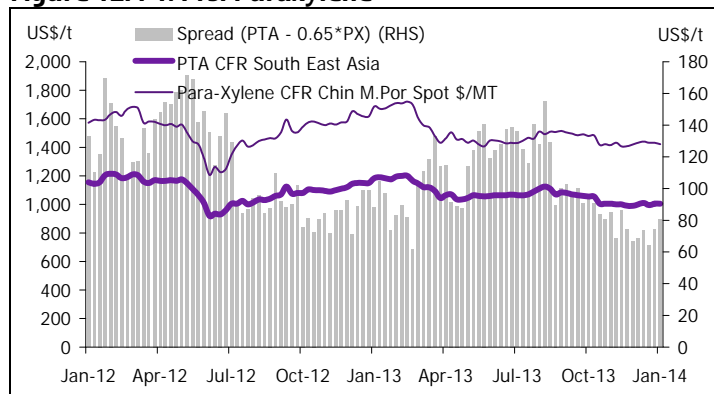
Source: Datastream, SCBS Investment Research

Figure 10: Paraxylene vs. Naphtha

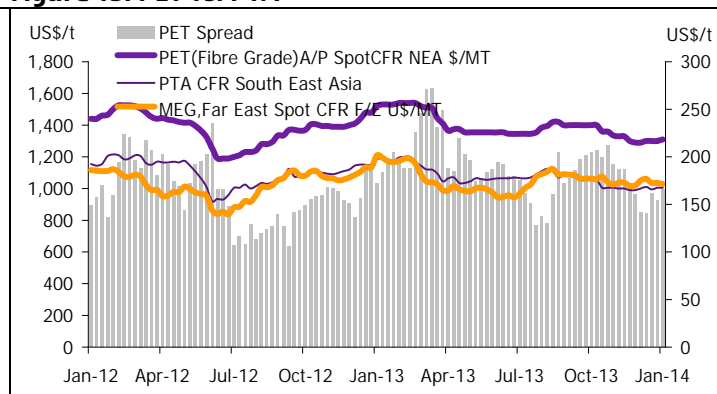
Source: Datastream, SCBS Investment Research

Figure 11: Benzene vs. Naphtha

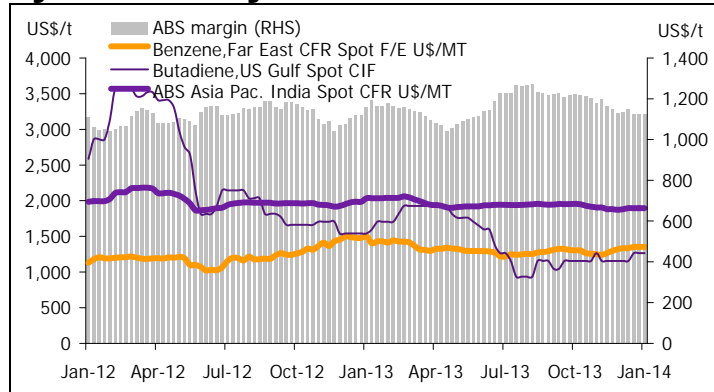
Source: Datastream, SCBS Investment Research

Figure 12: PTA vs. Paraxylene

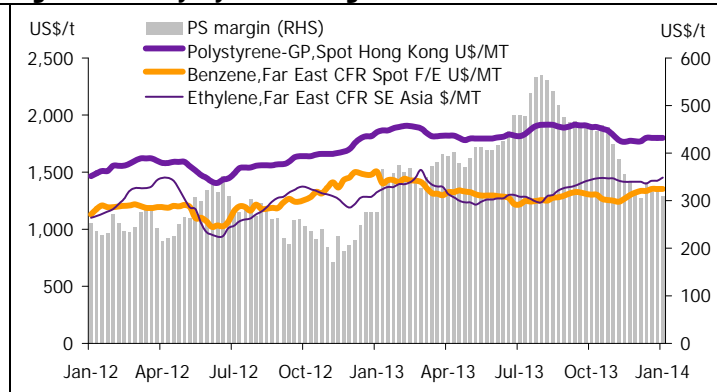
Source: Datastream, SCBS Investment Research

Figure 13: PET vs. PTA

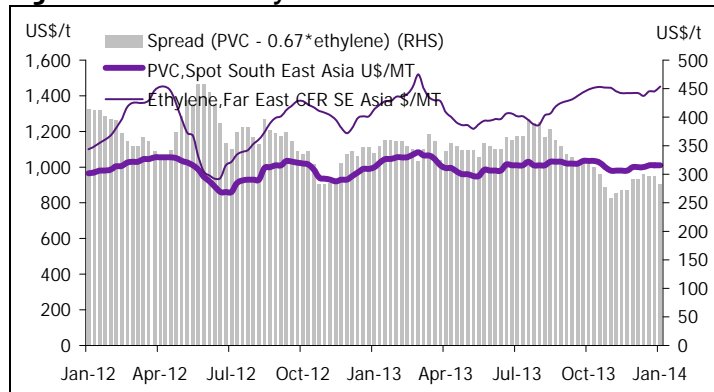
Source: Datastream, SCBS Investment Research

