

## Energy Sector – Neutral

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News Update

### A bearish week for energy complex

- **A bigger-than-expected crude build**
- **OPEC+ expected to stay the course for December output**
- **Iran to restart nuclear talk**
- **EU gas price tumbled as Putin promises more supply**

#### A bigger-than-expected crude build

- US commercial crude oil inventory grew by a larger-than-expected 4.27m bbls w-w. However, both gasoline and distillate inventories declined by 2m bbls and 0.4m bbls w-w, respectively.
- US crude oil production was unchanged w-w at 11.3mbd.
- US petroleum products supplied declined by 2mbd w-w to 19.8mbd. Leading the declines were gasoline, distillates, and “other oils.”
- Baker Hughes reported that US oil rig count increased by 1 rig to 444 rigs as of 29 October 2021.

#### OPEC+ expected to stay the course for December output

OPEC and its allies are scheduled to meet on November 4th to discuss production plan for December

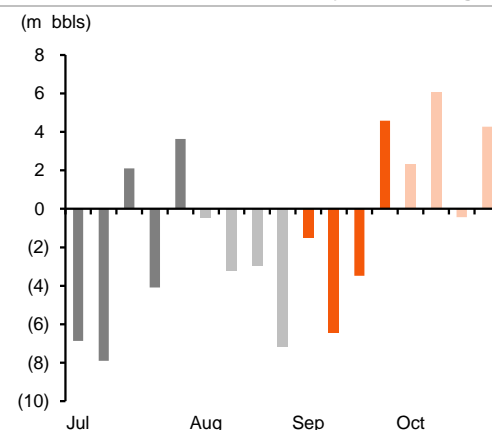
- **Another 400kbd hike:** OPEC+ Joint Technical Committee met last week to discuss current market dynamics and review the course of action for the group. Despite pressure from major consumer countries (including the US and India) for more supplies, OPEC+ is expected to stay the course with its monthly 400kbd output hike in December.
- **Short-term vs long-term:** Supply is expected to remain tight for 4Q21F as oil demand picks up (gas-to-oil switching, air travels). Outages in Kazakhstan, Libya, and Nigeria are also contributing to supply tightness. As such, the JTC expects global crude oil inventories to decline by about 1.1mbd in 4Q21F. However, beyond winter, and with OPEC+ continuing with its monthly output hike, supply could outstrip demand in early 2022F.

#### Iran to restart nuclear talk

Iran has agreed to restart nuclear talk with representatives from the European in November.

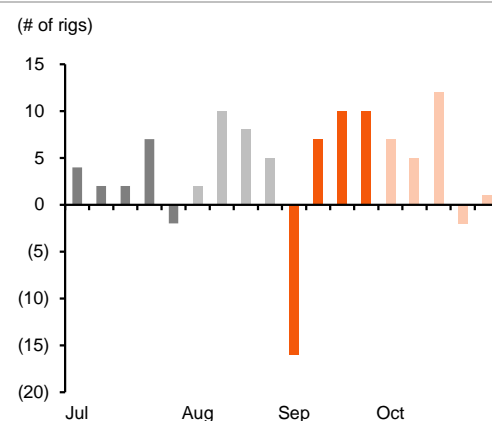
- **The talk:** Discussions between Iran and representatives from the EU (which act as mediators for the US) have stalled since the new Iranian government took over in August. However, the country's foreign minister Ali Bacqeri-Kani said initial discussions with the EU were constructive and that Iran has agreed to restart negotiations by the end of November
- **Potential impact:** We believe discussions will take time and that the US remains skeptical of Iran's commitment to rejoining the nuclear deal. However, if that were to happen, Iran could potentially pump another 1-1.5mbd of crude oil into the market. We believe this is one of the biggest downside risks for oil price in the medium term.

#### Ex 1: U.S. crude oil inventory w-w change



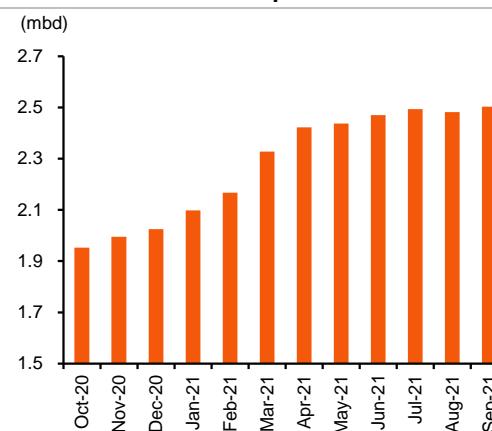
Source: EIA

#### Ex 2: U.S. oil rig count w-w change



Source: Baker Hughes

#### Ex 3: Iran crude oil output



Source: OPEC

**EU gas price tumbled as Putin promises more supply**

European gas prices tumbled after Russian President Vladimir Putin said his country would soon send more supply to Europe

- **Russian injection to finish November 8th:** Gazprom, Russian state-owned gas giant, has moved the deadline for completing gas injection for Russia by a week to November 8th. After that date, Russia should be able to send more supply to Europe. Putin told Gazprom to focus on building the company's gas storage in Germany and Austria first
- **More supply is coming, but how?:** Still, Russia has not booked any extra capacity on existing gas pipelines. As such, it remains unclear how Russia would send more gas to the continent.
- **Test of the pudding ...:** This is not the first time Putin has come out and said Russia would send more gas supply to Europe. So far, he has been using this as a bargaining chip to get the EU to approve the controversial Nord Stream 2 pipeline. It remains to be seen whether more gas—and how much—will flow to Europe in the next few weeks.
- **A case of Moldova:** We note that Russia is also having dispute with Moldova which has previously relied on Russia for 100% of its natural gas needs. European Union foreign policy chief Josep Borrell has accused Russia of using natural gas as a tool to pressure the FSU state politically. To counter a lack of Russian supply, Moldova has turned to Poland for natural gas and the EU has announced a EUR 60m aid package for the country

