

Energy Sector – Neutral

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News Update

Strong demand support bullish sentiment

- Oil price rose as inventory draw continue
- Jet crack spread back to near pre-COVID 19 level
- SG Middle Distillate inventory reached 8-years low
- Winter demand led henry hub gas and coal price surged

Bullish sentiment continues as oil price surged as US reported crude inventory draw again while impact from Omicron variant was milder than expected. Winter demand support US henry gas, coal and middle distillate margin accelerate.

Bullish oil momentum despite supply disruption resume

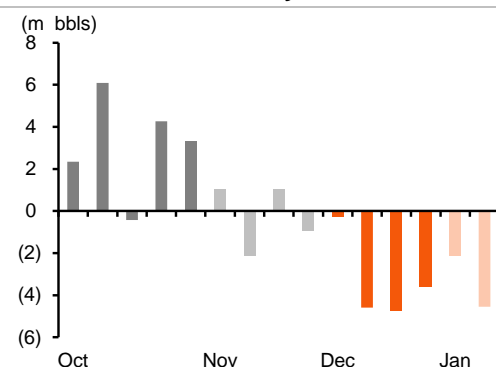
- US crude inventory draw again.** Energy Information Administration reported an inventory decline of 4.6 MMbbl for the week to Jan 7. This is higher than market expectation of 1.9 MMbbl.
- Disruption supply resume.** Production at Kazakhstan's 600,000 b/p Tengiz oil field has been restored to normal levels, having been cut in the wake of last week's civil unrest. Additionally, Libya's oil production is rising gradually after a blockade of its western fields ended and ports in the east re-opened, according to the OPEC member's energy minister. Output is 963,000 b/d vs 730,000 bpd last week and from a high of 1.3 mb/d last year.
- Oil demand stronger than expected.** Demand dynamics are stronger than many of the market observers had thought, mainly due to the milder Omicron expectations, according to IEA Chief Birol. IEA Chief also flags some of the key producers including Nigeria, Libya and also Ecuador that have serious supply disruptions.

Middle distillate spread back to near pre-COVID 19 level

Jet fuel crack spread climbed to strongest level to US\$12.8/bbl on 13 Jan 22 vs US\$13.7/bbl in 2019. Diesel crack spread also move in similar trend and now at US\$14.3/bbl which is already above 2019 average of US\$13.7/bbl.

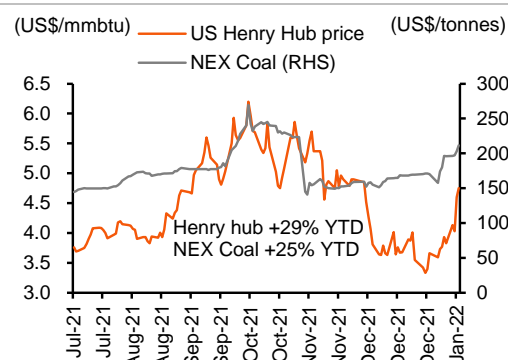
- Singapore's middle distillate inventories reached 8-years low.** The inventory fell 12% this week to their lowest level in more than eight years, based on Bloomberg data. The current stock levels were last seen on Dec. 11, 2013, when they touched a low of 6.8 million barrels. The middle distillate stocks this week were 50.7% lower compared with the same period last year.
- Strong India demand.** India's fuel consumption in December reached a nine-month high. Fuel consumption totaled 18.43 mt, up 7.6% from November and 0.4% from a year before. But consumption was still about 3% lower than Dec 2019, shortly before the coronavirus pandemic broke out. Consumption of diesel, accounting for about 40% of India's refined fuel sales, grew 12.2% MoM to 7.31 mt, their highest since Dec 2019, and 1.6% from the same period last year.

