

Energy Sector – Overweight

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News Update

Winter is approaching

- **Slower US crude draw while products build continue**
- **Major US E&P stay firms on its output discipline**
- **Global gas price picking up**
- **EU gas inventory start to draw**

Brent lost nearly all of the gains it made in 2022, settling below US\$80. The fall in oil prices has been driven by fears that demand will lower amid a global economic slowdown. However, Northeast Asia spot LNG prices rose as colder weather in Europe and parts of Asia spurred gas demand.

Slower US crude draw while products build continue

- US commercial crude oil inventory show another draw of 5.2m bbls w-w against 3.3m bbls draw expected by the market. This is slow paced comparing to last week of 12.58m bbls.
- Gasoline and distillate inventories build gaining momentum this week. Gasoline inventories grow by 5.3m bbls w-w while distillate inventory grow by 6.2m bbls.
- US crude oil production shows a modest increase of 100k b/d to 12.2k b/d.

Major US E&P stay firms on its output discipline

- **US majors Exxon Mobil and Chevron will raise capital spending in 2023.** Exxon said it would increase project investments next year to between US\$23 to \$25 billion, up from a projected US\$22 billion this year. Chevron said it plans to spend US\$17 billion, up from about US\$15 billion this year. Increases include new monies for emissions reduction projects and the impact of inflation. Despite higher capex, both are expecting to maintain capital discipline.
- **The higher spending will not immediately lead to more production.** Exxon has said it expects output next year to be flat at about 3.7 million barrels of equivalent oil per day (boed), while Chevron has forecast a greater than 3% compound average annual increase through 2026.
- **Our view.** The capex plan is no surprise to us as we expect output from US to be limited. According to IEA, the agency forecast US crude oil output to grow 0.46m b/d in 2023F which is lower than 0.62m b/d in 2022F.

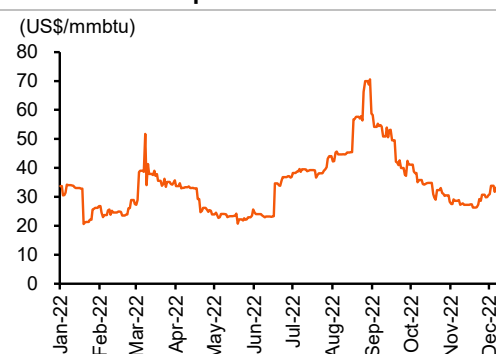
Ex 1: US Weekly data

(m bbls)	Weekly change	Consensus	Last week
Crude Oil	-5.187	-3.305	-12.580
Gasoline	5.320	2.707	2.769
Distillates	6.159	2.208	3.547

(kbpd)	Weekly change	% Change	Current number
Production	+100	0.8%	12,200
Refinery Runs	-53	-0.3%	16,638

Source: EIA

Ex 2: JKM LNG price



Source: Bloomberg

Global gas price picking up

- **JKM LNG spot price rebounded.** Northeast Asia spot LNG prices rose to mid-\$30s/mmbtu as colder weather in Japan and Europe reduced stockpiles from a low of US\$25/mmbtu.
- **Europe is now facing first glimpse of winter demand.** The Nordic countries, the UK, and Germany will all see below-average temperatures for this time of the year over the next two weeks, with temperatures in Oslo, Norway's capital, expected to sink to as low as -9.5C early next week, according to Bloomberg. We also see European gas inventory draw and now European gas storage is 89% full dropping from 95% in Nov. However, it's still above 5-year historical average of 79%.
- **Asia is also seeing colder weather.** Japan and South Korea are set to turn to liquefied natural gas inventory withdrawals in December to meet rising demand for gas for heating. Meanwhile, China reopens could boost more gas demand.
- **Our view.** The rebound in gas price will negatively impact PTT and IVL but will likely support further tightness in middle distillate market as it could lead to more gas-to-oil switching demand. However, with still high inventory level in Japan, Korea and Europe, we still think it could take sometimes that could lead to big oil-to-gas switching demand.

