

Energy Sector – Overweight

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News Update

Growing upside risk

- **US commercial crude turned into a draw**
- **U.S. begins SPR repurchase**
- **Russia threatens to cut output**
- **Starting of bullish bet on oil price**

Brent crude oil price rebound to above US\$80/bbl as the potential of a rebound in Chinese demand and a significant decline in Russian supply next year is adding upside risk to oil markets. We see trading opportunity for PTTEP and refiners (ESSO, TOP, SPRC, BCP) for potential oil price rebound.

US commercial crude turned into a draw

- US commercial crude oil inventory turned into a draw of 5.9m bbls w-w against 1.66m bbls draw expected by the market. This is reversed from a build last week.
- Refined product inventories are mixed. Gasoline inventories continue to increase while distillate inventory shows a small draw.
- US crude oil production was steady at 12.1k b/d.

U.S. begins SPR repurchase

- **First SPR repurchase.** The U.S. Energy Department will begin buying back oil for the Strategic Petroleum Reserve, or SPR, the first purchase since 180-million-barrel release from the stockpile. The department will buy up to 3 million barrels for delivery in February.
- **Small amount, but a gesture for intention to buy back.** Although the amount is small, the gesture could be seen as proof that the Biden Administration intends to keep its work to refill when prices fall below US\$70 per barrel. The White House said in October it would buy back oil for the SPR when prices at or below about US\$67-\$72 per barrel.

Russia threatens to cut output

- **Russia crude export resilient post price cap.** Russian seaborne crude exports fell substantially last week, but able to rebound back to normal level and now at 2.89m b/d based on Bloomberg data. We believe impact price cap will be limited as Russia Ural crude is currently well below price cap of US\$60/bbl.
- **However, Russia threatens to cut output.** Moscow may reduce its oil production by 500,000-700,000 barrels a day in response to the Group of Seven's price cap on Russian crude exports, Deputy Prime Minister Alexander Novak said in interview with Rossiya-24 TV channel.

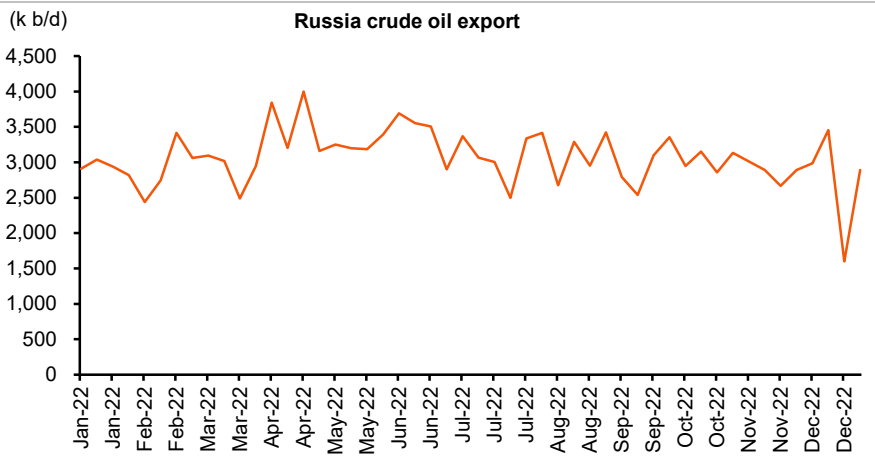
Ex 1: US Weekly data

(m bbls)	Weekly change	Consensus	Last week
Crude Oil	-5.894	-1.657	10.231
Gasoline	2.530	2.140	4.496
Distillates	-0.242	0.336	1.364

(kbpd)	Weekly change	% Change	Current number
Production	0	0.0%	12,100
Refinery Runs	-150	-0.9%	16,126

