

Energy Sector – Overweight

Yupapan Polpornprasert | Email: yupapan.pol@thanachartsec.co.th

News Update

In the doldrums

- **Big US crude inventory draw**
- **G7 and Australia agrees US\$60 price cap on Russian oil**
- **S&P Global provides bearish view on chemical sectors**
- **OPEC+ keeps oil quotas unchanged**

Brent crude oil price were steady w-w at US\$85/bbl as the market is waiting for the outcome from OPEC+ meeting and response from Russia following G7 and Australia agree to put a price cap on Russia crude at US\$60/bbl.

Big US crude inventory draw

- US commercial crude oil inventory turned into a draw of 12.6m bbls w-w against 2.8m bbls draw expected by the market. The drop was attributed to refiners who continued to boost activity to counter low U.S. inventories headed into the winter heating season
- Gasoline and distillate inventories show another large build of 2.7m and 3.5m, respectively.
- US crude oil production was steady w-w at 12.1k bd

G7 and Australia agrees US\$60 price cap on Russian oil

- **The G7 and Australia have agreed to put a cap on Russian oil prices of US\$60 per barrel.** A deal was struck on Friday after Poland, which had been holding out for a harsher cap, came on board.
- **The US\$60 price is lower than the level at which Russia currently sells its crude oil.** Russia flagship Ural crude is now at US\$65/bbl. The functioning of the price cap mechanism will be reviewed every two months. The aim is for the cap to be set at a level which is at least 5% below the market price for Russian crude. Note that if the price cap above current prices for Urals, Russian exports will continue to flow. The price cap would override EU sanction on Russia oil which will be effective on 5th December.
- **The key question now is how Russia responds.** Putin has threatened to cut production, which could drive up global oil prices, and to not supply countries that sign up to the cap.

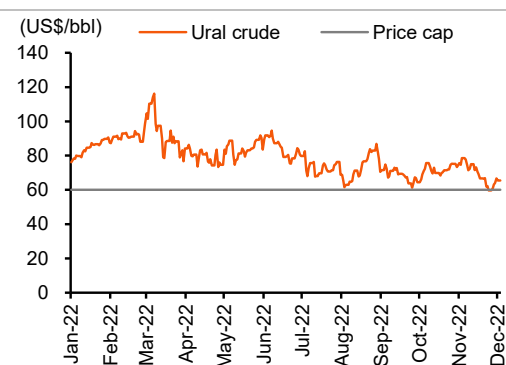
Ex 1: US Weekly data

(m bbls)	Weekly change	Consensus	Last week
Crude Oil	-12.580	-2.758	-3.691
Gasoline	2.769	1.625	3.058
Distillates	3.547	1.457	1.718

(kbpd)	Weekly change	% Change	Current number
Production	0.0	0.0%	12,100
Refinery Runs	+228	+1.4%	16,638

Source: EIA

Ex 2: Russian Ural Crude Price



Source: Bloomberg

S&P Global provides bearish view on chemical sectors

IRPC invited S&P Global commodity insights to provide chemical outlook last week and below are our key takeaways.

- **Bearish tone despite China reopens in 2H23F.** S&P Global expects PE and PP market to continue to be oversupplied in 2023F due to lag impact from major wave of supply addition since 2020 while demand is expected to remain weak. They also have bearish chemical demand outlook due to ongoing inflationary pressure while China zero-COVID policy looks likely to remain unchanged. The agency forecast world GDP growth of 2% in 2023F.
- **Weak margins prolonged into 2023F.** With oversupply market situation, S&P Global forecast PE-ethylene margin to recover to zero in 2023F from negative margin in 2022F while expect PP-propylene spread at cash cost level of US\$100/t from zero to c. US\$50/t in 2022F.
- **Recovery could be in 2-3 years.** S&P global forecast global ethylene operating rate to be near 80% 2023F and expects recovery from 2027F onward. This is comparing to nearly 90% in 2018-19 and 85% in 2020. Propylene chains oversupply situation is even worse given more capacity addition. Global propylene operating rate is projected to decline to 72% by 2025F from 75% in 2021 and 80% in 2018-20.
- **Our take.** We believe it's better to wait for a sign of margin recovery despite we see limited downside at current margin. We have a BUY rating on IRPC and PTTGC but SELL on SCC due to a more expensive valuation.

OPEC+ keeps oil quotas unchanged

- **OPEC+ keeps oil quota unchanged.** OPEC and its Russian-led allies will maintain their production quotas for now. The decision means the 2 m b/d cut in quotas from October levels until the end of 2023 will remain in place.
- **Several uncertainties keep decision unchanged.** We believe this is largely because of many uncertainties are still in place which mainly stems from EU embargo on Russian crude imports and the G7 price cap. Note that its key ministers will next meet on Feb. 1 for a monitoring committee while a full meeting is scheduled for June 3-4.

