

Petrochemicals

SET Petro Index Close: 9/4/2024 752.54 +10.48 / +1.41% Bt885mn
Bloomberg ticker: SETPETRO



Lower naphtha cost boosted product spread

Petrochemical product spreads mostly improved WoW on lower naphtha cost while product price was nearly unchanged, except for aromatics products, which were driven by tighter supply from maintenance shutdowns and better market sentiment on China's manufacturing activity, as shown in higher PMI. We continue cautious on the sector's macro view in view of the iffy demand-supply outlook. We believe the worst is behind us but expect only gradual recovery in the industry over the next 1-2 years due to supply gluts from new capacity in China. Stay cautious, though compelling valuations may open trading opportunities.

Lower naphtha cost lifts average PE/PP spread WoW. Average PE/PP price was stable WoW amidst lackluster demand, but average PE/PP spread was widened by a drop in naphtha cost to a 5-week high of US\$354/t, slightly above cash cost of US\$350/t but below 12MMA of US\$356/t. There is no sign of meaningful capacity rationalization to help the demand-supply balance and sentiment in big markets China and India is weak.

Benzene spread jumped WoW on positive sentiment on China PMI. Benzene-naphtha spread rose to approach a 2-year high at US\$397/t (+19% WoW) on better sentiment after China's manufacturing PMI for March was announced that showed manufacturing activity expanding for the first time in six months, with the official purchasing managers' index coming in at 50.8, up from 49.1 a month earlier. This will lead to higher demand for benzene, the key feedstock for plastics used in automotive and electrical appliance industries. Meanwhile, supply was reduced by maintenance shutdowns, which also lessened supply of PX. Hence, PX-naphtha spread widened 7% WoW to US\$437/t vs. YTD average of US\$413/t and 12MMA of US\$453/t.

Integrated PET spread hit by feedstock cost. Integrated PET spread weakened to a 15-week low of US\$87/t (-6% WoW), far below 12MMA of US\$126/t and YTD average of US\$103/t. Behind this was a 1% WoW rise in PX and PTA prices on higher demand from polyester producers and tighter supply due to maintenance shutdowns. Price of PET bottle chips remained steady WoW as the market watches closely for the final ruling of the EC on the anti-dumping investigation of PET originating from China, which would impose anti-dumping duties ranging from 6.6% to 24.2% on the products (CCF Group). Together with new capacity coming onstream in China, PET spread in Asia will remain under pressure until summer demand gains more strength.

