Energy Sector – Overweight

News Update

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Positive sentiment for refiners

- **Small US crude inventory build**
- **Diesel crack surpassed US$40/bbl**
- **Saudi Arabia may cut June crude prices to Asia**
- **Risk is potential more Chinese refined product export quota**

Thai refiners are at a sweet spot benefiting from strong refinery margin last week, supporting by higher fuel demand as summer peak travel season approach while more economies recover from the COVID-19 pandemic. The demand strength comes at a time when supplies remain tight following limited fuel exports from China and disruption to trade flows of Russian oil due to international sanctions. Meanwhile, Saudi Arabia OSP is expected to trend lower in June 22 due to weak Chinese demand.

Small US crude inventory build

- US commercial crude oil inventory increased by 0.69m bbls w-w, against 2m bbls build expected by the market and 8m bbls draw last week. Gasoline inventories decreased by another 1.6m bbls which compared with a modest draw of 800,000 barrels for the previous week. Going forward, gasoline inventories may fall further as refiners opt for greater middle distillate production due to tighter supply globally. Middle distillate inventories last week fell by 1.4m bbls, which compared with a draw of 2.7 m bbls for the previous week.
- US crude oil production was flat w-w at 11.9mbd.
- US petroleum products supplied (a proxy for demand) rose 0.8m b/d w-w driven by other products demand.
- Baker Hughes reported that US oil rig count up by another 3 rigs w-w to 552 rigs as of 29th April.

Diesel crack surpassed US$40/bbl

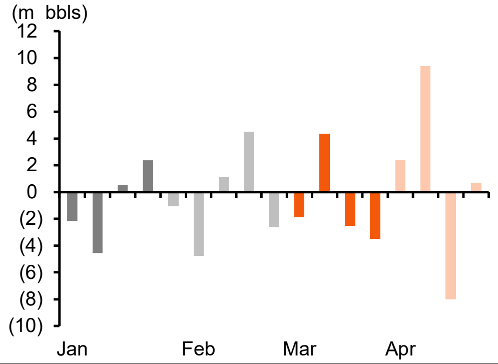
- **Diesel spread surpass US$40/bbl**. The Russia-Ukraine war has significantly tightened the European diesel market, supporting the diesel cracks past $40/bbl last week vs. 10-year average of US$13/bbl. Europe relies heavily on Russia for diesel. In 2021, Russian diesel flows into Europe amounted to 615,700 b/d, or more than 55% of the region's total diesel. Europe are trying to move away from Russia diesel and resulting in more demand in other markets.
- **Europe finding alternative sources**. Europe has begun purchasing diesel from other suppliers. In March, the region attracted more cargoes from the East, with Indian and Middle Eastern diesel imports together increasing by 46.5% m-m, to 525,000 b/d. U.S. exports to Europe also surged by 250% m-o-m, to 152,700 b/d in March.

Ex 1: US Weekly data

('000 bbls)	Weekly change		
Crude Oil	+692		
Gasoline	(1,571)		
Distillates	(1,449)		
Jet Kerosene	+470		
(kbpd)	**Weekly change**	**% Change**	**Current number**
Production	0	0.0%	11,900
Refinery Runs	-34	-0.2%	15,683

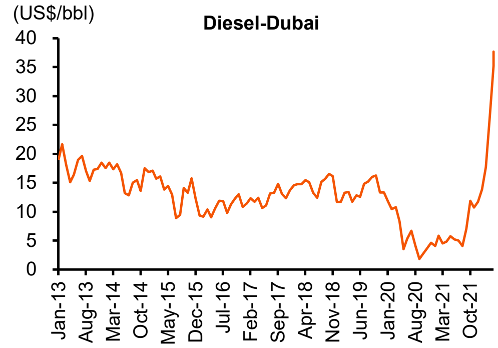
Source: EIA

Ex 2: US Crude Inventory



Source: Bloomberg

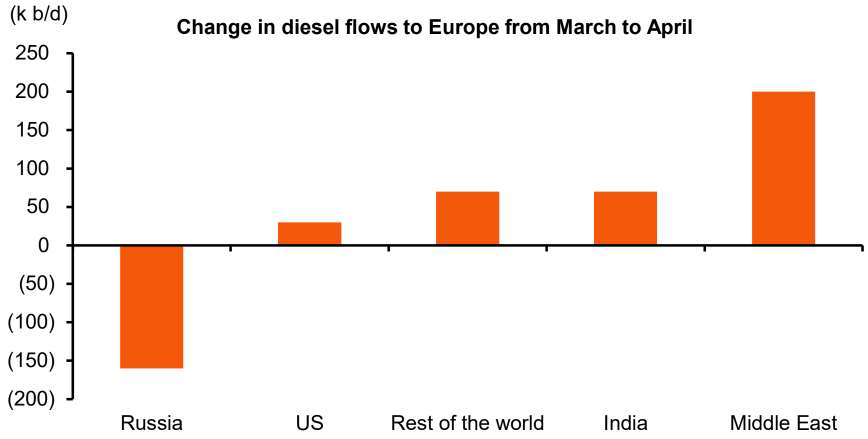
Ex 3: Diesel-Dubai Spread Surged



Source: Bloomberg

- **Refiners ramping up to capture strong margins**. Refiners in Europe are processing crude at full capacity bolstered by robust diesel margins. Additionally, refineries that were idled in 2020 amid the COVID-induced slump in demand are also returning online.