Ex 1: US crude inventory



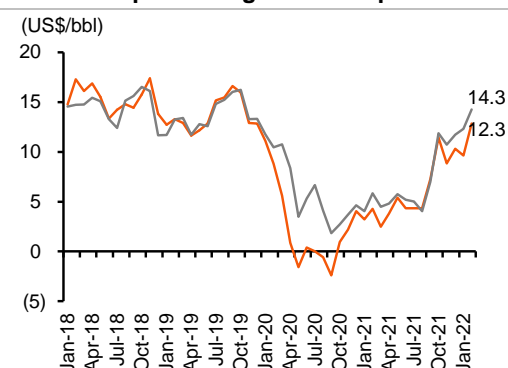
Source: EIA

Ex 2: Gas and coal price re-rate

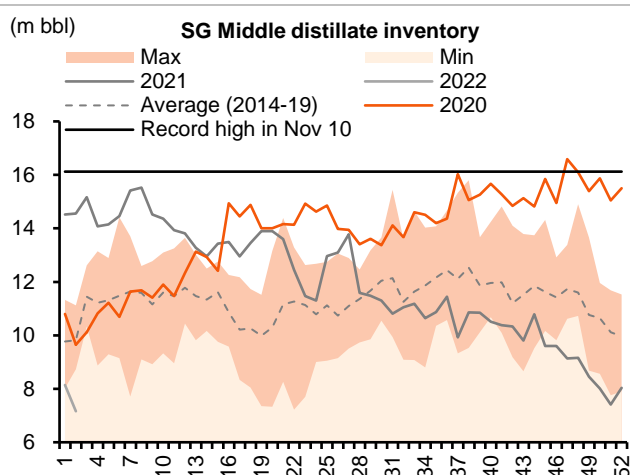


Source: Bloomberg

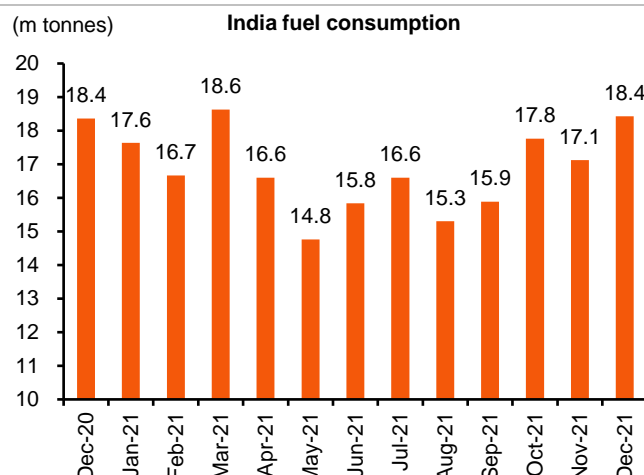
Ex 3: Jet spread surged to near pre-Covid



Source: Bloomberg

Ex 4: SG Middle distillate to reach 8-year low

Sources: Bloomberg, Thanachart estimates

Ex 5: India's Dec fuel consumption reached 9-months high

Sources: Petroleum Planning & Analysis Cell (Ministry of Petroleum & Natural Gas, Government of India), Thanachart estimates

Winter demand and supply disruption led gas and coal price rally

Coal and US gas price had a good start of the year as winter demand rising. Supply in both markets are tight with low US gas output and Indonesia export ban remains in place.

- **US Henry Hub gas price surged.** US Henry Hub gas price jumped 29% YTD to US\$4.75/mmbtu due to very cold temperatures in the Northeast and Midwest. US domestic gas demand has averaged 110.5 Bcf/d so far this January, up 16.8 Bcf/d, or 18%, from the latter half of December, based on S&P Global Platts Analytics data. Turning to supply, data shows that US gas production has averaged 92.7 Bcf/d so far in January, down 3% from the second half of December. Temperature forecasts show a continuation of cold weather in the eastern half of the country through the end of the month, with the National Weather Service's 8–14-day outlook showing a likelihood of below-normal temperatures across the Northeast and Midwest states.
- **Indo export ban only partially lifted.** NEX spot coal price surged already by 25% YTD to US\$211/t. The Indonesia export ban is implemented for coal miners who fail to comply with the initial rules of securing supply for domestic power production. Currently, the government has allowed at least 37 coal-laden vessels to leave if the owners had fulfilled their domestic market obligation, or DMO. As of Jan 13, 18 of the vessels out of 37 vessels approved, were able to secure energy ministry verification, according to a document reviewed by Reuters. Based on SP Platt news, the 37 vessels are estimated to be carrying cumulatively around 1.8 million mt coal which is only 4.5% of Indonesia monthly coal export.
- **Japan LNG stock fell ahead winter.** With disruption from Indonesia export ban and cold weather, Japan's LNG stocks fell 7% on week to lowest since Dec 5 at 2.16 mt. Japan's Minister for Economy, Trade and Industry Koichi Hagiuda said Jan. 7 that the area covered by the TEPCO Power Grid could have faced a power outage had there been any glitch at the power plants, as its utilization had reached a high 97% of available supply on Jan. 6 because of a significant increase in power demand from heavy snow.
- **Banpu benefit from rising coal and gas price.** Banpu is well positioned to benefit from higher bought coal and gas price. ITMG already lifted force majeure and preparing to resume export.

