

Energy Sector – Overweight

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

News Update

Gasoline spread soar

- **Slower US inventory build**
- **Early spike in gasoline spread**
- **US market to further support gasoline market**
- **EU consider price cap on Russia diesel export**

Gasoline prices spiking earlier than usual this year, raising concerns that below average US gasoline inventories and heavy refinery maintenance will cause another costly US driving season. Meanwhile, diesel spread could ease if the EU price cap on Russian diesel at US\$100/bbl go through. However, we think that the strength in gasoline margin will help support refinery margin. We maintain our positive view on Thai refinery and reiterate our BUY rating on TOP, SPRC and ESSO.

Slower US inventory build

- US crude inventories saw another week of growth, but slow than last week, up by only 0.5m bbl vs 8.4m bbl in the previous week.
- Refined product inventory is mixed. Gasoline inventories rose by 1.76m bbls w-w while distillate inventory dropped by 0.5m bbls.

Early spike in gasoline spread

- **Gasoline crack soar.** Gasoline spread was at US\$23/bbl on 23 Jan 2023, the highest ever for this time of year. The fuel has risen for 4 consecutive weeks, the longest streak of gains since prices hit a record in June. The strong gasoline crack spread has caused Singapore Complex refinery margin to reach US\$13/bbl which is nearly double the level we have seen in 4Q22.
- **Higher demand from China.** We believe part of the reason is higher demand from China as the country reopen as well as additional demand from festive Chinese New Year. News report recently that China's exports of refined oil products could start 2023 with a drop of 40% in January from December. The key product that is expected to drop most is gasoline.
- **US market to further support.** While China demand boost gasoline spread, we are entering US driving season in 2Q23 as well as maintenance season which is expected to be a heavier-than-usual refinery maintenance season because of work that was deferred to take advantage of last year's price surge. At least 15 U.S. oil refineries plan maintenance ranging from two to 11 weeks through May, according to Reuter. By mid-February, U.S. refiners will drop some 1.4 million barrels per day of processing capacity, double the five-year average.
- **Still below average inventory.** Fuel inventories are low relative to historical level. According to EIA, US gasoline inventory was at 232m bbl on 20th Jan 2023, 7% below five-year pre-COVID average.

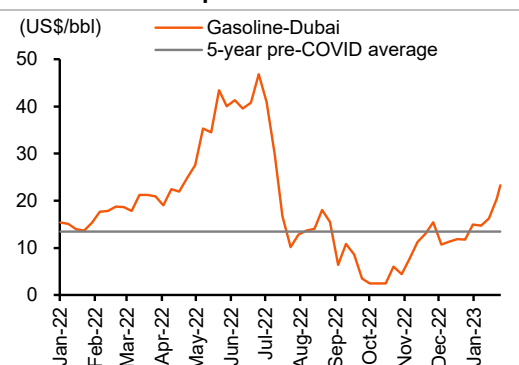
Ex 1: US Weekly data

(m bbls)	Weekly change	Consensus	Last week
Crude Oil	0.533	0.971	8.408
Gasoline	1.763	1.767	3.483
Distillates	-0.507	-1.121	-1.939

(kbpd)	Weekly change	% Change	Current number
Production	0.0	0.0%	12,200
Refinery Runs	+128	+0.9%	14,981