Ex 3: Prices And Spreads

(US\$/bbl)	3Q21	4Q21	1Q22	2Q22	3Q22	4Q22	Sep-22	Oct-22	Nov-22	Last week	This week
Upstream											
Dubai	71	77	97	108	99	88	91	90	85	81	80
Brent	73	79	98	112	98	92	91	94	91	85	85
Henry hub (US\$/mmbtu)	3.7	4.3	4.9	7.8	8.2	6.7	8.2	6.7	6.8	7.7	6.9
NEX coal price (US\$/t)	165	185	266	364	416	371	439	393	347	346	399
Crack spreads over Dubai											
Gasoline	11.6	15.5	17.8	35.0	13.2	8.1	6.9	3.8	12.5	13.0	15.5
Jet fuel	5.3	10.2	16.2	39.2	32.4	33.6	29.9	32.2	35.0	35.7	36.3
Diesel	5.4	11.4	19.6	43.1	35.2	41.8	33.9	42.6	40.9	41.5	38.9
High-sulfur fuel oil	1.6	3.2	(2.1)	(13.1)	(22.2)	(14.1)	(24.7)	(29.0)	(21.0)	(20.0)	(18.0)
Singapore complex GRM	4.0	6.4	8.4	22.0	6.9	6.0	3.5	3.4	8.6	9.3	11.1
(US\$/tonne)											
Aromatics spreads											
PX-naphtha	240	134	192	364	367	327	393	352	297	273	264
BZ-naphtha	317	196	196	353	263	153	244	191	114	104	95
Olefin spreads											
HDPE-naphtha	462	509	413	444	370	341	361	364	313	293	314
LDPE-naphtha	740	890	731	781	607	488	546	514	435	413	434
PP-naphtha	548	558	419	431	352	302	383	304	248	233	244
Others											
Integrated PET	185	345	297	302	303	203	276	229	203	217	232
ABS-naphtha	1,712	1,565	1,108	1,088	888	763	851	812	703	683	704
Phenol-BZ	255	333	421	193	233	308	320	361	255	234	244
BPA -Phenol	2,074	1,198	843	625	369	395	415	412	377	393	370

Sources: TOP, Bloomberg

Ex 4: Valuation

	Rating	Current price	Target price	Upside/Downside (%)	Market cap (US\$ m)	Norm EPS grw (%)	22F	23F	Norm PE (x)	22F	23F	EV/EBITDA (x)	22F	23F	P/BV (x)	22F	23F	Yield (%)	22F	23F	ROE (%)	22F	23F
BCP	BUY	32.25	37.00	14.7	1,277	189.2	(49.2)	3.3	6.6	2.6	3.9	0.7	0.6	5.6	3.7	22.3	9.9						
ESSO	BUY	12.50	16.00	28.0	1,244	na	(37.0)	4.4	6.9	3.8	5.5	1.5	1.5	12.0	6.1	41.8	21.6						
IRPC	BUY	3.04	4.40	44.7	1,787	(70.7)	489.1	54.2	9.2	12.0	6.9	0.7	0.7	5.0	5.4	1.3	7.3						
IVL	HOLD	41.75	46.00	10.2	6,742	93.0	(26.6)	5.9	8.1	5.4	6.1	1.2	1.1	4.8	3.6	22.4	14.3						
OR	SELL	24.30	20.00	(17.7)	8,387	27.8	(14.0)	20.7	24.1	11.2	12.2	2.6	2.5	1.4	1.2	13.4	10.5						
PTT	BUY	33.00	42.00	27.3	27,111	(5.0)	4.4	11.2	10.7	4.3	4.1	0.9	0.9	6.1	6.1	8.2	8.3						
PTTEP	HOLD	182.50	159.00	(12.9)	20,839	77.0	(15.4)	9.3	11.0	3.3	3.7	1.5	1.4	3.3	3.8	17.5	13.4						
PTTGC	BUY	46.75	56.00	19.8	6,063	7.4	(21.9)	6.9	8.9	7.5	7.5	0.7	0.6	5.3	4.7	9.5	7.3						
SCC	SELL	334.00	300.00	(10.2)	11,528	(37.1)	(2.0)	13.6	13.9	13.1	11.2	1.1	1.0	3.7	3.6	8.0	7.5						
SPRC	BUY	11.80	14.50	22.9	1,472	na	(34.4)	5.6	8.6	3.8	4.5	1.3	1.2	10.2	5.8	24.4	14.5						
TOP	BUY	55.75	70.00	25.6	3,582	416.8	(48.3)	4.0	7.7	5.4	10.3	0.8	0.7	5.4	5.5	20.8	9.6						

Sources: Company data, Thanachart estimates

General Disclaimers And Disclosures:

This report is prepared and issued by Thanachart Securities Public Company Limited (TNS) as a resource only for clients of TNS, Thanachart Capital Public Company Limited (TCAP) and its group companies. Copyright © Thanachart Securities Public Company Limited. All rights reserved. The report may not be reproduced in whole or in part or delivered to other persons without our written consent.