Ex 4: Diesel Demand Supporting By Import Flow From Europe

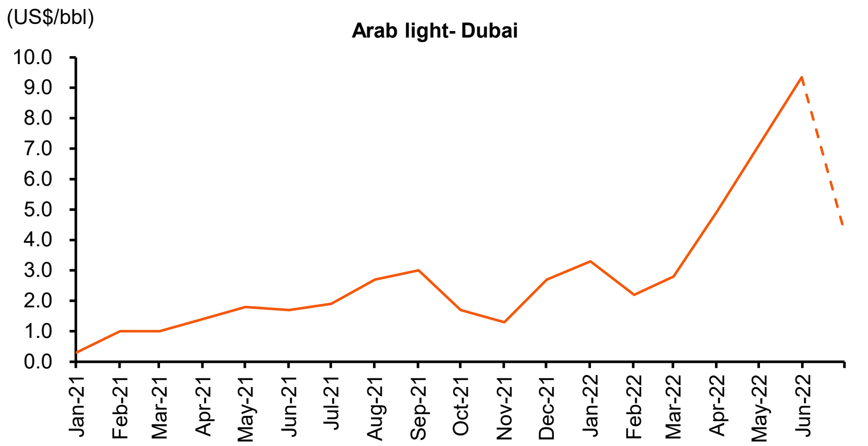


Source: Bloomberg

Saudi Arabia may cut June crude prices to Asia

- **Arab light OSP Off from record high.** According to survey, Saudi Arabia may cut prices for crude grades sold to Asia in June. Arab Light official selling price (OSP) over Dubai may fall by \$5-\$5.50/bbl m-m in June from record high level of US\$9.35 in May.
- **Driven by weak Chinese demand.** The price cuts are because of weak refining margins in China from the COVID lockdowns and a lack of product export quotas that prevent Chinese refiners from shipping out excess fuel. Logistics-related indices hit lowest level since Feb. 2020.

Ex 5: Saudi Arabia OSP Expect To Drop From Peak



Source: Bloomberg

Ex 6: Prices And Spreads

(US$/bbl)	1Q21	2Q21	3Q21	4Q21	1Q22	QTD	Feb-22	Mar-22	MTD	Last
Oil prices										
Dubai	60	66	71	77	97	101	94	116	101	99
Brent	61	69	73	79	98	106	94	113	106	102
Crack spreads over Dubai										
Gasoline	7.0	9.9	11.6	15.5	17.8	23.0	18.5	20.2	23.0	29.0
Jet fuel	3.3	4.5	5.3	10.2	16.2	30.7	13.8	22.6	30.7	36.2
Diesel	(3.4)	(5.8)	(3.3)	(6.9)	(8.3)	12.5	17.7	26.6	35.2	43.3
High-sulfur fuel oil	0.8	(1.0)	1.6	3.2	(2.1)	(8.7)	(9.8)	(7.9)	8.4	9.5
Singpore complex GRM	**2.1**	**2.3**	**4.0**	**6.4**	**8.4**	**19.1**	**7.4**	**11.1**	**19.1**	**23.7**
(US$/tonne)										
Aromatics spreads										
PX-naphtha	190	241	240	134	192	257	215	193	257	265
BZ-naphtha	189	360	318	222	102	59	190	149	230	226
Olefin spreads										
HDPE-naphtha	577	575	462	509	413	504	448	377	504	470
LDPE-naphtha	962	915	740	890	731	834	778	707	834	820
PP-naphtha	748	694	548	558	419	484	458	364	484	470
Others										
Integrated PET	230	231	185	345	243	306	298	290	310	312
ABS-naphtha	1,811	1,932	1,712	1,565	1,108	1,129	1,103	1,002	1,129	1,120
Phenol-BZ	214	252	257	271	260	260	443	342	317	249
BPA -Phenol	1,565	2,008	1,970	2,236	2,285	2,285	905	736	732	725

Sources: TOP, Bloomberg

Ex 7: 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	12.30	17.00	*38.2*	2,430	132.1	(17.3)	3.9	4.7	3.1	3.0	8.8	7.4
BCP	BUY	33.50	34.00	*1.5*	1,347	38.2	(33.6)	7.3	10.9	4.5	7.1	5.4	3.6
ESSO	HOLD	9.35	8.20	*(12.3)*	945	na	320.8	47.8	11.4	9.8	7.3	0.0	0.0
IRPC	BUY	3.48	4.40	*26.4*	2,076	(70.7)	489.1	62.1	10.5	12.9	7.5	4.4	4.7
IVL	BUY	45.25	60.00	*32.6*	7,417	31.7	11.5	9.4	8.5	7.6	7.7	5.3	5.9
PTG	BUY	14.30	19.00	*32.9*	697	50.8	19.5	15.7	13.2	6.9	6.5	3.2	3.8
PTT	BUY	37.50	42.00	*12.0*	31,272	(5.0)	4.4	12.7	12.2	4.7	4.4	5.3	5.3
PTTEP	HOLD	151.00	148.00	*(2.0)*	17,502	42.9	(23.8)	9.5	12.5	3.1	3.6	4.0	4.6
PTTGC	BUY	50.00	58.00	*16.0*	6,582	(19.4)	5.4	9.9	9.4	7.6	7.2	5.0	4.8
SPRC	SELL	10.80	8.50	*(21.3)*	1,367	na	(23.1)	12.7	16.6	5.1	6.0	4.6	3.0
SUSCO	BUY	3.34	5.20	*55.7*	107	35.0	30.1	12.5	9.6	5.3	4.4	4.0	5.2
TOP	SELL	56.50	45.00	*(20.4)*	3,365	53.9	(24.2)	13.4	17.7	13.2	17.7	5.3	2.3

Sources: Company data, Thanachart estimates

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