

Energy Sector – Overweight

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

News Update

Mixed outlook

- **US inventories build across the broad**
- **Keystone pipeline partly reopen**
- **Oil tanker rate plummet**
- **Global Jet demand gaining momentum**

Brent crude oil price recovered to above US\$80/bbl this week following positive news on China easing covid policy. However, the rally was paused by news on further rate hike by US Fed, higher inventory, keystone pipeline restored.

US inventories build across the broad

- US commercial crude oil inventory turned into a build of 10.2m bbls w-w against 3.6m bbls draw expected by the market. This is reversed from a draw last week.
- Refined product inventory has also increased over the last week reflecting a slowdown in demand for the fuels. Gasoline and distillate inventories continue to increase. Gasoline inventories grow by 4.5m bbls w-w while distillate inventory grow by 1.4m bbls.
- US crude oil production shows a modest decrease of 100k b/d to 12.1k b/d.

Keystone pipeline partly reopen

- **Largest US inventory build since Mar 2021.** The petroleum status report for the week ending December 9, which was released by the US EIA (Energy Information Administration) on December 14, showed an increase of 10.2 million barrels in US commercial crude oil inventories (excluding those in the strategic petroleum reserve) from the previous week. This is despite the supply disruptions witnessed due to the outages at the Keystone pipeline. At 424.1 million barrels, US crude oil inventories were about 6% below the five-year average for this time of year. This was the largest build-up of crude oil inventories since March 2021. An increase in the inventory indicated weak demand for the commodity.
- **Rising supply as keystone pipeline partly reopening.** The Keystone Pipeline has been shut down following a leak discovered near the border of Kansas and Nebraska. The Keystone Pipeline System, which has the capacity to transport 622,000 barrels a day of crude oil, transports heavy Canadian crude from Alberta to refiners in the US Midwest and the Gulf Coast. The shutdown of the major oil pipeline that carries crude from Canada triggered volatility in the energy market on Thursday, with oil prices briefly surging as much as 5% before retreating. However, Canada's TC Energy has restarted a portion of the Keystone Pipeline which should ease concern on supply tightness in the market.

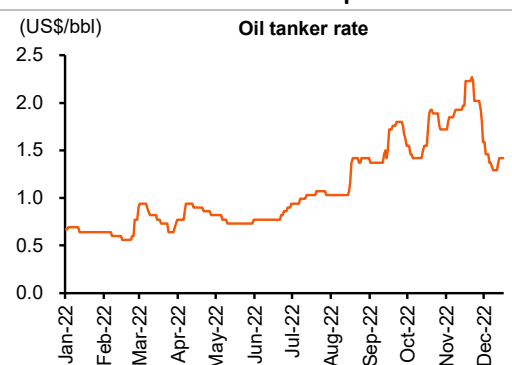
Ex 1: US Weekly data

(m bbls)	Weekly change	Consensus	Last week
Crude Oil	10.231	-3.595	-5.187
Gasoline	4.496	2.714	5.320
Distillates	1.364	2.517	6.159

(kbpd)	Weekly change	% Change	Current number
Production	-100	-0.8%	12,100
Refinery Runs	-459	-2.8%	16,126

Source: EIA

Ex 2: Oil tanker rate off from peak



Source: Bloomberg

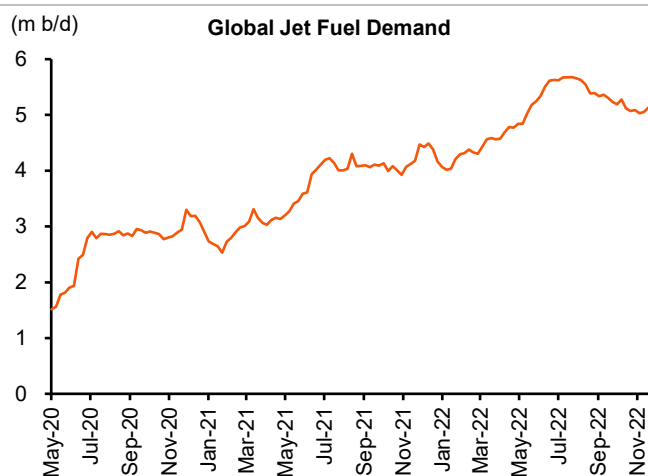
Oil tanker rate plummet

- **Falling oil tanker rate.** Earlier in the year, supertanker freight rates hit record levels as traders try to store crude in storage to take advantage of a record gap between spot and future prices shortly after Russia invaded Ukraine. But the situation has now reversed with supertanker rates plunging sharply. According to Bloomberg, ships capable of hauling 2 million barrels of crude are now earning about \$38,000 a day, down 62% from just weeks ago after OPEC+ cut production and reduced releases from US reserves lowered seaborne volumes.
- **SPRC stands to be most beneficiary.** We see SPRC stands to benefit most from lower shipping rate as the company is using ship-to-ship method which bear higher shipping cost comparing to peers. However, we see the decline in freight rate is still overall benefit the refinery sector.

