

Energy Sector – Overweight

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News Update

Bullish momentum

- **US crude and product inventory fall**
- **A tighter oil market balance in 2H23F is on track**
- **Russia crude export plunged to 7-month low**
- **Refinery margin surge**

Crude oil price rally as supply is tightening due to the OPEC+ cuts and a slowdown in U.S. shale production growth, demand is robust and likely to further strengthen during the third quarter with peak driving season and strong consumption in the two leading Asian crude importers, China and India.

Weekly US data: US crude and product inventory fall

- The Energy Information Administration reported an estimated draw of 600,000 barrels in U.S. oil inventories for the week to July 21. This compared with a modest inventory decline of 700,000 barrels for the previous week that kept inventories slightly above the five-year seasonal average.
- Gasoline stocks shed nearly 800,000 barrels in the week to July 21, which compared with an inventory draw of 1.1 million barrels for the previous week. In middle distillates, the authority estimated an inventory draw of 245,000 barrels, which compared with a slight increase for the previous week.

A tighter oil market balance in 2H23F is on track

- **Russia crude export plunged to 7-month low.** Russia crude export dropped below the levels from February, the baseline for Russia's oil production cut of 500,000 barrels per day (bpd) that Russian says began in March. Russia's crude oil exports by sea are now well below the February levels and nearly 1.5 million barrels per day (bpd) lower than the recent peak at the end of April, tanker-tracking data monitored by Bloomberg.
- **Global oil demand rising.** Global oil demand jumped by more than 3 million bpd in May compared to April, nearing the record demand level seen in March this year, according to data by the Joint Organizations Data Initiative (JODI). China's total oil product demand hit 17.37 million bpd in May. This was an increase of 1.7 million bpd compared to April and the second-highest level ever reported in JODI.
- **A tighter oil market balance is on track.** The U.S. Energy Information Administration (EIA) also forecasts inventory drawdowns to start this quarter and continue until the fourth quarter of 2023F, putting upward pressure on oil prices. Global oil inventories increased by an average of 600,000 bpd in the first half of 2023, but they will fall by an average of 700,000 bpd in the second half, according to the EIA in its July Short-Term Energy Outlook (STEO). A direct beneficiary would be PTTEP (BUY, TP Bt170) while refiners will see one-off benefit from inventory gain.

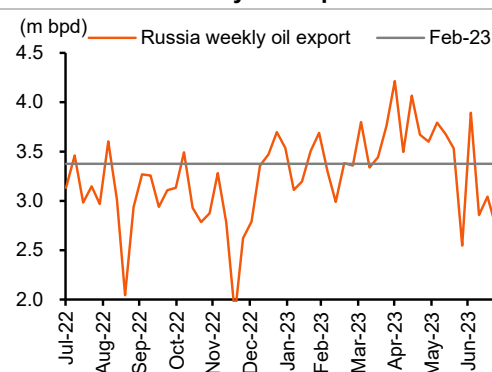
Ex 1: US Weekly data

(m bbls)	Weekly change	Consensus	Last week
Crude Oil	-0.600	-2.348	-0.708
Gasoline	-0.786	-1.678	-1.066
Distillates	-0.245	-0.301	0.014

(k bpd)	Weekly change	% Change	Current number
Production	-100.0	-0.8%	12,200
Refinery Runs	-107	-0.6%	16,478