Key product prices and spread

(US\$/t)	Current 5-Apr-24	-1W	-1M	-3M	-6M	-12M	2Q24 QTD	1Q24	QoQ%	2024 YTD	YoY%	12MMA
Naphtha (Japan) C&F	694	-2%	-2%	8%	7%	0%	694	687	1%	687	-2%	650
Ethylene (SE Asia) CFR	1,015	0%	0%	19%	12%	5%	1,015	958	6%	962	4%	895
Propylene (SE Asia) CFR	850	0%	-3%	1%	5%	-10%	850	895	-5%	892	-5%	842
HDPE (SE Asia Film) CFR	1,040	0%	0%	5%	-1%	-3%	1,040	1,025	2%	1,026	-5%	1,019
LDPE (SE Asia Film) CFR	1,140	0%	0%	11%	7%	4%	1,140	1,102	3%	1,104	-4%	1,039
LLDPE (SE Asia Film) CFR	1,010	0%	-1%	1%	-1%	-3%	1,010	1,008	0%	1,009	-6%	996
PP (SE Asia Inj) CFR	1,000	0%	0%	5%	1%	-2%	1,000	983	2%	984	-7%	968
Related stocks	PTTGC (-)	SCC (+)	IRPC (+)									
Paraxylene (FOB)	1,130	1%	6%	4%	1%	-1%	1,130	1,097	3%	1,100	-1%	1,102
Benzene (FOB Korea Spot)	1,090	4%	6%	21%	19%	12%	1,090	1,008	8%	1,014	8%	921
Related stocks	PTTGC (+)	TOP (+)										
MEG (SE Asia) CFR	535	0%	-3%	-2%	11%	3%	535	550	-3%	549	4%	507
PTA (SE Asia) CFR	805	1%	6%	3%	4%	-9%	805	784	3%	786	-3%	796
PET Bottle (NE Asia) FOB	920	0%	-1%	0%	-2%	-11%	920	924	0%	924	-6%	935
Related stocks	PTTGC (-)	IVL (-)										
ABS (SE Asia) CFR	1,470	0%	4%	15%	6%	2%	1,470	1,360	8%	1,368	-4%	1,343
PS GPPS (SE Asia) CFR	1,340	2%	4%	12%	6%	3%	1,340	1,266	6%	1,271	-2%	1,242
Related stocks	IRPC (-)											
PVC (SE Asia) CFR	810	0%	1%	8%	-4%	-6%	810	787	3%	789	-12%	814
Related stocks	SCC (-)	PTTGC (-)										
Spread												
Ethylene - naphtha	322	6%	5%	49%	25%	19%	322	272	18%	275	23%	245
Propylene - naphtha	157	13%	-5%	-24%	-4%	-37%	157	208	-25%	205	-15%	192
HDPE - naphtha	347	5%	5%	-1%	-14%	-8%	347	338	3%	339	-9%	370
LDPE - naphtha	447	4%	4%	14%	6%	10%	447	415	8%	417	-6%	389
LDPE - Ethylene	125	0%	0%	-29%	-24%	-7%	125	143	-13%	142	-35%	144
LLDPE - naphtha	317	6%	2%	-12%	-15%	-8%	317	322	-2%	322	-13%	346
PP - naphtha	307	6%	6%	-1%	-11%	-6%	307	297	3%	297	-17%	318
PX - naphtha	437	7%	21%	-3%	-7%	-2%	437	411	6%	413	2%	453
BZ - naphtha	397	19%	24%	52%	48%	44%	397	322	23%	327	36%	271
MEG - Ethylene	-94	n.a.	n.a.	n.a.	n.a.	n.a.	-94	-44	n.a.	-48	n.a.	-48
PTA - PX	48	-3%	11%	-4%	71%	-59%	48	49	-2%	49	-30%	57
PET spread	46	-9%	-49%	-28%	-58%	-52%	46	63	-27%	61	-43%	79
ABS spread	788	-2%	1%	5%	-7%	-9%	788	749	5%	752	-13%	808
PS spread	185	-8%	1%	-23%	-35%	-27%	185	192	-4%	191	-32%	254
PVC - ethylene	307	0%	12%	11%	-23%	-20%	307	286	7%	288	-36%	352

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

Valuation summary

	Rating	Price (Bt)	TP (Bt)	ETR (%)	P/E (x)	P/BV (x)
GGC	Underperform	7.8	10.0	32.2	16.6	13.4
IVL	Neutral	25.5	32.0	29.4	8.4	5.9
PTTGC	Neutral	40.5	50.0	26.9	14.9	12.2
Average					13.3	10.5

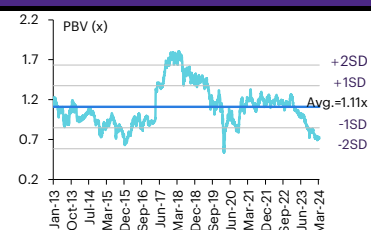
Source: InnovestX Research

Price performance

(%)	Absolute			Relative to SET		
	1M	3M	12M	1M	3M	12M
GGC	(1.9)	(13.9)	(39.5)	(2.9)	(13.1)	(31.2)
IVL	6.3	(2.9)	(26.1)	5.1	(2.0)	(16.0)
PTTGC	7.3	10.2	(10.0)	6.2	11.2	2.3

