

## Energy Sector – Overweight

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

News Update

### Easing pressure

- **Unexpected US crude inventory build**
- **Brent crude oil price rebound on positive US data**
- **China fuel export slipped in Jan**
- **Exxon to start-up its new refinery**

Brent crude oil price rebound this week to US\$85/bbl due to position US inflation data. Meanwhile, China Lunar new year has prompt domestic demand recovery and could lead to lower China oil product export in Jan 2023. However, China oil product export could ramp up once seasonal demand ease given large export quota has already been issued earlier this month.

#### Unexpected US crude inventory build

- U.S. crude stocks built unexpectedly last week, up by 18.96m bbl w-w as refiners were slow to restore production after a cold freeze that shut operations.
- Refined product inventory are mixed. Gasoline inventories rose by 4.1m bbls w-w while distillate inventory dropped by 1.1m bbls.
- US crude oil production shows a modest increase of 100k b/d to 12.2m b/d.

#### China fuel export slipped in Jan 23

- **Travel demand boost domestic consumption.** China's exports of refined oil products could start 2023 with a drop of 40% in January from December's figure, as Lunar New Year travel demand boosts domestic consumption of transport fuels. Hundreds of millions of people are on the move this month as they return home to celebrate Lunar New Year which falls on Jan. 22 this year. China reported its December refined fuel exports, which also include marine fuel oil, at 7.7 million tonnes, the highest since April of 2020. Estimates for January exports of diesel, gasoline and jet fuel are between 3.8-4.1 million tonnes, say Chinese consultancies Longzhong, JLC, and several trade sources.
- **Gasoline shows the biggest drop.** The volume of gasoline, at up to 840,000 tonnes, is likely to be the lowest among the products. This is comparing to a peak of 1.5mt in Nov 2022. Exports of jet fuel and diesel are expected to come down to 1.2 mt and 1.7-2.1mt from 1.9 and 2.1 in Dec 2022, but still substantially higher y-y.
- **Demand recovery is a key for Chinese export trend.** We remain cautious if the seasonal demand ease. China has raised its first batch of 2023 export quotas for refined oil products to 18.99 million tonnes, up 46% from 13 million tonnes a year earlier. Therefore, China could ramp up its export once demand turn weaker again.

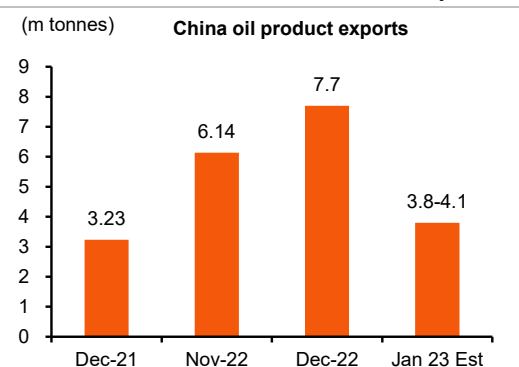
#### Ex 1: US Weekly data

(m bbls)	Weekly change	Consensus	Last week
Crude Oil	18.96	-2.243	1.694
Gasoline	4.114	1.186	-0.346
Distillates	-1.069	-0.472	-1.427

(kbpd)	Weekly change	% Change	Current number
Production	+100	+0.8%	12,200
Refinery Runs	+831	+6%	14,651

Source: EIA

#### Ex 2: Estimated China Oil Product Export

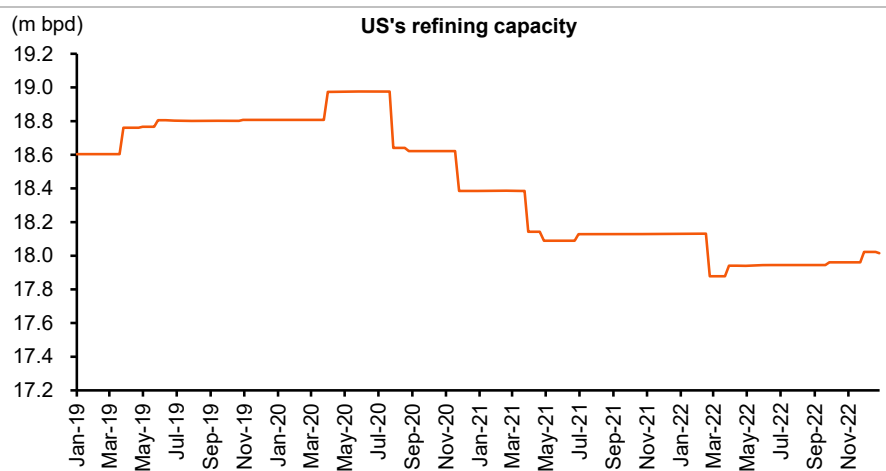


Source: Reuter

**Exxon to start-up its new refinery**

- **Start-up of new US refinery.** Exxon Mobil Corp in coming days will sharply boost gasoline and diesel production at its Beaumont, Texas, refinery. Initial startup of a 250,000 barrels per day (bpd) crude distillation unit (CDU) at the 369,000-bpd refinery is expected by Jan. 31, according to Bloomberg, making the Beaumont refinery the second largest in the United States. This is ahead of our initial expectation of 3Q23F.
- **Still a tight market.** Although this is the first major expansion in nearly a decade, the additional capacity only adds 1.4% to US's refining capacity. Since the COVID-19 pandemic began, six U.S. crude oil refineries have closed dropping U.S. capacity from 18.98 mbpd to 18.0 mbpp. Meanwhile, U.S. stockpiles of diesel and gasoline are below five-year average.

