

Energy Sector – Overweight

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News Update

Improving momentum

- **Large US gasoline inventory draw**
- **Winter storm shuts Texas oil refineries**
- **Improving momentum in China refining market**
- **Saudi may cut light OSP to lowest since Nov 2021**

We see improving momentum in energy market supporting by refining supply disrupting in US market, China traffic demand picking up while fuel export is peaking out. Meanwhile, crude premium is likely trend lower in Feb 2023 supporting Thai refinery to see margin expansion in 1Q23F. We remain our positive view on refinery sector and reiterate our BUY call on ESSO and TOP.

Large US gasoline inventory draw

- US commercial crude oil inventory turned into a build of 0.7m bbls w-w against 1.6m bbls draw expected by the market. This is reversed from a draw last week.
- Refined product inventory movements are mixed. Gasoline inventories show a large draw of 3.1m bbls w-w while distillate inventory grow by 0.28m bbls.
- US crude oil production shows a modest decrease of 100k b/d to 12.0k b/d.

Positive data supporting refinery market

- **US refinery could be shut until mid-Jan.** As of Friday, December 23, as much as 1.5 million bpd of the Gulf Coast's refining capacity (8% of US refining capacity) was shut down due to the freezing temperatures, per Reuters estimates. Pemex's Deer Park refinery and Motiva Enterprises' Port Arthur, the biggest refinery in the United States, could see their restart stretched out to the first or second week of January.
- **China's traffic levels rebound despite covid wave.** China's road congestion index partially rebounded from the previous week's plunge. Despite the resurgence of Covid-19 cases, traffic activity picked up. A congestion index of the 15 cities with the most vehicle registrations grew by 58.2% versus a week earlier.
- **Slower China oil product export in December.** China's refiners are planning 6.72m tons of fuel exports in December, slightly down on the month, according to industry consultant OilChem. While shipments of gasoline seen +1% m-m to 2.1m tons, diesel flows are expected -2.5% m-m to 2.76m tons. Jet-fuel exports seen -1.6% to 1.86m tons. Overall planned export volume expected to be -1.2% from November

Ex 1: US Weekly data

(m bbls)	Weekly change	Consensus	Last week
Crude Oil	0.718	-1.520	-5.894
Gasoline	-3.105	0.520	2.530
Distillates	0.282	-2.050	-0.242

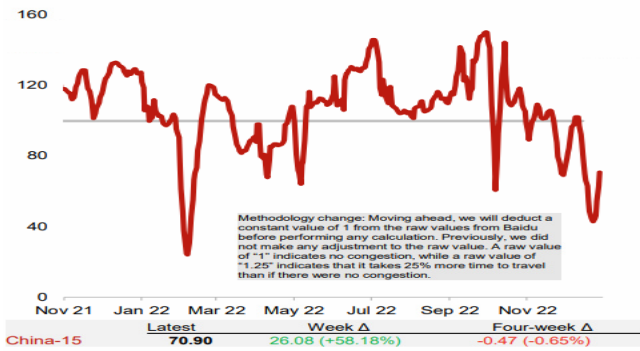
(kbpd)	Weekly change	% Change	Current number
Production	-100	-0.8%	12,000
Refinery Runs	+173	+1.1%	16149

Source: EIA

Ex 2: China Traffic Index

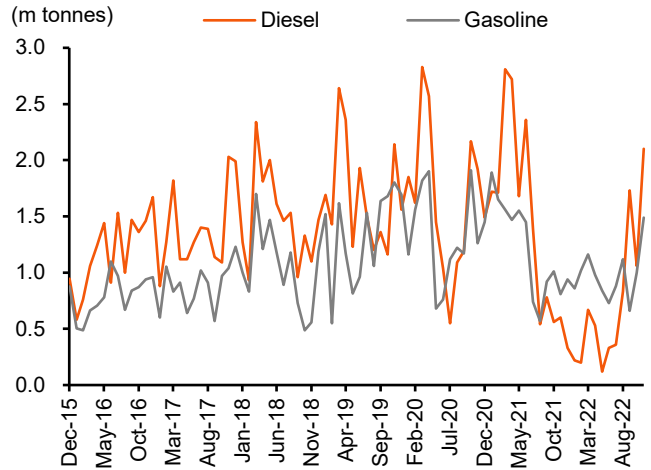
China-15 (Baidu) congestion index

Daily peak congestion levels, indexed to January 2021 (seven-day moving average)