Figure 14: ABS margin

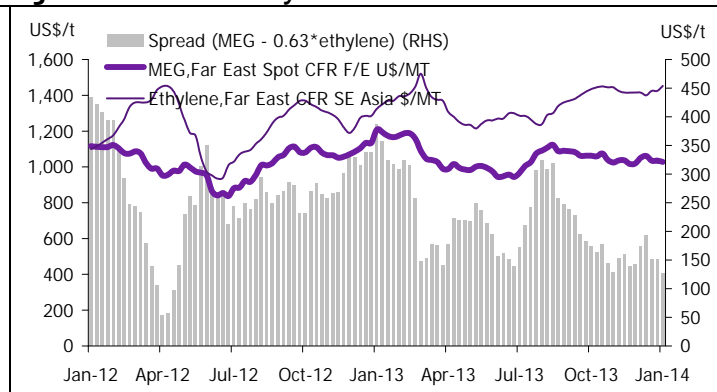
Source: Datastream, SCBS Investment Research

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	4Q13 QTD	3Q13	QoQ%	YTD	12MMA	2014F projection	Momentum
PTTGC	Ethylene/Propylene	21%	Ethylene, Far East CFR SE Asia \$/MT	1,427	1,321	8%	1,352	1,355	1,320	↗
			Propylene (C), Spot CFR F/E US/MT	1,472	1,430	3%	1,398	1,401	1,370	↗
	HDPE	19%	Polye HDPE Inj, South East Asia US/MT	1,530	1,476	4%	1,478	1,481	1,440	↗
	LLDPE	7%	Polye LLDPE Film, F/E Spt SE Asia \$/MT	1,546	1,489	4%	1,487	1,489	1,480	↗
	LDPE	4%	Polye LDPE-Film, Spot S.E Asia US/MT	1,664	1,569	6%	1,534	1,540	1,490	↗
	MEG	6%	MEG, Far East Spot CFR F/E US/MT	1,043	1,067	-2%	1,054	1,051	1,040	↘
	PX	28%	PX - naphtha	577	659	-12%	665	660	568	↘
IRPC	BZ	15%	BZ - naphtha	443	448	-1%	485	482	398	→
	Ethylene/Propylene	15%	Ethylene - naphtha	572	494	16%	520	522	498	→
			Propylene - naphtha	617	603	2%	565	569	548	→
	HDPE	12%	HDPE - naphtha	675	649	4%	645	648	618	→
	PP	28%	PP - naphtha	684	686	0%	682	683	668	→
	ABS	7%	ABS spread	1,169	1,237	-5%	1,167	1,166	n.a.	↘
	BTX	23%	BZ - naphtha	443	448	-1%	485	482	398	→
SCC	PS	12%	PS spread	378	502	-25%	411	412	n.a.	→
	HDPE	40%	HDPE - naphtha	675	649	4%	645	648	618	→
	LDPE	3%	LDPE - naphtha	809	741	9%	702	708	668	→
	LLDPE	3%	LLDPE - naphtha	691	662	4%	654	657	658	→
	PP	25%	PP - naphtha	684	686	0%	682	683	668	→
TPIPL	PVC	28%	PVC - Ethylene/EDC	521	603	-14%	589	486	n.a.	↘
	LDPE	60%	LDPE - Ethylene	237	248	-4%	182	186	170	→
TOP	PX	60%	PX - naphtha	577	659	-12%	665	660	568	↘
	BZ	21%	BZ - naphtha	443	448	-1%	485	482	398	→
IVL	PTA	25%	PTA - PX	78	116	-33%	102	102	119	→
	PET/Polyester	67%	PET spread	179	168	6%	188	188	n.a.	→
	MEG - NA	8%								
VNT	PVC	63%	PVC - ethylene	289	360	-20%	336	335	370	↘
TPC	PVC	100%	PVC - Ethylene/EDC	521	603	-14%	589	486	n.a.	↘

Source: Datastream, SCBS Investment Research

Disclaimer:

SCB SECURITIES COMPANY LIMITED ("SCBS") ACTS AS MARKET MAKER AND ISSUER OF DERIVATIVE WARRANTS on the ordinary shares of ADVANC, BANPU, BAY, BBL, BCP, BEC, BGH, BJC, BTS, CENTEL, CK, DTAC, GLOBAL, HMPRO, INTUCH, IVL, JAS, KBANK, KKP, KTB, PS, PTT, PTTEP, PTTGC, SCC, TCAP, THAI, TISCO, TMB, TOP, TRUE.

Before making an investment decision over a derivative warrant, an investor should carefully read the prospectus for the details of the said derivative warrants. Any opinion, news, research, analyse, price, statement, forecast, projection and/or other information contained in this document (the "Information") is provided as general purpose information only, and shall not be construed as a recommendation to any person of an offer to buy or sell, or the solicitation of an offer to buy or sell, any securities. SCBS and/or its directors, officers, employees, and agents shall not be liable for any direct, indirect, incidental, special or consequential loss or damage, resulting from the use of, or reliance on, the Information, including without limitation, damages for loss of profits. The investor should use the Information in association with other information and opinion, including his/her own judgment in making investment decision. The Information is obtained from sources believed to be reliable, and SCBS cannot guarantee the accuracy, completeness and/or correctness of the Information.

SCBS reserves the right to modify the Information from time to time at its sole discretion without giving any notice. This document is delivered to intended recipient(s) only and is not permitted to reproduce, retransmit, disseminate, sell, distribute, republish, circulate or commercially exploit the Information in any manner without the prior written consent of SCBS.