# Energy Sector – Overweight

**News Update**

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## Bearish sentiment in oil market

- **Mixed movement in US inventory**
- **Biggest ever US SPR draw**
- **China lifts oil product exports from initial plan**
- **Opec+ March output sees first fall in 13 months**

Oil price trended weaker last week due to biggest ever SPR release, bearish inventory data and potential downside risks to demand due to the spread of COVID-19 outbreak in China.

### Mixed movement in US inventory

- US commercial crude oil inventory increased by 2.4m bbls w-w, against 2m bbls draw expected by the market and 3.45m bbls draw last week. Gasoline inventories decreased by 2m bbls while distillate inventories increased by 0.8m bbls w-w. The magnitude is higher than last week.
- US crude oil production was increase by 100 k bpd w-w at 11.8mbd.
- US petroleum products supplied (a proxy for demand) steady w-w after a big drop last week of 1.25m bpd.
- Baker Hughes reported that US oil rig count up by another 13 rigs w-w to 546 rigs as of 8th April.

### Biggest ever US SPR draw

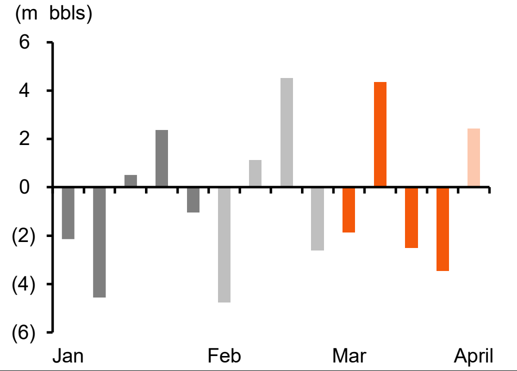
- **US take the lead.** On March 31st, the U.S. announced its decision to release 1 m bpd of crude oil from its Strategic Petroleum Reserves (SPR) for 180 days starting in May, which a day later was followed by the 30 other International Energy Agency (IEA) member countries agreeing to release more oil from their SPRs. Officially, the coordinated IEA stockpile release will amount to 120m bbls of oil, half from the U.S. and half from other members. The Biden administration will be independently releasing 120m bbls from the Strategic Petroleum Reserve, bringing the total to 240 m bbls worldwide.
- **Providing short-term relief.** Market remains tight give the release of 240m bbls over 180 days will likely result in 1.3m bpd on average, still lower than a potential drop in Russian crude exports of over 2 m bpd. Additionally, OPEC+ still not ramping up output. OPEC+ agreed last week to raise its recurring monthly output increases by just 32,000 bpd to 432,000 bpd starting in May, and several members are already struggling to keep up with the increase in production quotas.

**Ex 1: US Weekly data**

| ('000 bbls) | Weekly change | | |
|---|---|---|---|
| Crude Oil | +2,421 | | |
| Gasoline | (2,040) | | |
| Distillates | +772 | | |
| Jet Kerosene | (698) | | |
| **(kbpd)** | **Weekly change** | **% Change** | **Current number** |
| Production | +100 | 0.9% | 11,800 |
| Refinery Runs | +34 | 0.2% | 15,947 |

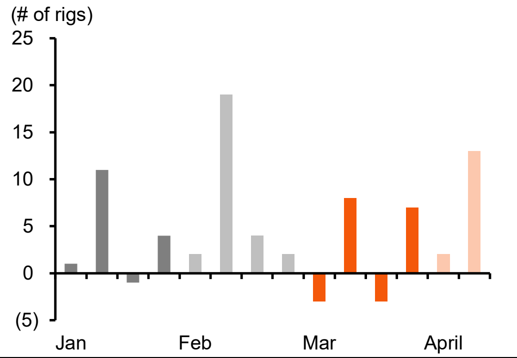
Source: EIA

**Ex 2: US Crude Inventory**




Source: Bloomberg

**Ex 3: US Rig Count**




Source: Bloomberg

**China lifts oil product exports from initial plan**

- **Extended lockdown in Shanghai weighs on crude oil demand.** According to data from energy consultancy FGE, Chinese demand is expected to have fallen between 1.2 and 1.3 m bpd. Half of the lost demand is in the form of jet fuel.
- **China's refineries lift oil product exports from initial plans** to compensate for falling domestic demand due to COVID-19 lockdowns. One Dalian-based PetroChina refinery is to increase its gasoline exports in April from the initial plan of 32,000 mt to 130,000 mt, while the other PetroChina refineries in the same city will export 150,000 mt of gasoline this month -- compared with zero in its original plan. SP Platts had initially estimated China to export 416,000 mt of gasoline and 140,000 mt of gasoil in April.
- **This cap further refinery margin rally**. US is also seeing sign of slowing demand while run rate is rising.