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	87	91	90	85	80	71
Brent	73	79	98	112	98	92	91	94	91	86	77
Henry hub (US\$/mmbtu)	3.7	4.3	4.9	7.8	8.2	6.6	8.2	6.7	6.8	6.3	5.9
NEX coal price (US\$/t)	165	185	266	364	416	371	439	393	347	391	396
Crack spreads over Dubai											
Gasoline	11.6	15.5	17.8	35.0	13.2	8.9	6.9	3.8	12.2	15.5	10.8
Jet fuel	5.3	10.2	16.2	39.2	32.4	33.9	29.9	32.2	34.9	36.3	34.2
Diesel	5.4	11.4	19.6	43.1	35.2	40.1	33.9	42.6	40.1	38.9	36.1
High-sulfur fuel oil	1.6	3.2	(2.1)	(13.1)	(22.2)	(13.3)	(24.7)	(29.0)	(20.8)	(18.0)	(20.5)
Singapore complex GRM	4.0	6.4	8.4	22.0	6.9	6.5	3.5	3.4	8.4	11.1	8.5
(US\$/tonne)											
Aromatics spreads											
PX-naphtha	240	134	192	364	367	317	393	352	297	264	224
BZ-naphtha	317	196	196	353	263	127	244	191	107	95	94
Olefin spreads											
HDPE-naphtha	462	509	413	444	370	337	361	364	313	314	304
LDPE-naphtha	740	890	731	781	607	481	546	514	435	434	424
PP-naphtha	548	558	419	431	352	295	383	304	248	244	234
Others											
Integrated PET	185	345	297	302	303	203	276	229	203	232	216
ABS-naphtha	1,712	1,565	1,108	1,088	888	754	851	812	703	704	674
Phenol-BZ	255	333	421	193	233	283	320	361	262	244	215
BPA -Phenol	2,074	1,198	843	625	369	379	415	412	377	370	348

Sources: TOP, Bloomberg

Ex 4: Valuation

	Rating	Current	Target	Upside/	Market	Norm EPS grw		Norm PE		EV/EBITDA		— P/BV —		— Yield —		— ROE —	
		price	price	(Downside)	cap	22F	23F	22F	23F	22F	23F	22F	23F	22F	23F	22F	23F
		(Bt)	(Bt)	(%)	(US\$ m)	(%)	(%)	(x)	(x)	(x)	(x)	(x)	(x)	(%)	(%)	(%)	(%)
BCP	BUY	31.25	37.00	18.4	1,236	189.2	(49.2)	3.2	6.4	2.6	3.9	0.7	0.6	5.8	3.8	22.3	9.9
ESSO	BUY	11.70	16.00	36.8	1,163	na	(37.0)	4.1	6.5	3.6	5.3	1.4	1.4	12.8	6.5	41.8	21.6
IRPC	BUY	2.98	4.40	47.7	1,750	(70.7)	489.1	53.2	9.0	11.8	6.8	0.7	0.6	5.1	5.5	1.3	7.3
IVL	HOLD	40.75	46.00	12.9	6,574	93.0	(26.6)	5.8	7.9	5.3	6.0	1.2	1.1	4.9	3.7	22.4	14.3
OR	SELL	24.30	20.00	(17.7)	8,378	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	32.00	42.00	31.3	26,262	(5.0)	4.4	10.8	10.4	4.3	4.0	0.9	0.8	6.3	6.3	8.2	8.3
PTTEP	HOLD	171.50	159.00	(7.3)	19,562	77.0	(15.4)	8.7	10.3	3.1	3.5	1.4	1.3	3.5	4.1	17.5	13.4
PTTGC	BUY	46.00	56.00	21.7	5,959	7.4	(21.9)	6.8	8.7	7.4	7.5	0.6	0.6	5.4	4.7	9.5	7.3
SCC	SELL	334.00	300.00	(10.2)	11,516	(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	11.70	14.50	23.9	1,458	na	(34.4)	5.6	8.5	3.7	4.5	1.3	1.2	10.3	5.9	24.4	14.5
TOP	BUY	54.25	70.00	29.0	3,482	416.8	(48.3)	3.9	7.5	5.3	10.2	0.7	0.7	5.5	5.6	20.8	9.6

Sources: Company data, Thanachart estimates

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