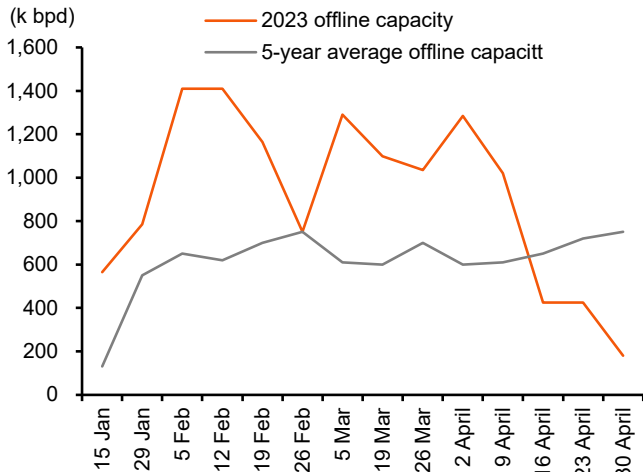
Source: EIA

Ex 2: Gasoline Spread Soar



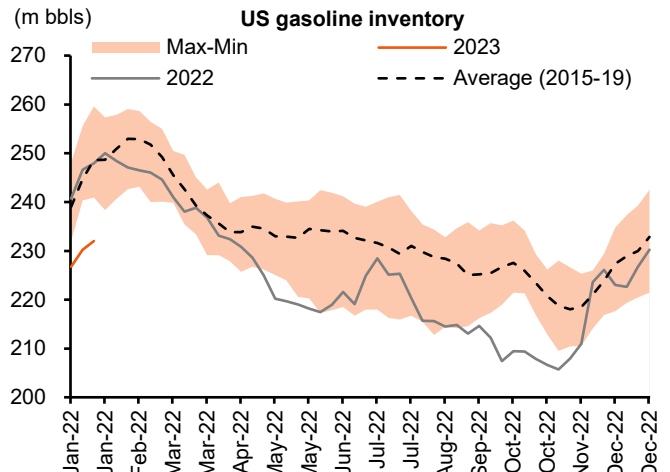
Source: TOP

Ex 3: US Refinery Maintenance To Be Heavier Than Usual



Sources: Reuter

Ex 4: US Gasoline Inventory Stay Well Below Average

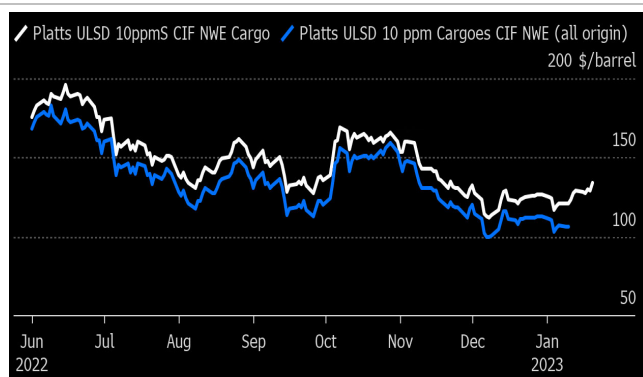


Sources: Bloomberg

EU consider price cap on Russia diesel export

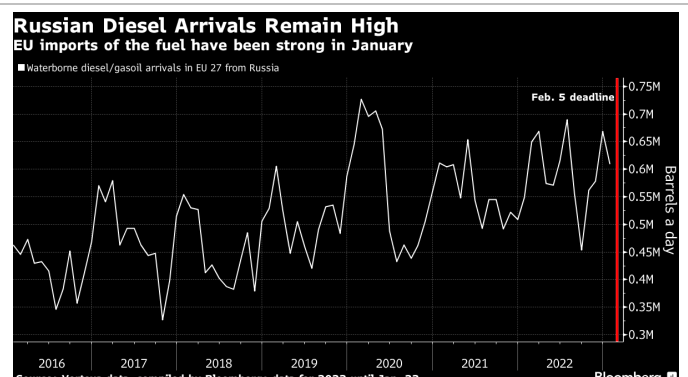
- **EU consider price cap on Russia diesel export.** The European Union is floating a plan to cap the price of Russian diesel at US\$100 a barrel. The thresholds are expected to apply from Feb. 5, the same date as the EU will ban almost all imports of refined Russian products. So far, EU sanction on Russian crude has limited impact. However, the restrictions on oil products could likely be more difficult. Unlike for crude, China and India are already major fuel exporters, and so are unlikely to be a home for Russian supply. Russia accounts for 15% of global diesel flows, with 80% of that going to Europe until recently.
- **Likely limited impact on Russian flow.** Headline diesel futures are currently trading at about US\$130 in northwest Europe on the Intercontinental Exchange. But Russian fuels is at discounts recently, which could take it closer to Europe's proposed level, and keep supplies flowing. On Jan. 10, Platts assessed Russian diesel at a discount of US\$113.50 a ton, or US\$15.20 a barrel, to non-Russian supply.
- **Diesel spread could ease** if the impact on Russian sanction is not as big as expected. Note that EU buying Russian diesel heavier than usual to prepare for the ban. However, we see that the lower diesel spread could be help offset by strength in gasoline margin. We maintain our positive view on Thai refinery and reiterate our BUY rating on TOP, SPRC and ESSO.

