

Energy Sector – Overweight

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News Update

Continued positive momentum

- **Big US crude inventory draw**
- **Saudi extend output cut in Sep**
- **Summer heat is curbing refinery output**
- **Drilling activities continue to slow**

The global crude market continues to strengthen as OPEC+ leaders Saudi Arabia and Russia moved to reduce supplies, with both announcing extensions of their reductions into September. The shift has supported a six-week rally in Brent crude oil price. Diesel supply is also expected to tighten given lower availability of medium sour crude supply on Saudi extra 1 million bpd supply cut.

Weekly US data: Big US crude inventory draw

- The Energy Information Administration reported an estimated draw of 17 million barrels in U.S. oil inventories. This compared with a modest inventory decline of 600,000 barrels for the previous week and beat market expectation of a draw of 1.4 million barrels.
- Gasoline stocks reversed to a build of 1.5 million barrels, which compared with an inventory draw of 0.8 million barrels for the previous week. In middle distillates, the authority estimated an inventory draw of 796,000 barrels, which compared with a slight decrease for the previous week.

Saudi Arabia extends production cut in Sep

- **The cut can be deepened.** In a press release published by Saudi Arabia's news agency SPA, the Middle Eastern kingdom pledged to extend its voluntary production cut of 1 million bpd for another month to September, suggesting that the cuts might be deepened if need be. This come as a surprise. Six participants in a Bloomberg survey have predicted the Saudis will taper off their extra cut by restoring 250,000-500,000 barrels a day of halted production in September.
- **Russia has also announced a tapered extension of export cuts.** The country will also continue export restraints into September but taper them slightly to 300,000 bpd.

Summer heat is curbing refinery output

- **Excessive heat caused refinery outage.** Excessive heat has spurred an unusual number of refinery breakdowns this year, when fuel stockpiles are already low. According to Bloomberg, the hottest-ever June and July prompted refiners to curtail oil processing by at least 2% globally. Since May, at least four facilities reported fires while other seven had to take units down due to power outage and unplanned repairs.

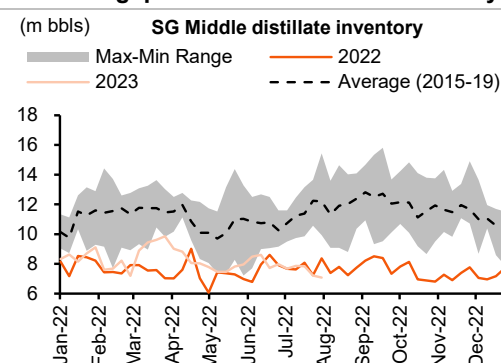
Ex 1: US Weekly data

(m bbls)	Weekly change	Consensus	Last week
Crude Oil	-17.049	-1.367	-0.600
Gasoline	1.489	-1.300	-0.786
Distillates	-0.796	0.112	-0.245

(k bpd)	Weekly change	% Change	Current number
Production	0.0	0.0%	12,200
Refinery Runs	39	0.2%	16,517

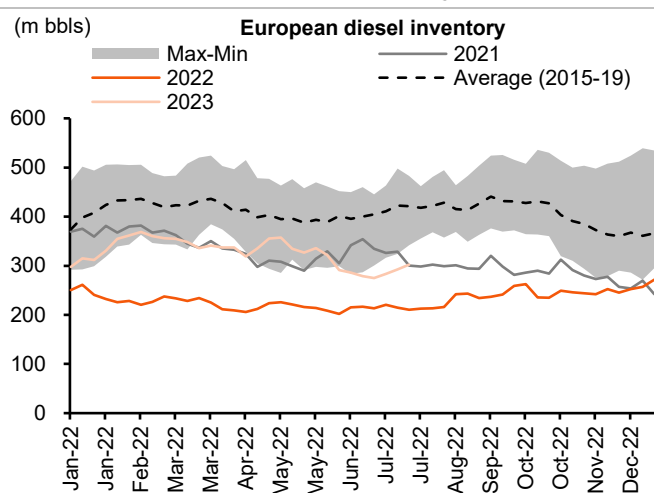
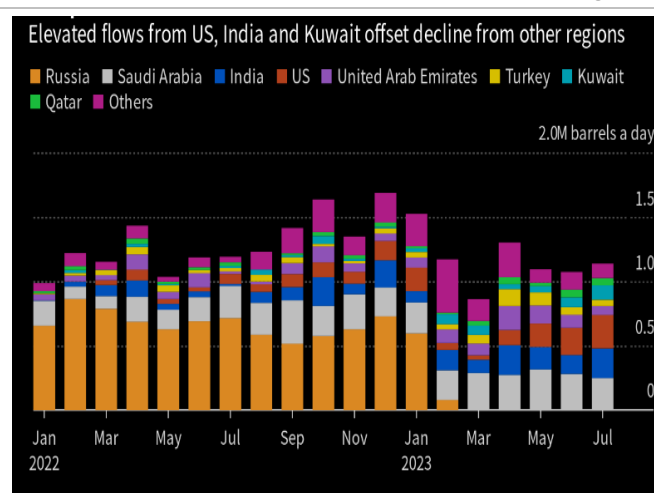
Source: EIA