**Ex 3: US Refining Capacity**



Source: EIA

## Ex 4: Prices And Spreads

(US\$/bbl)	3Q21	4Q21	1Q22	2Q22	3Q22	4Q22	Oct-22	Nov-22	Dec-22	Last week	This week
<b>Upstream</b>											
Dubai	77	97	108	99	84	78	85	76	76	73	80
Brent	79	98	112	98	89	82	91	82	82	79	85
Henry hub (US\$/mmbtu)	4.2	4.7	7.5	7.8	6.2	3.8	6.6	5.6	5.6	3.7	3.4
NEX coal price (US\$/t)	185	364	416	416	380	388	347	401	401	396	370
<b>Crack spreads over Dubai</b>											
Gasoline	15.5	17.8	35.0	13.2	9.4	14.8	12.2	12.2	12.2	14.9	14.8
Jet fuel	10.2	16.2	39.2	32.4	33.5	32.7	34.9	33.3	33.3	37.6	32.7
Diesel	11.4	19.6	43.1	35.2	39.3	31.3	40.1	35.2	35.2	35.8	31.3
High-sulfur fuel oil	3.2	(2.1)	(13.1)	(22.2)	(11.9)	(8.2)	(20.8)	(17.7)	(17.7)	(16.8)	(18.9)
<b>Singapore complex GRM</b>	<b>6.4</b>	<b>8.4</b>	<b>22.0</b>	<b>6.9</b>	<b>7.0</b>	<b>9.1</b>	<b>8.4</b>	<b>9.2</b>	<b>9.2</b>	<b>10.8</b>	<b>9.3</b>
<b>(US\$/tonne)</b>											
<b>Aromatics spreads</b>											
PX-naphtha	134	192	364	367	311	292	297	274	274	296	288
BZ-naphtha	196	196	353	263	150	204	107	154	154	249	184
<b>Olefin spreads</b>											
HDPE-naphtha	509	413	444	370	341	367	313	342	342	371	363
LDPE-naphtha	890	731	781	607	481	492	435	467	467	491	493
PP-naphtha	558	419	431	352	301	337	248	297	297	331	343
<b>Others</b>											
Integrated PET	345	297	302	303	212	0	203	204	204	195	198
ABS-naphtha	1,565	1,108	1,088	888	748	727	703	714	714	731	723
Phenol-BZ	333	421	193	233	269	118	262	185	185	77	134
BPA-Phenol	1,198	843	625	369	368	305	377	316	316	305	305

Sources: TOP, Bloomberg

## Ex 5: 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	37.75	37.00	(2.0)	1,576	189.2	(49.2)	3.9	7.7	2.8	4.1	0.8	0.7	4.8	3.2	22.3	9.9
ESSO	BUY	9.40	16.00	70.2	987	na	(37.0)	3.3	5.2	3.1	4.5	1.1	1.1	16.0	8.1	41.8	21.6
IRPC	BUY	3.14	4.40	40.1	1,946	(70.7)	489.1	56.0	9.5	12.2	7.0	0.7	0.7	4.8	5.3	1.3	7.3
IVL	HOLD	41.75	46.00	10.2	7,109	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	23.60	20.00	(15.3)	8,589	27.8	(14.0)	20.1	23.4	10.8	11.8	2.6	2.4	1.4	1.2	13.4	10.5
PTT	SELL	33.75	28.00	(17.0)	29,237	18.6	(20.9)	9.2	11.6	4.3	4.2	0.9	0.9	5.9	5.9	10.3	7.9
PTTEP	HOLD	167.50	159.00	(5.1)	20,168	77.0	(15.4)	8.5	10.1	3.0	3.4	1.4	1.3	3.6	4.2	17.5	13.4
PTTGC	BUY	50.00	52.00	4.0	6,837	(25.3)	(17.5)	10.7	12.9	9.0	8.6	0.7	0.7	1.5	3.7	6.8	5.6
SCC	SELL	355.00	300.00	(15.5)	12,920	(37.1)	(2.0)	14.4	14.7	13.6	11.6	1.1	1.1	3.5	3.4	8.0	7.5
SPRC	BUY	10.10	14.50	43.6	1,328	na	(34.4)	4.8	7.4	3.3	3.8	1.1	1.0	11.9	6.8	24.4	14.5
TOP	BUY	55.00	70.00	27.3	3,726	416.8	(48.3)	3.9	7.6	5.3	10.2	0.7	0.7	5.5	5.5	20.8	9.6

Sources: Company data, Thanachart estimates

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