**Opec+ March output sees first fall in 13 months**

- **Several members miss the target**. According to Argus media, OPEC+ output is estimated to drop by 190k bpd to 38.06m bpd in March 1.48m bpd below the month's target. This is the first production retreat since February 2021. Most of the March drop was concentrated in Nigeria, Kazakhstan and Russia, although 15 of the 19 Opec+ participants produced below their target.
- **Nigerian production fell the most**, dropping by 100,000 bpd m-m. Pipeline sabotage have constrained Nigerian output since the second half of last year, with compliance averaging 227% since July.
- **Kazakhstan's output fell because storm damage** to two of three single point mooring (SPM) buoys at the CPC export terminal forced a late-March shutdown at the Tengiz field. The CPC consortium forecasts the terminal could fully resume loadings within three-to-four weeks of the SPM incident.
- **Russia output is estimated to drop by only 50K bpd in March.** Note that the big drop is expected in April. IEA is expected Russia oil production loss of 3m bpd.

**Ex 4: OPEC+ March production**

| | Opec+ wellhead production (m bpd) | | | |
|---|---|---|---|---|
| | March | February* | March target | Compliance % |
| Opec 10 | 24.16 | 24.26 | 25.06 | 156 |
| Non-Opec 9 | 13.90 | 13.99 | 14.48 | 162 |
| **Total** | **38.06** | **38.25** | **39.54** | **158** |
| **Opec** | | | | |
| Saudi Arabia | 10.19 | 10.19 | 10.33 | 121 |
| Iraq | 4.24 | 4.25 | 4.37 | 146 |
| Kuwait | 2.64 | 2.62 | 2.64 | 99 |
| UAE | 2.96 | 2.95 | 2.98 | 108 |
| Algeria | 0.99 | 0.97 | 0.99 | 103 |
| Nigeria | 1.41 | 1.51 | 1.72 | 377 |
| Angola | 1.18 | 1.20 | 1.44 | 374 |
| Congo (Brazzaville) | 0.25 | 0.27 | 0.31 | 395 |
| Gabon | 0.21 | 0.21 | 0.18 | (192) |
| Equatorial Guinea | 0.09 | 0.09 | 0.12 | 529 |
| Opec 10 | 24.16 | 24.26 | 25.06 | 156 |
| Iran | 2.57 | 2.54 | na | na |
| Libya | 1.06 | 1.13 | na | na |
| Venezuela | 0.71 | 0.69 | na | na |
| **Total Opec 13+** | **28.50** | **28.62** | **na** | **na** |
| **Non-Opec production** | | | | |
| Russia | 10.00 | 10.05 | 10.33 | 150 |
| Oman | 0.83 | 0.82 | 0.83 | 100 |
| Azerbaijan | 0.58 | 0.57 | 0.68 | 321 |
| Kazakhstan | 1.59 | 1.64 | 1.61 | 118 |
| Malaysia | 0.41 | 0.44 | 0.56 | 517 |
| Bahrain | 0.20 | 0.18 | 0.19 | 55 |
| Brunei | 0.08 | 0.08 | 0.10 | 355 |
| Sudan | 0.06 | 0.06 | 0.07 | 375 |
| South Sudan | 0.16 | 0.16 | 0.12 | (325) |
| **Total non-Opec+** | **13.90** | **13.99** | **14.48** | **162** |

