

## Energy Sector – Overweight

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## News Update

### Mixed movement

- **Another US crude inventory build**
- **China Feb export continue to decline**
- **EU approved price cap on Russian diesel**
- **Saudi expect to cut OSP further in Mar**

After rallying at the start of the week, oil prices have offset their gains and are with another loss as U.S. inventory data and rising doubts about the speed of China's economic recovery shift sentiment. For oil product market, diesel crack spread ease to US\$28/bbl on Friday as concern on Russian diesel supply disruption is likely lower than expected. However, we see heavier than usual US refinery turnaround in 1Q23F, China demand recovery, and lower crude premium to continue to support Thai refinery margin. We maintain our BUY rating on TOP, SPRC, and ESSO.

### Another US crude inventory build

- U.S. crude oil inventories have been rising for four weeks in a row, up by 4m bbls w-w which surprise market expectation of 0.38m bbls.
- Refined product inventory also shows a surprise build. Gasoline inventories rose by 2.6m bbls w-w while distillate inventory up by 2.3m bbls.

### China Feb export continue to decline

- **Lower China export in Feb.** China's refineries will cut clean oil product exports in February as domestic demand in January was better than expected, according to SP Platts. Market sources expect the country's gasoline, gasoil and jet fuel exports to stand at about 3.9 million tons (1.1m bpd), below the previous estimate of 4.3 mt for February. This is down from over 4 mt in Jan 2023.
- **Gasoline shows the biggest drop.** Among the three products, most of the reduction in exports is expected to be for gasoline amid a stronger-than-expected demand rebound during the Lunar New Year. Additionally, a resurgence in tourism was seen across China over the holiday period, which raised transportation fuel demand. The Ministry of Culture and Tourism said Jan. 27 that 308 million domestic trips were made during the Lunar New Year holiday, a 23.1% y-y rise to 88.6% of the levels seen in 2019.

### EU approved price cap on Russian diesel

- **Russian diesel price to be capped at US\$100/bbl.** EU members have agreed to support a price cap level of US\$100 per barrel on Russian diesel and is scheduled to go into effect on February 5. There is a grace period for cargoes loaded before the cap was agreed to that runs until April.

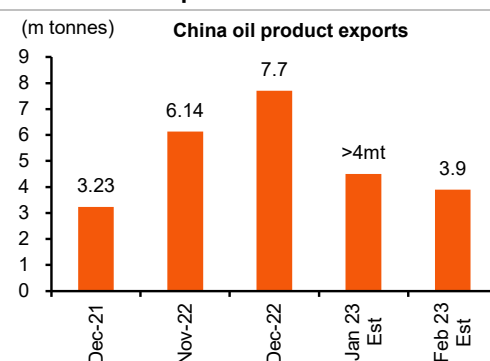
### Ex 1: US Weekly data

(m bbls)	Weekly change	Consensus	Last week
Crude Oil	4.140	0.376	0.533
Gasoline	2.576	1.442	1.763
Distillates	2.320	-1.300	-0.507

(kbpd)	Weekly change	% Change	Current number
Production	0.0	0.0%	12,200
Refinery Runs	+20	+0.1%	14,961