Source: SET and InnovestX Research

PBV band - SETPETRO



Source: SET, InnovestX Research

Analyst

Chaipat Thanawattano

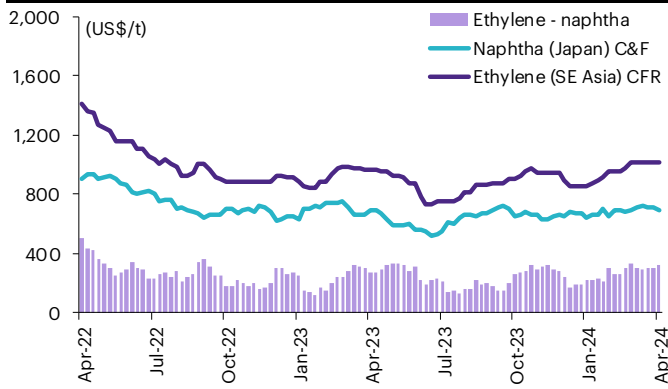
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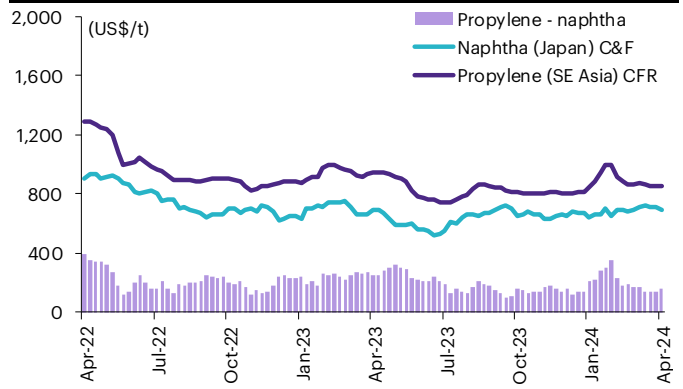
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Figure 1: Ethylene vs. naphtha



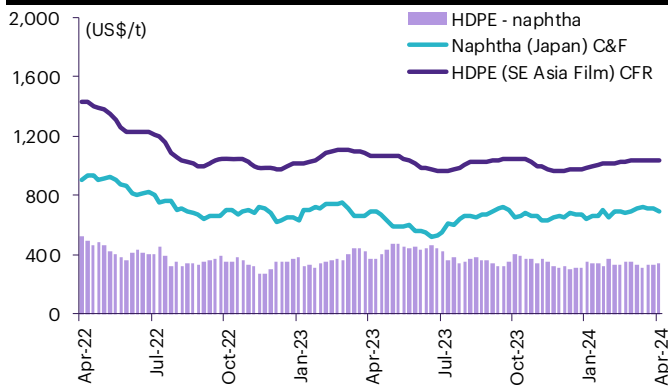
Source: Industry data, Bloomberg Finance L.P. and InnovestX Research

Figure 2: Propylene vs. naphtha



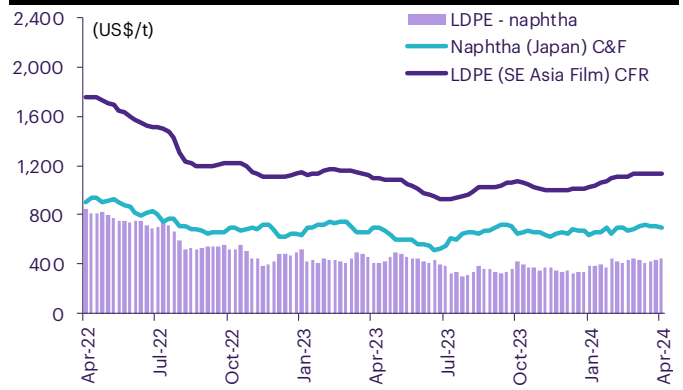
Source: Industry data, Bloomberg Finance L.P. and InnovestX Research