Source: EIA

Ex 2: Russia Weekly Oil Export

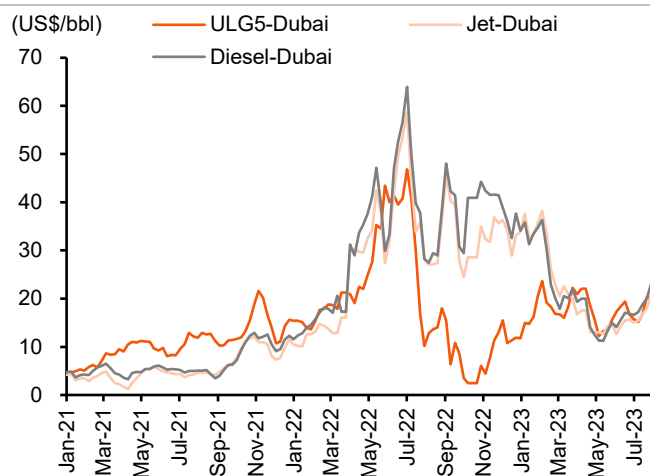


Source: Bloomberg

Refinery margin surge

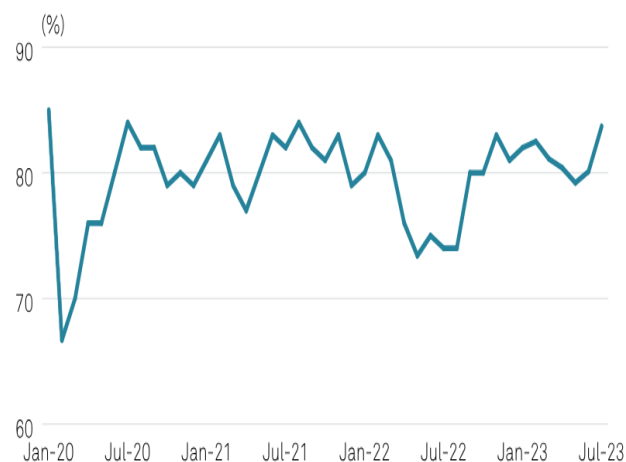
- **Refinery margin surge.** Singapore complex GRM was at US\$9/bbl this week, up strongly from US\$5.5/bbl in Jun. The margin has been on a rising trend over the 5 weeks driven all product crack spread. Diesel spread was at US\$23/bbl which well above its 5-year average of US\$14. Similarly, gasoline spread was at US\$20/bbl, also above its 5-years average of US\$15/bbl.
- **Utilization rate at state refiners' hits 23-month high.** The combined crude throughput for China's refineries maintained the uptrend in July as domestic demand for transportation fuel improves and oil products exports rise. The average utilization rate at China's four state-owned refiners -- Sinopec, PetroChina, CNOOC and Sinochem -- stood at a 23-month high of 83.7% in July, rising for the second straight month from 79.2% in May. The rate was last higher at 84.5% in August 2021. The run rate was also 10 percentage points higher from 73.5% in July 2022, when pandemic-related restrictions weighed on domestic demand.
- **Impact.** We think the rising margin is supporting by strong demand despite potential supply pressure on Chinese refined product export. A bullish oil market and higher refinery margins bode well for Thai refiners (TOP, BCP, ESSO, and SPRC).