Source: EIA

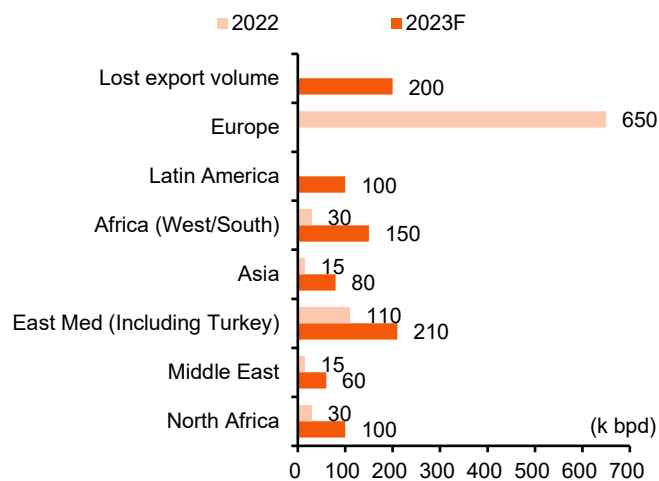
### Ex 2: China Export



Source: SP Platts

- Russian diesel price is already below the cap.** Russian diesel prices were about US\$90/bbl, below the price cap and at more than US\$30/bbl discount to non-Russian diesel. Similar to the price cap on Russian crude, buyers outside the EU would continue to have access to Western insurance and financing for cargoes if they comply with the price cap. Note that Russian fuel can also still be sold legally above the cap, just not to firms using western financial services. A large number of tankers — a so-called shadow fleet — has been assembled for this purpose. Based on Bloomberg data, about 400 vessels, or 20% of the global fleet have switched to shadow fleet and about 200 tankers, or about 7% of the world total, switch for oil product.
- Supply reshuffle are a likely result.** Longer term, the sanctions are likely result in a reconfiguring of supply chain, rather than tighter supply. Despite the cap, EU is still expected to cut its dependence on Russian diesel import. EU buyers have already increased imports from Turkey and India, and both have become top buyers of Russian crude. For Russia, most barrels that can no longer be sold into Europe will find new homes such as Latin America, Africa, or East Mediterranean. Wood MacKenzie said that a US\$100 cap would not have a significant effect on Russian refiners but could bring its diesel exports down about 200,000 bpd.

Ex 3: Potential Diesel Supply Loss After The Ban



Source: MacKenzie

Ex 4: Russia diesel Price Plunges Ahead Of EU Sanctions

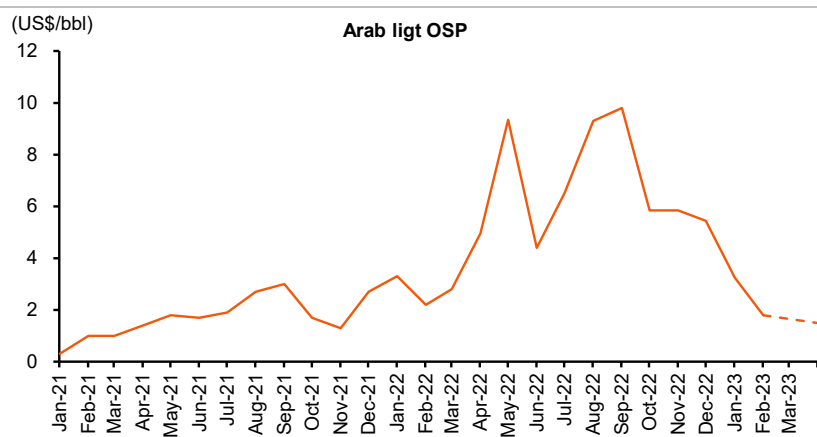


Source: Bloomberg

**Saudi expect to cut OSP further in Mar**

- Another OSP cut.** Saudi may trim prices for crude grades sold to Asia for a 4th straight month in March despite expectations of demand recovery in China. It may lower the official selling price (OSP) of its Arab Light crude by about US\$0.3/bbl (bringing down crude premium from US\$1.8/bbl in Feb to US\$1.5/bbl in Mar) for March-loading cargoes according to Reuters' survey
- Lower cost to Thai refiners.** Base on this estimate, this will cause Arab light OSP to average at US\$2.2/bbl in 1Q23F which is down US\$3.5/bbl from 4Q22. This is substantial against the current benchmark Singapore complex GRM of US\$11.7/bbl.