Figure 3: HDPE vs. naphtha



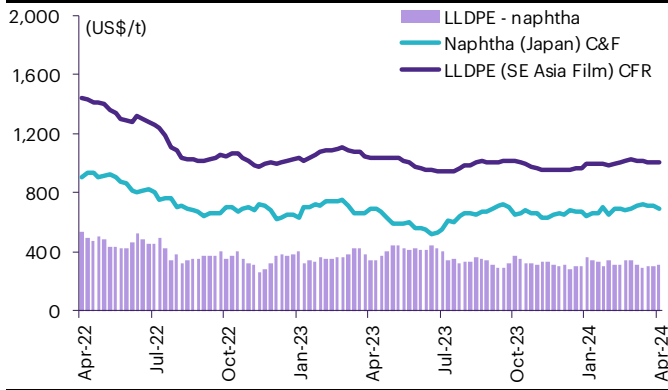
Source: Industry data, Bloomberg Finance L.P. and InnovestX Research

Figure 4: LDPE vs. naphtha



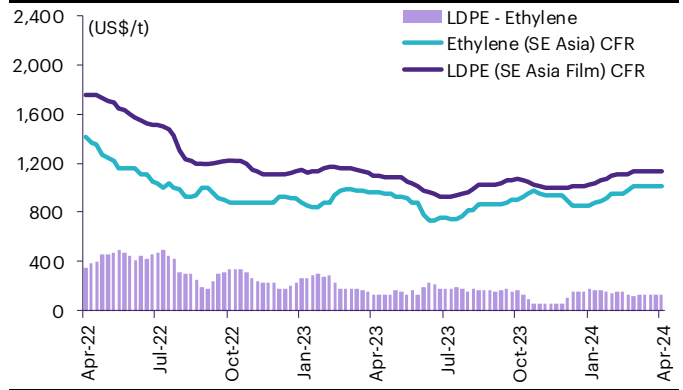
Source: Industry data, Bloomberg Finance L.P. and InnovestX Research

Figure 5: LLDPE vs. naphtha



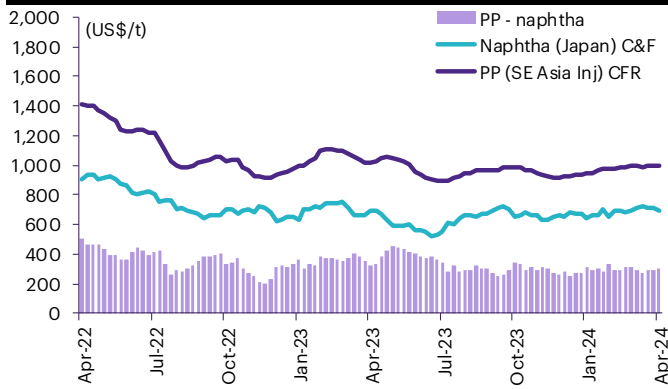
Source: Industry data, Bloomberg Finance L.P. and InnovestX Research

Figure 6: LDPE vs. ethylene



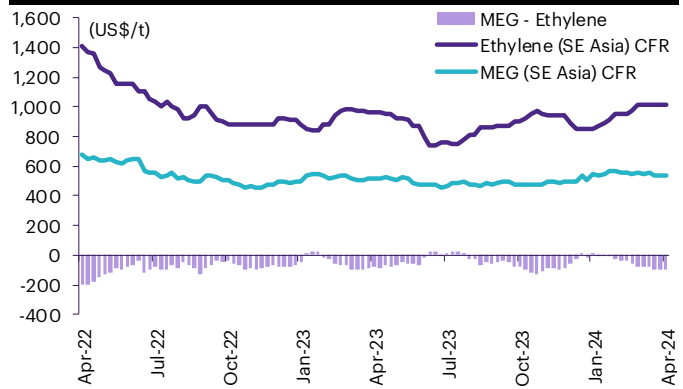
Source: Industry data, Bloomberg Finance L.P. and InnovestX Research