Global Jet demand gaining momentum

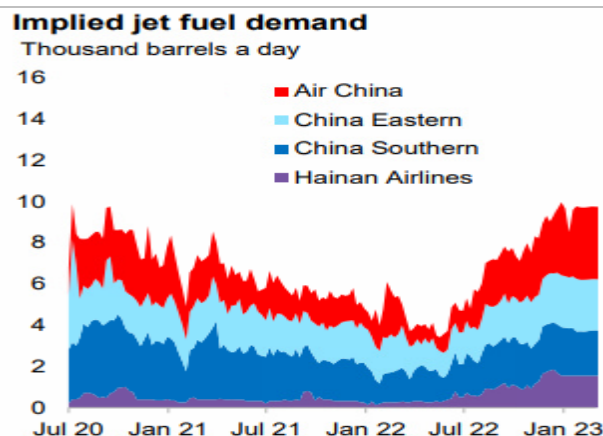
- **Rising global Jet demand.** Passenger flight schedules for Dec. 13 to 19 imply global jet fuel demand will come in at 5.1m b/d, which would be a 2% increase w-w and the second weekly increase in a row. The uptick is set to be led by Asia Pacific, where demand is on track to jump by 5%. The Americas and Europe are on course to follow with more modest growth of 0.4% and 0.3%, respectively. Note that pre-covid demand in 2019 was at 8m b/d.
- **Chinese jet demand also picking up.** Major Chinese airlines planned to resume and ramp up international departures from mid-October. The move came as the country's civil aviation authority, CAAC, began taking steps to ease travel restrictions and gradually increase the number of both domestic and international flights
- **Positive to Jet spread.** With rising travel demand and China easing Covid-policy, we see positive momentum for Jet market ahead. TOP has the highest exposure to Jet which accounting for 14% of its total product yield in 3Q22 vs peers' average of 6%.

Ex 3: Global Jet Fuel Demand



Source: Bloomberg

Ex 4: China International Jet Demand



Source: Bloomberg

Ex 5: Prices And Spreads

(US\$/bbl)	3Q21	4Q21	1Q22	2Q22	3Q22	4Q22	Oct-22	Nov-22	Dec-22	Last week	This week
Upstream											
Dubai	71	77	97	108	99	86	90	85	75	71	78
Brent	73	79	98	112	98	90	94	91	81	76	81
Henry hub (US\$/mmbtu)	3.7	4.3	4.9	7.8	8.2	6.6	6.7	6.8	6.3	6.2	6.8
NEX coal price (US\$/t)	165	185	266	364	416	376	393	347	399	403	402
Crack spreads over Dubai											
Gasoline	11.6	15.5	17.8	35.0	13.2	9.1	3.8	12.2	11.2	10.8	11.4
Jet fuel	5.3	10.2	16.2	39.2	32.4	32.6	32.2	34.9	30.5	34.2	28.9
Diesel	5.4	11.4	19.6	43.1	35.2	38.9	42.6	40.1	34.0	36.1	32.6
High-sulfur fuel oil	1.6	3.2	(2.1)	(13.1)	(22.2)	(12.5)	(29.0)	(20.8)	(19.3)	(20.5)	(18.2)
Singapore complex GRM	4.0	6.4	8.4	22.0	6.9	6.5	3.4	8.4	8.0	8.5	7.9
(US\$/tonne)											
Aromatics spreads											
PX-naphtha	240	134	192	364	367	314	352	297	257	224	291
BZ-naphtha	317	196	196	353	263	132	191	107	114	94	152
Olefin spreads											
HDPE-naphtha	462	509	413	444	370	339	364	313	332	304	361
LDPE-naphtha	740	890	731	781	607	482	514	435	457	424	491
PP-naphtha	548	558	419	431	352	298	304	248	277	234	321
Others											
Integrated PET	185	345	297	302	303	210	229	203	200	216	190
ABS-naphtha	1,712	1,565	1,108	1,088	888	753	812	703	707	674	741
Phenol-BZ	255	333	421	193	233	284	361	262	228	215	224
BPA -Phenol	2,074	1,198	843	625	369	370	412	377	321	348	295

Sources: TOP, Bloomberg

Ex 6: 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	
		(Bt)	(Bt)	(%)		(US\$ m)	(%)	(%)	(x)	(x)	(x)	(x)	(x)	(x)	(%)	(%)	(%)
BCP	BUY	30.75	37.00	20.3	1,210	189.2	(49.2)	3.2	6.3	2.6	3.8	0.6	0.6	5.9	3.9	22.3	9.9
ESSO	BUY	12.10	16.00	32.2	1,197	na	(37.0)	4.2	6.7	3.7	5.4	1.5	1.4	12.4	6.3	41.8	21.6
IRPC	BUY	2.92	4.40	50.7	1,706	(70.7)	489.1	52.1	8.8	11.7	6.8	0.7	0.6	5.2	5.7	1.3	7.3
IVL	HOLD	40.00	46.00	15.0	6,421	93.0	(26.6)	5.7	7.8	5.3	5.9	1.2	1.1	5.0	3.8	22.4	14.3
OR	SELL	23.50	20.00	(14.9)	8,062	27.8	(14.0)	20.0	23.3	10.7	11.8	2.5	2.4	1.5	1.2	13.4	10.5
PTT	SELL	31.25	28.00	(10.4)	25,519	18.6	(20.9)	8.5	10.7	4.2	4.0	0.9	0.8	6.4	6.4	10.3	7.9
PTTEP	HOLD	172.50	159.00	(7.8)	19,579	77.0	(15.4)	8.8	10.4	3.1	3.5	1.4	1.3	3.5	4.1	17.5	13.4
PTTGC	BUY	46.75	56.00	19.8	6,026	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	333.00	300.00	(9.9)	11,424	(37.1)	(2.0)	13.5	13.8	13.0	11.2	1.1	1.0	3.7	3.6	8.0	7.5
SPRC	BUY	11.50	14.50	26.1	1,426	na	(34.4)	5.5	8.4	3.7	4.4	1.2	1.2	10.4	6.0	24.4	14.5
TOP	BUY	54.00	70.00	29.6	3,449	416.8	(48.3)	3.9	7.5	5.3	10.1	0.7	0.7	5.6	5.6	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 76 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, KBANK16C2304A, 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)