Source: EIA

Ex 2: Russia Crude Oil Export

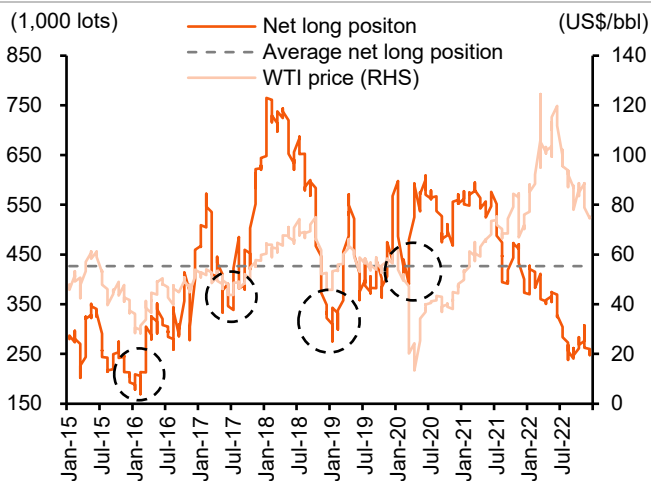


Source: Bloomberg

Starting of bullish bet on oil price

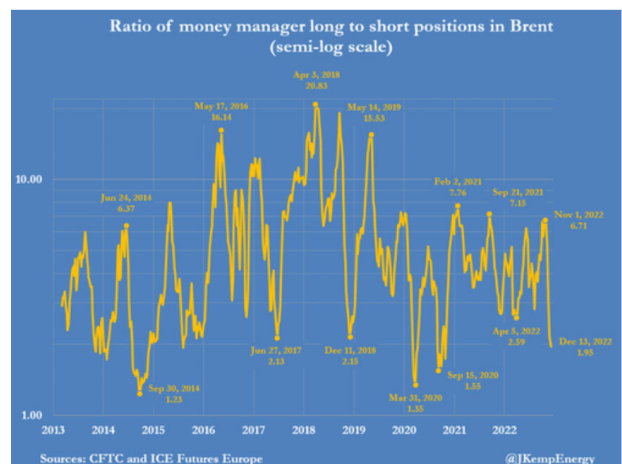
- **Hedge fund adding long position on WTI.** For the first time in five weeks, there was small buying in WTI (+2 million barrels), marking an important shift in sentiment. However, Brent Crude saw the net long position drop last week to the lowest in 26 months. But, the net position in Brent is already very low at just 89 million barrels (4th percentile for all weeks since 2013) and bullish long positions outnumber bearish shorts by a ratio of just 1.95:1 (6th percentile) dropping from latest peak of 6.71 in Nov 2022.
- **Our view.** With positions already so bearish, there is considerable scope for investors to rebuild bullish long positions once the news flow becomes more positive or at least less negative, which would likely lift prices in the short term oil.

Ex 3: WTI Net Long Position Vs. Price



Source: Bloomberg

Ex 4: Brent Long Short Ratio



Source: Oilprice.com

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	85	90	85	75	76	78
Brent	73	79	98	112	98	90	94	91	81	79	81
Henry hub (US\$/mmbtu)	3.7	4.3	4.9	7.8	8.2	6.6	6.7	6.8	6.1	6.6	5.2
NEX coal price (US\$/t)	165	185	266	364	416	376	393	347	399	403	401
Crack spreads over Dubai											
Gasoline	11.6	15.5	17.8	35.0	13.2	9.2	3.8	12.2	11.5	11.4	11.9
Jet fuel	5.3	10.2	16.2	39.2	32.4	32.9	32.2	34.9	31.6	28.9	33.2
Diesel	5.4	11.4	19.6	43.1	35.2	39.4	42.6	40.1	35.5	32.6	37.6
High-sulfur fuel oil	1.6	3.2	(2.1)	(13.1)	(22.2)	(12.1)	(29.0)	(20.8)	(18.6)	(18.2)	(17.6)
Singapore complex GRM	4.0	6.4	8.4	22.0	6.9	6.8	3.4	8.4	8.6	7.9	9.3
(US\$/tonne)											
Aromatics spreads											
PX-naphtha	240	134	192	364	367	314	352	297	273	291	303
BZ-naphtha	317	196	196	353	263	138	191	107	127	152	176
Olefin spreads											
HDPE-naphtha	462	509	413	444	370	341	364	313	339	361	353
LDPE-naphtha	740	890	731	781	607	482	514	435	466	491	483
PP-naphtha	548	558	419	431	352	300	304	248	293	321	323
Others											
Integrated PET	185	345	297	302	303	211	229	203	201	190	186
ABS-naphtha	1,712	1,565	1,108	1,088	888	750	812	703	709	741	713
Phenol-BZ	255	333	421	193	233	280	361	262	217	224	172
BPA -Phenol	2,074	1,198	843	625	369	370	412	377	320	295	315

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	22F	23F
		(Bt)	(Bt)	(%)	(US\$ m)	(%)	(%)	(x)	(x)	(x)	(x)	(x)	(x)	(%)	(%)	(%)	(%)
BCP	BUY	30.50	37.00	21.3	1,209	189.2	(49.2)	3.2	6.2	2.6	3.8	0.6	0.6	5.9	3.9	22.3	9.9
ESSO	BUY	11.90	16.00	34.5	1,186	na	(37.0)	4.1	6.6	3.7	5.3	1.5	1.4	12.6	6.4	41.8	21.6
IRPC	BUY	2.92	4.40	50.7	1,718	(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	39.50	46.00	16.5	6,387	93.0	(26.6)	5.6	7.7	5.2	5.9	1.1	1.0	5.1	3.8	22.4	14.3
OR	SELL	23.00	20.00	(13.0)	7,948	27.8	(14.0)	19.6	22.8	10.5	11.4	2.5	2.3	1.5	1.2	13.4	10.5
PTT	SELL	31.50	28.00	(11.1)	25,910	18.6	(20.9)	8.5	10.8	4.2	4.0	0.9	0.8	6.3	6.3	10.3	7.9
PTTEP	HOLD	171.50	159.00	(7.3)	19,607	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	44.75	52.00	16.2	5,811	(25.3)	(17.5)	9.5	11.6	8.5	8.1	0.7	0.6	1.7	4.1	6.8	5.6
SCC	SELL	334.00	300.00	(10.2)	11,542	(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	10.90	14.50	33.0	1,361	na	(34.4)	5.2	7.9	3.5	4.2	1.2	1.1	11.0	6.3	24.4	14.5
TOP	BUY	55.25	70.00	26.7	3,554	416.8	(48.3)	3.9	7.6	5.4	10.2	0.8	0.7	5.4	5.5	20.8	9.6

Sources: Company data, Thanachart estimates

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