Figure 7: PP vs. naphtha



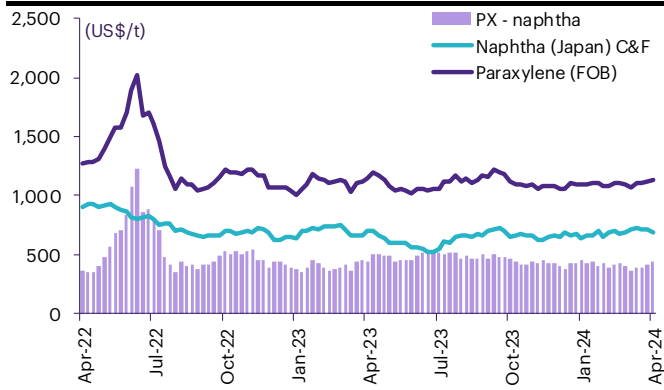
Source: Industry data, Bloomberg Finance L.P. and InnovestX Research

Figure 8: MEG vs. ethylene



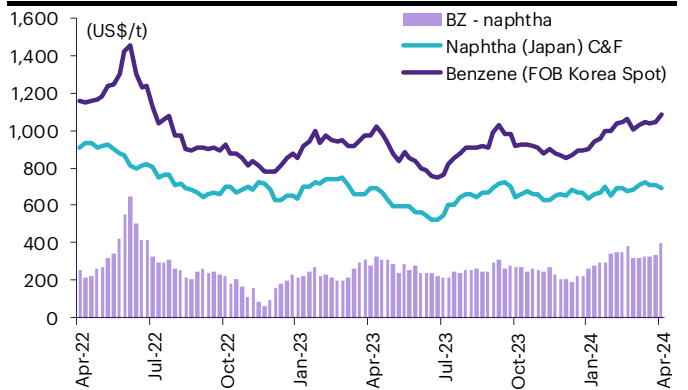
Source: Industry data, Bloomberg Finance L.P. and InnovestX Research

Figure 9: Paraxylene vs. naphtha



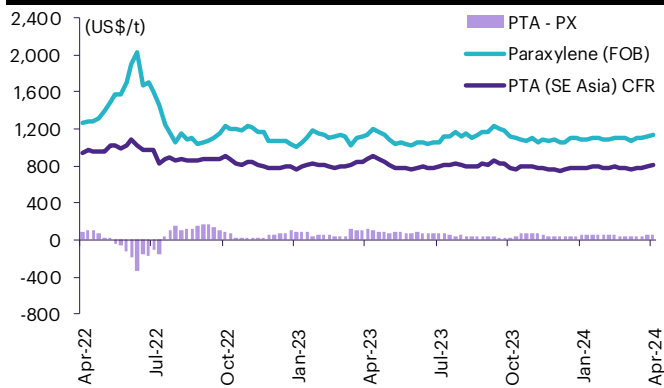
Source: Industry data, Bloomberg Finance L.P. and InnovestX Research

Figure 10: Benzene vs. naphtha



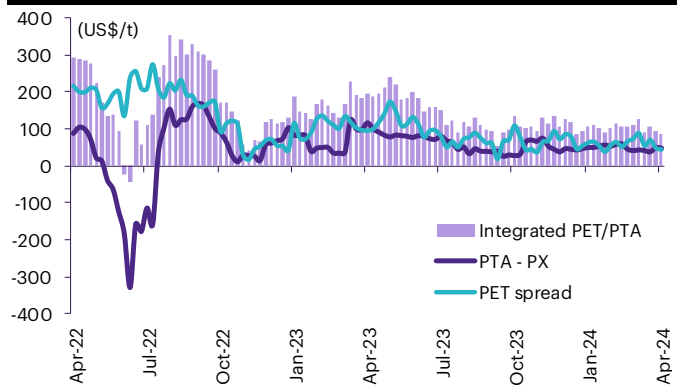
Source: Industry data, Bloomberg Finance L.P. and InnovestX Research