## Ex 4: Prices And Spreads

(US\$/bbl)	4Q20	1Q21	2Q21	3Q21	QTD	Jul-21	Aug-21	Sep-21	MTD	Last
<b>Oil prices</b>										
Dated Brent	44.53	60.84	68.63	72.94	83.65	74.22	70.02	74.72	83.65	83.92
Dubai	43.87	59.70	66.43	71.31	81.22	72.79	68.91	72.36	81.22	81.94
WTI	42.74	58.07	66.10	70.52	81.22	72.43	67.71	71.54	81.22	83.57
<b>Crack spreads over Dubai</b>										
Gasoline	5.20	7.49	10.67	12.41	16.28	11.71	12.72	12.79	16.28	21.68
Jet fuel	3.79	4.25	5.36	5.80	10.71	4.44	5.16	7.82	10.71	10.84
Diesel	4.53	5.37	6.09	7.48	11.55	6.54	7.21	8.71	11.55	11.19
High-sulfur fuel oil	(1.02)	(4.28)	(6.80)	(5.42)	(5.14)	(8.13)	(5.62)	(2.49)	(5.14)	(7.83)
<b>Refining margins</b>										
FCC / Dubai	1.07	1.21	0.95	0.85	4.44	0.56	0.83	1.15	4.44	4.16
Hydrocracking / Dubai	0.52	0.71	0.77	1.11	5.19	0.74	0.92	1.69	5.19	4.58
FCC / Espo	(0.33)	1.47	1.55	1.24	4.83	0.96	1.22	1.54	4.83	4.55
FCC / Arab Light	1.45	0.56	(0.51)	(0.64)	2.95	(0.93)	(0.66)	(0.34)	2.95	2.67
Hydrocracking / Murban	1.17	2.29	2.81	3.41	7.48	3.03	3.22	3.98	7.48	6.88
<b>(US\$/tonne)</b>										
<b>Aromatics spreads</b>										
PX-naphtha	136	185	232	229	148	230	256	200	148	131
BZ-naphtha	119	191	367	350	269	372	333	341	269	256
<b>Olefin spreads</b>										
HDPE-naphtha	608	583	576	462	481	432	499	462	481	516
LDPE-naphtha	780	959	936	821	904	754	864	862	904	926
PP-naphtha	695	771	709	557	604	552	594	527	604	626
Ethylene-naphtha	463	416	406	304	346	284	279	355	346	356
Propylene-naphtha	499	461	436	294	255	281	323	281	255	266
Henry Hub Gas (US\$/mmbtu)	2.76	2.73	2.97	4.32	5.57	3.82	4.03	5.11	5.57	5.43
Coal (Newcastle) (US\$/tonne)	66.20	87.47	106.49	165.89	235.44	146.01	167.19	184.41	235.44	223.45

Source: Bloomberg

## Ex 5: Valuation

	Rating	Current price	Target price	Upside/Downside	Market cap	Norm EPS growth	— Norm PE —	EV/EBITDA	— Yield —				
		(Bt)	(Bt)	(%)	(US\$ m)	2021F	2022F	2021F	2022F	2021F	2022F	(%)	(%)
						(%)	(%)	(x)	(x)	(x)	(x)	(%)	(%)
BANPU	BUY	11.40	20.00	75.4	2,325	na	21.5	7.2	5.9	5.3	4.8	5.2	6.8
BCP	SELL	27.50	21.00	(23.6)	1,141	na	na	na	25.2	9.0	7.0	0.0	2.2
ESSO	SELL	7.95	6.90	(13.2)	829	na	na	na	145.7	37.3	21.1	0.0	0.3
IRPC	BUY	4.30	5.10	18.6	2,648	na	9.6	15.4	14.0	9.3	8.6	3.9	4.3
IVL	BUY	42.00	52.00	23.8	7,107	169.1	(0.9)	13.6	13.7	8.2	8.9	2.6	2.5
PTG	BUY	15.60	22.00	41.0	785	(3.6)	11.8	14.6	13.0	7.0	6.6	3.4	3.8
PTT	BUY	38.00	50.00	31.6	32,712	182.0	5.2	10.1	9.6	4.5	4.1	4.9	5.2
PTTEP	BUY	117.50	140.00	19.1	14,059	68.1	15.8	13.0	11.2	4.1	3.7	4.6	5.4
PTTGC	BUY	62.75	86.00	37.1	8,527	219.4	(1.2)	11.6	11.7	7.0	6.8	5.2	5.1
SPRC	SELL	10.50	7.20	(31.4)	1,372	na	na	na	136.3	24.5	18.1	0.0	0.3
SUSCO	BUY	3.28	4.80	46.3	109	3.0	23.4	15.4	12.4	6.5	5.3	3.3	4.0
TOP	HOLD	55.75	57.00	2.2	3,428	na	(11.7)	21.2	24.0	16.0	17.3	2.1	1.9

Sources: Company data, Thanachart estimates

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