Source: Argus Media

## Ex 5: Prices And Spreads

| (US$/bbl) | 2Q21 | 3Q21 | 4Q21 | 1Q22 | QTD | Jan-22 | Feb-22 | Mar-22 | MTD | Last |
|---|---|---|---|---|---|---|---|---|---|---|
| **Oil prices** | | | | | | | | | | |
| Dated Brent | 68.63 | 72.94 | 78.40 | 99.77 | 104.24 | 85.49 | 95.66 | 115.59 | 104.24 | 101.91 |
| Dubai | 66.43 | 71.31 | 76.02 | 97.13 | 102.83 | 83.05 | 92.60 | 113.11 | 102.83 | 98.20 |
| WTI | 66.10 | 70.52 | 76.08 | 95.01 | 99.17 | 82.98 | 91.63 | 108.26 | 99.17 | 98.26 |
| **Crack spreads over Dubai** | | | | | | | | | | |
| Gasoline | 10.67 | 12.41 | 15.59 | 16.13 | 19.44 | 14.79 | 16.28 | 17.16 | 19.44 | 24.99 |
| Jet fuel | 5.36 | 5.80 | 11.02 | 12.32 | 22.04 | 12.36 | 11.10 | 13.47 | 22.04 | 21.68 |
| Diesel | 6.09 | 7.48 | 10.12 | 14.61 | 24.92 | 12.10 | 13.16 | 17.98 | 24.92 | 27.34 |
| High-sulfur fuel oil | (6.80) | (5.42) | (5.83) | (10.14) | (0.73) | (7.23) | (10.43) | (12.42) | (0.73) | 3.44 |
| **Refining margins** | | | | | | | | | | |
| FCC / Dubai | 0.95 | 0.85 | 5.81 | 7.06 | 13.67 | 5.93 | 5.68 | 9.60 | 13.67 | 12.11 |
| Hydrocracking / Dubai | 0.77 | 1.11 | 6.11 | 9.22 | 17.36 | 6.79 | 5.92 | 13.57 | 17.36 | 15.13 |
| FCC / Espo | 1.55 | 1.24 | 6.20 | 7.46 | 14.06 | 6.33 | 6.08 | 10.00 | 14.06 | 12.50 |
| FCC / Arab Light | (0.51) | (0.64) | 4.32 | 5.57 | 12.18 | 4.45 | 4.19 | 8.11 | 12.18 | 10.62 |
| Hydrocracking / Murban | 2.81 | 3.41 | 8.41 | 11.51 | 19.65 | 9.08 | 8.22 | 15.87 | 19.65 | 17.42 |
| **(US$/tonne)** | | | | | | | | | | |
| **Aromatics spreads** | | | | | | | | | | |
| PX-naphtha | 232 | 229 | 127 | 196 | 221 | 175 | 209 | 204 | 221 | 221 |
| BZ-naphtha | 367 | 350 | 231 | 219 | 236 | 239 | 220 | 198 | 236 | 236 |
| **Olefin spreads** | | | | | | | | | | |
| HDPE-naphtha | 576 | 462 | 505 | 421 | 516 | 431 | 433 | 398 | 516 | 516 |
| LDPE-naphtha | 936 | 821 | 920 | 766 | 856 | 771 | 773 | 753 | 856 | 856 |
| PP-naphtha | 709 | 557 | 562 | 438 | 496 | 459 | 460 | 395 | 496 | 496 |
| Ethylene-naphtha | 406 | 304 | 321 | 243 | 436 | 156 | 283 | 290 | 436 | 436 |
| Propylene-naphtha | 436 | 294 | 242 | 227 | 251 | 240 | 243 | 199 | 251 | 251 |
| Henry Hub Gas (US$/mmbtu) | 2.97 | 4.32 | 3.72 | 4.59 | 6.02 | 4.93 | 4.46 | 4.98 | 6.02 | 6.28 |
| Coal (Newcastle) (US$/tonne) | 106.49 | 165.89 | 169.60 | 267.95 | 277.25 | 221.63 | 236.36 | 345.25 | 277.25 | 291.60 |

Source: Bloomberg

## Ex 6: Valuation

| | Rating | Current price (Bt) | Target price (Bt) | *Upside/ (Downside) (%)* | Market cap (US$ m) | Norm EPS growth 2022F (%) | Norm EPS growth 2023F (%) | — Norm PE — 2022F (x) | — Norm PE — 2023F (x) | EV/EBITDA 2022F (x) | EV/EBITDA 2023F (x) | — Yield — 2022F (%) | — Yield — 2023F (%) |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| BANPU | BUY | 11.10 | 17.00 | *53.2* | 2,234 | 132.1 | (17.3) | 3.5 | 4.2 | 3.0 | 2.8 | 9.7 | 8.3 |
| BCP | BUY | 30.50 | 34.00 | *11.5* | 1,249 | 38.2 | (33.6) | 6.6 | 10.0 | 4.4 | 6.9 | 5.9 | 3.9 |
| ESSO | HOLD | 8.00 | 8.20 | *2.5* | 824 | na | 320.8 | 40.9 | 9.7 | 8.9 | 6.5 | 0.0 | 0.0 |
| IRPC | BUY | 3.50 | 4.40 | *25.7* | 2,128 | (70.7) | 489.1 | 62.4 | 10.6 | 12.9 | 7.5 | 4.3 | 4.7 |
| IVL | BUY | 45.50 | 60.00 | *31.9* | 7,600 | 31.7 | 11.5 | 9.5 | 8.5 | 7.6 | 7.8 | 5.3 | 5.9 |
| PTG | BUY | 13.30 | 19.00 | *42.9* | 661 | 50.8 | 19.5 | 14.6 | 12.2 | 6.7 | 6.3 | 3.4 | 4.1 |
| PTT | BUY | 37.75 | 46.00 | *21.9* | 32,077 | 10.1 | (3.6) | 11.0 | 11.4 | 4.8 | 4.5 | 5.3 | 5.3 |
| PTTEP | HOLD | 143.00 | 148.00 | *3.5* | 16,889 | 42.9 | (23.8) | 9.0 | 11.9 | 2.9 | 3.4 | 4.2 | 4.9 |
| PTTGC | BUY | 50.25 | 58.00 | *15.4* | 6,740 | (19.4) | 5.4 | 9.9 | 9.4 | 7.6 | 7.2 | 5.0 | 4.8 |
| SPRC | SELL | 9.40 | 8.50 | *(9.6)* | 1,212 | na | (23.1) | 11.1 | 14.4 | 4.4 | 5.1 | 5.3 | 3.4 |
| SUSCO | BUY | 3.26 | 5.20 | *59.5* | 107 | 35.0 | 30.1 | 12.2 | 9.4 | 5.2 | 4.3 | 4.1 | 5.3 |
| TOP | SELL | 51.50 | 45.00 | *(12.6)* | 3,125 | 53.9 | (24.2) | 12.2 | 16.1 | 12.7 | 17.2 | 5.8 | 2.5 |

Sources: Company data, Thanachart estimates

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