This report is prepared by analysts who are employed by the research department of TNS. While the information is from sources believed to be reliable, neither the information nor the forecasts shall be taken as a representation or warranty for which TNS or TCAP or its group companies or any of their employees incur any responsibility. This report is provided to you for informational purposes only and it is not, and is not to be construed as, an offer or an invitation to make an offer to sell or buy any securities. Neither TNS, TCAP nor its group companies accept any liability whatsoever for any direct or consequential loss arising from any use of this report or its contents.

The information and opinions contained herein have been compiled or arrived at from sources believed reliable. However, TNS, TCAP and its group companies make no representation or warranty, express or implied, as to their accuracy or completeness. Expressions of opinion herein are subject to change without notice. The use of any information, forecasts and opinions contained in this report shall be at the sole discretion and risk of the user.

TNS, TCAP and its group companies perform and seek to perform business with companies covered in this report. TNS, TCAP, its group companies, their employees and directors may have positions and financial interest in securities mentioned in this report. TNS, TCAP or its group companies may from time to time perform investment banking or other services for, or solicit investment banking or other business from, any entity mentioned in this report. Therefore, investors should be aware of conflict of interest that may affect the objectivity of this report.

Note: Thanachart Securities Public Company Limited act as a Market Maker and Derivative Warrants Issuer. At present, TNS has issued 75 Derivative Warrants which are ADVANC16C2301A, ADVANC16C2302A, AMATA16C2212A, AOT16C2212A, AOT16C2302A, BANPU16C2303A, BANPU16C2212A, BANPU16C2302A, BBL16C2212A, BGRIM16C2212A, BGRIM16C2301A, BGRIM16C2302A, BH16C2303A, BH16C2212A, BH16C2212B, BLA16C2212A, BLA16C2302A, BTS16C2301A, CBG16C2301A, CBG16C2301B, CBG16C2302A, COM716C2302A, CPN16C2303A, CPN16C2301A, CRC16C2303A, DOHOME16C2301A, DOHOME16C2303A, DTAC16C2212A, EA16C2303A, ESSO16C2303A, ESSO16C2302A, GPSC16C2301A, GPSC16C2302A, GULF16C2301A, GULF16C2302A, GULF16C2302B, GUNKUL16C2301A, GUNKUL16C2302A, HANA16C2301A, HANA16C2303A, IVL16C2212A, IVL16C2301A, JMART16C2303A, JMT16C2302A, KBANK16C2301A, KBANK16C2302A, KCE16C2303A, KCE16C2301A, KCE16C2301B, KCE16C2302A, KTB16C2303A, MINT16C2301A, MINT16C2302A, MTC16C2212A, MTC16C2301A, PSL16C2212A, PTTEP16C2212A, PTTEP16C2303A, RCL16C2303A, SAWAD16C2302A, SCB16C2301A, SCGP16C2212A, SCGP16C2303A, SET5016P2303A, SET5016C2303A, SET5016C2212A, SET5016C2212B, SET5016C2212C, SET5016P2212A, SET5016P2212B, SINGER16C2212A, SPRC16C2212A, TIDLOR16C2212A, TRUE16C2212A, VGI16C2301A (underlying securities are (ADVANC, AMATA, AOT, BANPU, BBL, BGRIM, BH, BLA, BTS, CBG, COM7, CPN, CRC, DOHOME, DTAC, EA, ESSO, GPSC, GULF, GUNKUL, HANA, IVL, JMART, JMT, KBANK, KCE, KTB, MINT, MTC, PSL, PTTEP, RCL, SAWAD, SCB, SCGP, SET50, SINGER, SPRC, TIDLOR, VGI, TRUE)). before making investment decisions.

Note: Our major shareholder TCAP (Thanachart Capital Pcl) which holding 89.96% of Thanachart Securities and also TCAP holding 100% of Thanachart SPV1 Co. Ltd. TCAP and Thanachart SPV1 Co. Ltd has stake in THANI for 60% and being the major shareholder of THANI.

Note: Thanachart Capital Public Company Limited (TCAP), TMBThanachart Bank Public Company Limited (TTB), are related companies to Thanachart Securities Public Company Limited (TNS). Thanachart Securities Pcl is a subsidiary of Thanachart Capital Pcl (TCAP) which holds 24.33% of the shareholding in TMBThanachart Bank Pcl.

Note: Thanachart Capital Public Company Limited (TCAP), Ratchthani Leasing Public Company Limited (THANI), MBK PUBLIC COMPANY LIMITED (MBK) and PATUM RICE MILL AND GRANARY PUBLIC COMPANY LIMITED (PRG) are related companies to Thanachart Securities Public Company Limited (TNS) . Since TNS covers those securities in research report, consequently TNS incurs conflicts of interest.

Disclosure of Interest of Thanachart Securities**Investment Banking Relationship**

Within the preceding 12 months, Thanachart Securities has lead-managed public offerings and/or secondary offerings (excluding straight bonds) of the securities of the following companies: The One Enterprise Pcl. (ONEE TB)