Ex 5: Russia Origin Diesel Trade At US\$15/bbl Discount



Source: Bloomberg

Ex 6: EU Import Diesel From Russia Heavily



Source: Bloomberg

Ex 7: Prices And Spreads

(US\$/bbl)	4Q21	1Q22	2Q22	3Q22	4Q22	1Q23	Nov-22	Dec-22	Jan-23	Last week	This week
Upstream											
Dubai	77	97	108	99	84	81	85	76	81	84	85
Brent	79	98	112	98	89	84	91	82	84	88	87
Henry hub (US\$/mmbtu)	3.9	4.3	6.6	6.7	5.6	3.3	5.9	5.1	3.3	3.0	2.8
NEX coal price (US\$/t)	185	364	416	416	380	375	347	401	375	351	358
Crack spreads over Dubai											
Gasoline	15.5	17.8	35.0	13.2	9.4	17.3	12.2	12.2	17.3	20.4	23.3
Jet fuel	10.2	16.2	39.2	32.4	33.5	33.9	34.9	33.3	33.9	35.6	36.1
Diesel	11.4	19.6	43.1	35.2	39.3	33.3	40.1	35.2	33.3	34.7	34.4
High-sulfur fuel oil	3.2	(2.1)	(13.1)	(22.2)	(11.9)	(7.7)	(20.8)	(17.7)	(19.1)	(19.5)	(19.1)
Singapore complex GRM	6.4	8.4	22.0	6.9	7.0	10.5	8.4	9.2	10.5	11.9	13.2
(US\$/tonne)											
Aromatics spreads											
PX-naphtha	134	192	364	367	311	304	297	274	304	294	339
BZ-naphtha	196	196	353	263	150	209	107	154	209	140	239
Olefin spreads											
HDPE-naphtha	509	413	444	370	341	346	313	342	346	319	329
LDPE-naphtha	890	731	781	607	481	458	435	467	458	419	429
PP-naphtha	558	419	431	352	301	326	248	297	326	299	329
Others											
Integrated PET	345	297	302	303	212	192	203	204	192	196	188
ABS-naphtha	1,565	1,108	1,088	888	748	708	703	714	708	689	689
Phenol-BZ	333	421	193	233	269	82	262	185	82	134	25
BPA-Phenol	1,198	843	625	369	368	306	377	316	306	305	308

Sources: TOP, Bloomberg

Ex 8: 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	HOLD	37.25	39.00	4.7	1,560	211.0	(50.4)	3.6	7.2	2.9	5.3	0.8	0.7	4.8	4.1	23.8	10.3
ESSO	BUY	9.40	12.00	27.7	990	na	(48.3)	3.2	6.1	3.2	5.0	1.2	1.1	12.6	8.2	44.1	18.7
IRPC	BUY	3.10	4.40	41.9	1,927	(70.7)	489.1	55.3	9.4	12.1	7.0	0.7	0.7	4.9	5.3	1.3	7.3
IVL	BUY	41.25	48.00	16.4	7,046	100.1	(32.0)	5.7	8.3	5.2	6.2	1.2	1.1	4.8	3.6	23.2	13.7
OR	SELL	22.60	20.00	(11.5)	8,251	27.8	(14.0)	19.3	22.4	10.2	11.2	2.5	2.3	1.5	1.3	13.4	10.5
PTT	SELL	33.25	28.00	(15.8)	28,893	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	172.00	159.00	(7.6)	20,774	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	50.50	52.00	3.0	6,927	(25.3)	(17.5)	10.8	13.1	9.1	8.6	0.8	0.7	1.5	3.6	6.8	5.6
SCC	SELL	340.00	300.00	(11.8)	12,413	(52.5)	29.8	18.3	14.1	17.6	11.3	1.1	1.0	2.4	3.5	6.0	7.6
SPRC	BUY	11.40	14.50	27.2	1,504	na	(34.4)	5.4	8.3	3.7	4.4	1.2	1.2	10.5	6.0	24.4	14.5
TOP	BUY	60.25	70.00	16.2	4,095	416.8	(48.3)	4.3	8.3	5.6	10.6	0.8	0.8	5.0	5.1	20.8	9.6

Sources: Company data, Thanachart estimates

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