## Ex 5: Lower Arab Light OSP In Mar 23



Sources: Reuter

## Ex 6: Prices And Spreads

(US\$/bbl)	4Q21	1Q22	2Q22	3Q22	4Q22	1Q23	Nov-22	Dec-22	Jan-23	Last week	This week
<b>Upstream</b>											
Dubai	77	97	108	99	84	81	85	76	81	85	79
Brent	79	98	112	98	89	84	91	82	84	87	80
Henry hub (US\$/mmbtu)	3.9	4.3	6.6	6.7	5.6	3.1	5.9	5.1	3.2	2.8	2.4
NEX coal price (US\$/t)	185	364	416	416	380	349	347	401	367	358	236
<b>Crack spreads over Dubai</b>											
Gasoline	15.5	17.8	35.0	13.2	9.4	18.4	12.2	12.2	18.4	23.7	18.2
Jet fuel	10.2	16.2	39.2	32.4	33.5	34.7	34.9	33.3	34.7	38.2	32.0
Diesel	11.4	19.6	43.1	35.2	39.3	33.8	40.1	35.2	33.8	36.3	28.0
High-sulfur fuel oil	3.2	(2.1)	(13.1)	(22.2)	(11.9)	(7.4)	(20.8)	(17.7)	(19.1)	(18.7)	(21.2)
<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>11.2</b>	<b>8.4</b>	<b>9.2</b>	<b>11.2</b>	<b>14.2</b>	<b>11.7</b>
<b>(US\$/tonne)</b>											
<b>Aromatics spreads</b>											
PX-naphtha	134	192	364	367	311	313	297	274	313	339	348
BZ-naphtha	196	196	353	263	150	219	107	154	219	239	279
<b>Olefin spreads</b>											
HDPE-naphtha	509	413	444	370	341	342	313	342	342	329	328
LDPE-naphtha	890	731	781	607	481	452	435	467	452	429	428
PP-naphtha	558	419	431	352	301	328	248	297	328	329	338
<b>Others</b>											
Integrated PET	345	297	302	303	212	180	203	204	180	188	174
ABS-naphtha	1,565	1,108	1,088	888	748	706	703	714	706	689	698
Phenol-BZ	333	421	193	233	269	65	262	185	65	25	(26)
BPA-Phenol	1,198	843	625	369	368	306	377	316	306	308	308

Sources: TOP, Bloomberg

## Ex 7: 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	36.00	39.00	8.3	1,504	211.0	(50.4)	3.5	7.0	2.9	5.2	0.7	0.7	5.0	4.3	23.8	10.3
ESSO	BUY	9.25	12.00	29.7	971	na	(48.3)	3.1	6.0	3.2	4.9	1.2	1.1	12.8	8.3	44.1	18.7
IRPC	BUY	3.04	4.40	44.7	1,885	(70.7)	489.1	54.2	9.2	12.0	6.9	0.7	0.7	5.0	5.4	1.3	7.3
IVL	BUY	40.50	48.00	18.5	6,899	100.1	(32.0)	5.6	8.2	5.1	6.1	1.2	1.1	4.9	3.7	23.2	13.7
OR	SELL	22.50	20.00	(11.1)	8,192	27.8	(14.0)	19.2	22.3	10.2	11.1	2.4	2.3	1.5	1.3	13.4	10.5
PTT	SELL	33.00	28.00	(15.2)	28,599	18.6	(20.9)	8.9	11.3	4.3	4.1	0.9	0.9	6.1	6.1	10.3	7.9
PTTEP	HOLD	166.00	170.00	2.4	19,995	111.5	(26.6)	7.3	9.9	2.7	2.7	1.4	1.3	5.6	5.1	20.6	13.8
PTTGC	BUY	49.50	52.00	5.1	6,772	(25.3)	(17.5)	10.6	12.8	9.0	8.5	0.7	0.7	1.5	3.7	6.8	5.6
SCC	SELL	338.00	300.00	(11.2)	12,306	(52.5)	29.8	18.2	14.0	17.5	11.3	1.1	1.0	2.4	3.6	6.0	7.6
SPRC	BUY	11.20	14.50	29.5	1,473	na	(34.4)	5.4	8.2	3.6	4.3	1.2	1.2	10.7	6.1	24.4	14.5
TOP	BUY	57.25	70.00	22.3	3,880	416.8	(48.3)	4.1	7.9	5.4	10.4	0.8	0.7	5.2	5.3	20.8	9.6

Sources: Company data, Thanachart estimates

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