Figure 11: PTA vs. paraxylene



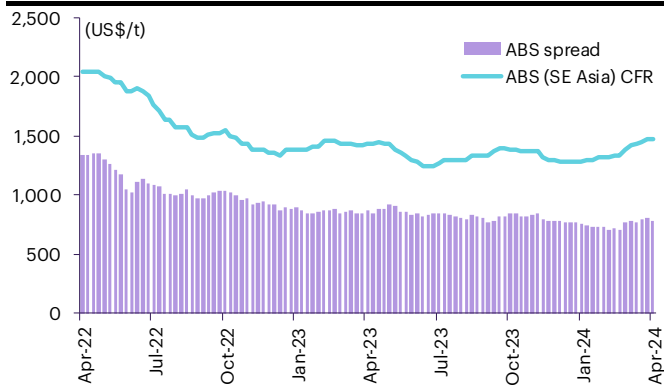
Source: Industry data, Bloomberg Finance L.P. and InnovestX Research

Figure 12: Integrated PET spread



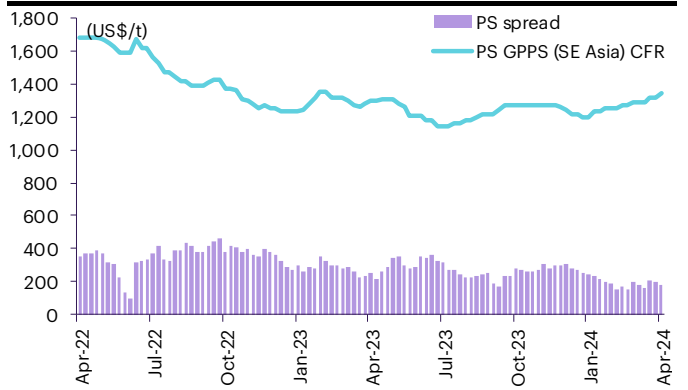
Source: Industry data, Bloomberg Finance L.P. and InnovestX Research

Figure 13: ABS price and product spread



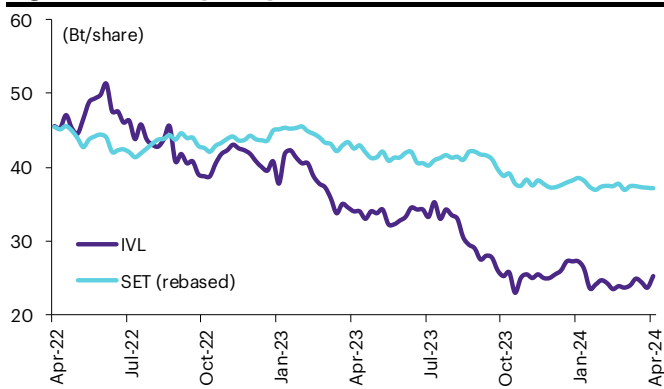
Source: Industry data, Bloomberg Finance L.P. and InnovestX Research

Figure 14: Polystyrene price and product spread



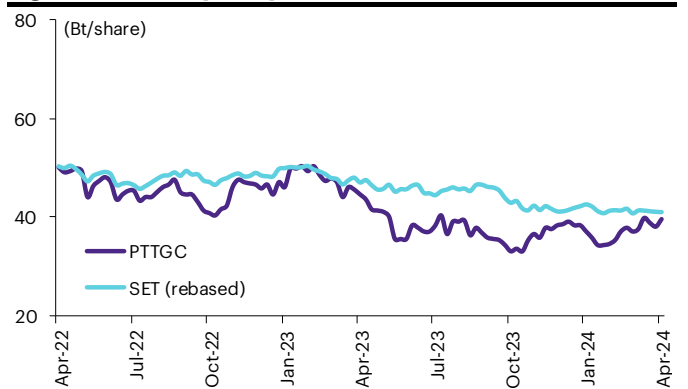
Source: Industry data, Bloomberg Finance L.P. and InnovestX Research

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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