Ex 6: Prices And Spreads

(US\$/bbl)	1Q21	2Q21	3Q21	4Q21	QTD	Oct-21	Nov-21	Dec-21	MTD	Last
Oil prices										
Dated Brent	60.84	68.63	72.94	78.40	82.21	83.65	80.75	74.27	82.21	85.54
Dubai	59.70	66.43	71.31	76.02	79.81	81.22	79.78	72.69	79.81	83.38
WTI	58.07	66.10	70.52	76.08	79.62	81.22	78.65	71.69	79.62	82.69
Crack spreads over Dubai										
Gasoline	7.49	10.67	12.41	15.59	14.58	16.28	16.31	14.49	14.58	14.26
Jet fuel	4.25	5.36	5.80	11.02	11.76	10.71	9.17	10.37	11.76	12.06
Diesel	5.37	6.09	7.48	10.12	11.37	11.55	8.89	10.71	11.37	12.03
High-sulfur fuel oil	(4.28)	(6.80)	(5.42)	(5.83)	(7.33)	(5.14)	(8.88)	(6.45)	(7.33)	(8.38)
Refining margins										
FCC / Dubai	1.21	0.95	0.85	5.81	5.81	4.44	4.21	5.78	5.81	6.05
Hydrocracking / Dubai	0.71	0.77	1.11	6.11	6.53	5.19	4.50	6.19	6.53	6.96
FCC / Espo	1.47	1.55	1.24	6.20	6.20	4.83	4.60	6.18	6.20	6.44
FCC / Arab Light	0.56	(0.51)	(0.64)	4.32	4.32	2.95	2.72	4.30	4.32	4.56
Hydrocracking / Murban	2.29	2.81	3.41	8.41	8.83	7.48	6.80	8.49	8.83	9.26
(US\$/tonne)										
Aromatics spreads										
PX-naphtha	185	232	229	127	175	143	112	119	175	175
BZ-naphtha	191	367	350	231	265	260	193	223	265	265
Olefin spreads										
HDPE-naphtha	583	576	462	505	440	490	510	536	440	440
LDPE-naphtha	959	936	821	920	790	914	962	918	790	790
PP-naphtha	771	709	557	562	440	604	565	538	440	440
Ethylene-naphtha	416	406	304	321	200	350	307	319	200	200
Propylene-naphtha	461	436	294	242	240	252	228	254	240	240
Henry Hub Gas (US\$/mmbtu)	2.73	2.97	4.32	3.72	4.08	5.57	5.12	3.86	4.08	4.17
Coal (Newcastle) (US\$/tonne)	87.47	106.49	165.89	169.60	193.20	235.44	153.53	164.42	193.20	220.00

Source: Bloomberg

Ex 7: 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	2021F	2022F
						(%)	(%)	(x)	(x)	(x)	(x)	(%)	(%)
BANPU	BUY	11.20	22.00	96.4	2,281	na	(0.3)	4.8	4.8	4.1	3.7	6.8	7.1
BCP	SELL	26.75	21.00	(21.5)	1,109	na	na	na	24.5	8.8	6.9	0.0	2.2
ESSO	SELL	7.70	6.90	(10.4)	802	na	na	na	141.1	36.7	20.8	0.0	0.4
IRPC	BUY	4.06	5.10	25.6	2,498	na	9.6	14.5	13.2	9.0	8.3	4.1	4.5
IVL	BUY	48.50	52.00	7.2	8,198	169.1	(0.9)	15.7	15.9	9.0	9.6	2.2	2.2
PTG	BUY	15.10	22.00	45.7	759	(3.6)	11.8	14.1	12.6	6.9	6.5	3.5	4.0
PTT	BUY	38.75	50.00	29.0	33,321	182.0	5.2	10.3	9.8	4.6	4.2	4.8	5.1
PTTEP	BUY	123.50	140.00	13.4	14,760	68.1	15.8	13.6	11.8	4.3	3.8	4.4	5.1
PTTGC	BUY	60.50	92.00	52.1	8,212	355.8	1.8	7.8	7.7	7.8	6.3	6.4	6.5
SPRC	HOLD	10.70	8.80	(17.8)	1,397	na	na	na	51.8	35.7	13.9	0.0	0.7
SUSCO	BUY	3.40	4.80	41.2	113	3.0	23.4	15.9	12.9	6.6	5.4	3.2	3.9
TOP	HOLD	52.25	57.00	9.1	3,209	na	(11.7)	19.9	22.5	15.5	16.9	2.3	2.0

Sources: Company data, Thanachart estimates

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