Source: Bloomberg

Ex 3: China Fuel Export

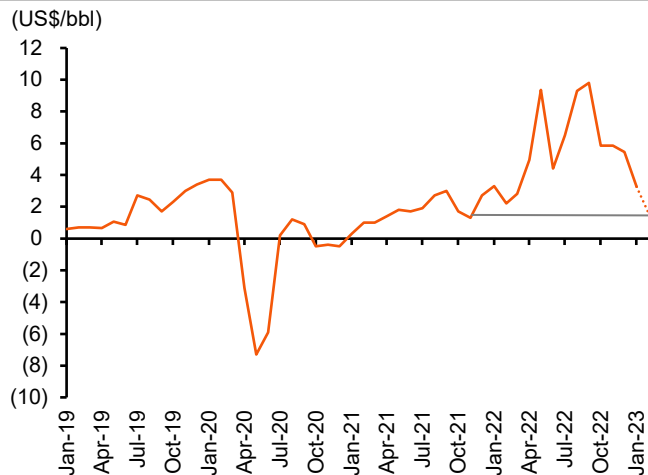


Source: Bloomberg

Saudi may cut light OSP to lowest since Nov 2021

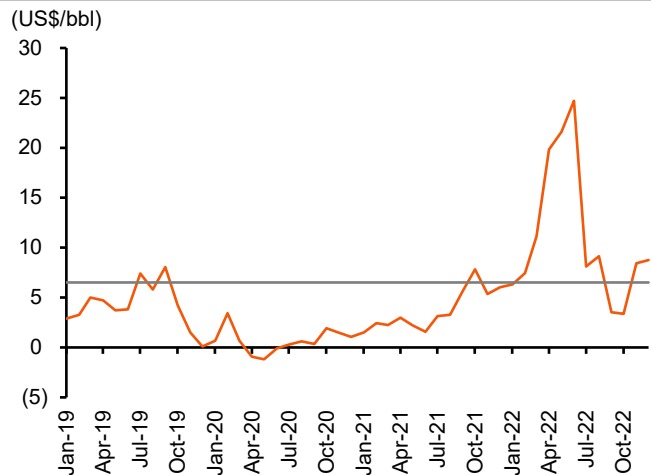
- **Saudis may cut Arab light OSP.** Saudi Aramco may cut the official selling price of its flagship Arab Light crude to Asia by US\$1.69 a barrel month-on-month for February sales, according to the median estimate in a Bloomberg survey. That would trim the Arab Light OSP differential premium against the Oman-Dubai benchmark to US\$1.56 a barrel, the lowest since November 2021.
- **Refinery margins remain firm.** Despite Saudi cutting its OSP crude premium due to demand concern, benchmark SG refinery margin remains firm at US\$9.1/bbl vs 5-year pre-covid average of US\$6.5/bbl. With firm margin and lower cost, we expect overall Thai refinery margin to rise in 1Q23F. Our prefer pick remain ESSO and TOP.

Ex 4: Arab Light Premium Over Dubai



Sources: Bloomberg

Ex 5: Singapore Refinery Margin



Sources: Bloomberg

Ex 6: 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	84	90	85	76	78	79
Brent	73	79	98	112	98	89	94	91	82	84	86
Henry hub (US\$/mmbtu)	3.6	4.2	4.7	7.5	7.8	6.2	6.4	6.6	5.6	5.0	4.5
NEX coal price (US\$/t)	165	185	266	364	416	380	393	347	401	401	404
Crack spreads over Dubai											
Gasoline	11.6	15.5	17.8	35.0	13.2	9.2	3.8	12.2	11.6	11.9	11.8
Jet fuel	5.3	10.2	16.2	39.2	32.4	33.1	32.2	34.9	32.3	33.2	33.8
Diesel	5.4	11.4	19.6	43.1	35.2	39.3	42.6	40.1	35.1	37.6	34.1
High-sulfur fuel oil	1.6	3.2	(2.1)	(13.1)	(22.2)	(11.9)	(29.0)	(20.8)	(17.9)	(17.6)	(16.2)
Singapore complex GRM	4.0	6.4	8.4	22.0	6.9	6.9	3.4	8.4	8.8	9.3	9.1
(US\$/tonne)											
Aromatics spreads											
PX-naphtha	240	134	192	364	367	311	352	297	274	303	279
BZ-naphtha	317	196	196	353	263	145	191	107	139	176	195
Olefin spreads											
HDPE-naphtha	462	509	413	444	370	341	364	313	342	353	349
LDPE-naphtha	740	890	731	781	607	481	514	435	467	483	469
PP-naphtha	548	558	419	431	352	301	304	248	297	323	309
Others											
Integrated PET	185	345	297	302	303	211	229	203	202	186	204
ABS-naphtha	1,712	1,565	1,108	1,088	888	748	812	703	714	713	729
Phenol-BZ	255	333	421	193	233	274	361	262	200	172	129
BPA-Phenol	2,074	1,198	843	625	369	368	412	377	316	315	305

Sources: TOP, Bloomberg

Ex 7: 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	31.50	37.00	17.5	1,253	189.2	(49.2)	3.3	6.4	2.6	3.9	0.7	0.6	5.7	3.8	22.3	9.9						
ESSO	BUY	12.60	16.00	27.0	1,260	na	(37.0)	4.4	7.0	3.8	5.6	1.5	1.5	11.9	6.0	41.8	21.6						
IRPC	BUY	3.02	4.40	45.7	1,783	(70.7)	489.1	53.9	9.1	11.9	6.9	0.7	0.7	5.0	5.5	1.3	7.3						
IVL	HOLD	40.75	46.00	12.9	6,612	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	23.80	20.00	(16.0)	8,253	27.8	(14.0)	20.3	23.6	10.9	11.9	2.6	2.4	1.4	1.2	13.4	10.5						
PTT	SELL	33.25	28.00	(15.8)	27,445	18.6	(20.9)	9.0	11.4	4.3	4.2	0.9	0.9	6.0	6.0	10.3	7.9						
PTTEP	HOLD	176.50	159.00	(9.9)	20,249	77.0	(15.4)	9.0	10.6	3.2	3.6	1.5	1.4	3.4	4.0	17.5	13.4						
PTTGC	BUY	47.25	52.00	10.1	6,156	(25.3)	(17.5)	10.1	12.2	8.7	8.3	0.7	0.7	1.6	3.9	6.8	5.6						
SCC	SELL	342.00	300.00	(12.3)	11,860	(37.1)	(2.0)	13.9	14.2	13.3	11.4	1.1	1.0	3.6	3.5	8.0	7.5						
SPRC	BUY	10.70	14.50	35.5	1,341	na	(34.4)	5.1	7.8	3.4	4.1	1.2	1.1	11.2	6.4	24.4	14.5						
TOP	BUY	56.25	70.00	24.4	3,631	416.8	(48.3)	4.0	7.8	5.4	10.3	0.8	0.7	5.3	5.4	20.8	9.6						

Sources: Company data, Thanachart estimates

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