Ex 3: Refined Product Spreads



Source: Bloomberg

Ex 4: Chinese State-Owned Refinery Utilization Rates



Source: SP Platts

Ex 5: Prices And Spreads

Unit		This week	Last week	% chg	Quarterly						Yearly		
					2Q22	3Q22	4Q22	1Q23	2Q23	3Q23	2022	2022	2023
Upstream													
Dubai	(US\$/bbl)	85	83	2.7%	109	98	84	80	78	80	69	97	79
Brent	(US\$/mmbtu)	85	83	2.7%	112	98	89	82	78	80	71	99	80
Henry hub	(US\$/mmbtu)	2.6	2.7	-1.8%	7.5	7.9	6.1	2.8	2.3	2.6	3.7	6.5	2.6
JKM Spot	(US\$/mmbtu)	11.1	10.9	2.0%	27.3	46.7	31.2	18.5	11.1	11.6	17.9	33.9	13.7
Dutch TTF	(EUR/MWh)	26	31	-15.4%	101	205	123	53	35	29	47	132	39
NEX coal price	(US\$/tonne)	134	133	1.0%	365	418	380	255	161	135	136	357	184
Crack spreads over Dubai													
Gasoline	(US\$/bbl)	19.9	15.7	26.7%	35.0	13.2	9.4	18.7	16.6	15.7	11.0	18.8	17.7
Jet fuel	(US\$/bbl)	21.0	15.0	39.9%	39.2	32.4	33.5	26.5	14.0	15.0	5.8	30.3	19.9
Diesel	(US\$/bbl)	23.3	16.6	40.0%	43.1	35.2	39.3	25.2	14.6	16.6	6.7	34.3	19.9
HSFO	(US\$/bbl)	(5.4)	(8.2)	-34.3%	(3.2)	(22.3)	(22.5)	(16.3)	(8.7)	(8.2)	(4.9)	(14.1)	(11.5)
SG GRM	(US\$/bbl)	10.6	6.0	76.6%	24.9	14.2	16.1	13.3	6.4	6.0	3.9	16.8	9.3
Aromatics													
PX-naphtha	(US\$/tonne)	399	428	-6.7%	353	359	289	318	407	421	193	299	382
BZ-naphtha	(US\$/tonne)	234	263	-10.9%	367	298	184	252	275	239	285	267	256
Olefin													
HDPE-naphtha	(US\$/tonne)	349	378	-7.6%	445	368	336	373	436	378	532	392	396
LDPE-naphtha	(US\$/tonne)	359	388	-7.4%	807	635	523	476	443	386	909	683	435
PP-naphtha	(US\$/tonne)	299	328	-8.8%	442	362	301	369	403	318	650	386	363
Others													
Integrated PET	(US\$/tonne)	135	144	-6.8%	302	303	212	201	194	144	248	278	180
Phenol-BZ	(US\$/tonne)	58	58	0.0%	193	233	269	87	79	74	264	279	80
BPA -Phenol	(US\$/tonne)	273	273	0.0%	625	369	368	282	299	280	1,711	551	287

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	23F	24F	23F	24F	23F	24F	23F	24F	23F	24F	23F	24F
		(Bt)	(Bt)	(%)	(US\$ m)	(%)	(%)	(x)	(x)	(x)	(x)	(x)	(x)	(%)	(%)	(%)	(%)
BANPU	SELL	9.70	6.50	(33.0)	2,406	(86.6)	(23.1)	9.9	12.9	5.7	6.2	0.7	0.7	3.5	1.9	7.2	5.5
BCP	BUY	38.00	42.00	10.5	1,535	(56.0)	23.4	7.7	6.3	4.0	4.0	0.8	0.7	3.7	4.8	10.4	11.9
ESSO	BUY	9.35	10.50	12.3	949	(56.9)	(5.7)	6.8	7.2	6.3	6.0	1.1	1.1	3.6	5.6	17.0	15.0
IRPC	BUY	2.36	3.10	31.4	1,415	85.2	46.7	13.9	9.5	9.3	7.8	0.6	0.6	3.6	5.3	4.3	6.1
IVL	BUY	34.25	39.00	13.9	5,642	(55.3)	35.6	12.4	9.2	6.6	5.8	1.0	0.9	1.8	3.3	8.1	10.3
OR	SELL	21.10	19.00	(10.0)	7,429	3.8	8.5	23.6	21.8	14.6	13.5	2.3	2.2	1.7	1.8	10.0	10.2
PTT	SELL	34.75	28.00	(19.4)	29,123	(13.1)	(7.9)	10.5	11.4	4.2	4.0	0.9	0.9	5.8	5.8	8.9	7.9
PTTEP	BUY	159.50	170.00	6.6	18,579	(24.8)	(0.4)	9.3	9.3	2.7	2.7	1.3	1.2	5.3	4.7	14.1	13.1
PTTGC	HOLD	39.25	41.00	4.5	5,193	(43.5)	71.9	18.0	10.5	9.7	7.9	0.6	0.6	1.9	4.3	3.3	5.5
SCC	BUY	322.00	410.00	27.3	11,337	27.7	56.9	14.1	9.0	10.6	7.7	1.0	0.9	3.5	5.5	7.1	10.6
SPRC	BUY	8.35	12.50	49.7	1,062	(41.7)	(0.2)	7.3	7.3	4.4	4.2	0.9	0.9	6.9	5.7	12.6	12.1
TOP	BUY	49.50	58.00	17.2	3,244	(69.0)	(3.5)	8.9	9.2	9.5	10.7	0.7	0.7	4.5	4.3	7.8	7.2

Sources: Company data, Thanachart estimates

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