Ex 2: Singapore Middle Distillate Inventory



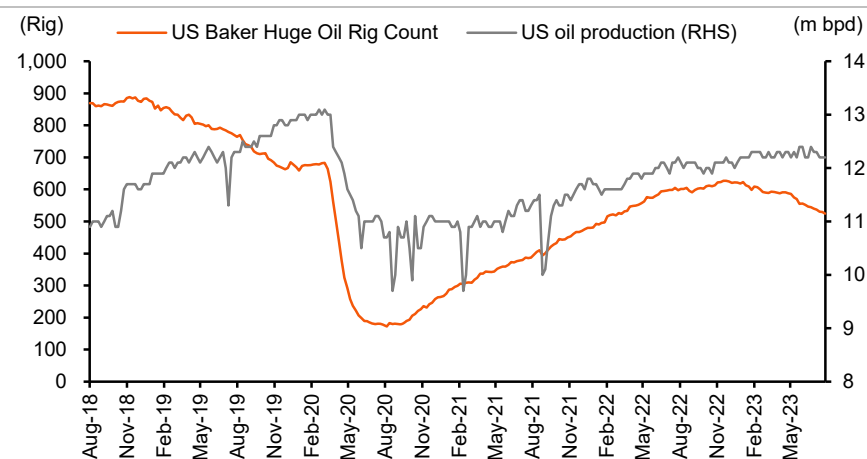
Source: Bloomberg

- **Lower supply from Saudi and Russia also lead to tighter diesel supply.** Supply cuts by Saudi Arabia and Russia have forced refinery to swap diesel-rich heavy oils for lighter American crudes, curbing diesel supply.
- **Middle East new start-up struggling.** The start up of two Middle East facilities have been challenging. The start-up of Al-zour refinery in Kuwait with capacity of 650k bpd final unit was delayed since June and recently announce start-up in August. The first two units also experienced technical glitch which caused two weeks of unplanned shutdown. The start-up of Al-qum refinery in Oman with capacity of 230k bpd has been delayed to 4Q23 from 2Q23.
- **Refinery margin continue to trend higher.** Diesel continues to show strength, with crack spread rose to US\$32/bbl from US\$23/bbl last week. This drove Singapore Complex Refinery margin to rise to US\$10.8/bbl, up from US\$9.3/bbl last week.

Ex 3: Europe Middle Distillate Inventory**Ex 4: Europe Diesel Import Rose To Three-Month High****Drilling activities continue to slow**

- **Pace of drilling continue to slow.** The number of oil rigs declined by 4 this week to 525, down by 96 so far in 2023. The number of gas rigs stayed the same at 128, a loss of 28 active gas rigs from the start of the year. Miscellaneous rigs lost 1 rig this last week.
- **US crude oil production likely drop,** With the oil rig count dropping over the last three months, output this year is set to decline. The reduction in oil rig count has been attributed to private companies downsizing their rig fleets, contributing to an anticipated decrease in U.S. shale production. Based on EIA data, after hitting record highs in June and July, US crude production is set to fall in August for the first time this year to 9.4 million barrels a day.

Ex 5: US Rig Count Vs. US Crude Oil Production



Source: Bloomberg

Ex 6: Prices And Spreads

Unit		This week	Last week	% chg	Quarterly						Yearly		
					2Q22	3Q22	4Q22	1Q23	2Q23	3Q23	2022	2022	2023
Upstream													
Dubai	(US\$/bbl)	87	85	2.5%	109	98	84	80	78	81	69	97	79
Brent	(US\$/mmbtu)	86	85	1.5%	112	98	89	82	78	81	71	99	80
Henry hub	(US\$/mmbtu)	2.6	2.6	-2.3%	7.5	7.9	6.1	2.8	2.3	2.6	3.7	6.5	2.6
JKM Spot	(US\$/mmbtu)	11.0	11.1	-0.9%	27.3	46.7	31.2	18.5	11.1	11.5	17.9	33.9	13.7
Dutch TTF	(EUR/MWh)	29	26	11.7%	101	205	123	53	35	29	47	132	39
NEX coal price	(US\$/tonne)	137	134	1.9%	365	418	380	255	161	135	136	357	184
Crack spreads over Dubai													
Gasoline	(US\$/bbl)	16.8	19.9	10.9%	35.0	13.2	9.4	18.7	16.6	18.0	11.0	18.8	17.7
Jet fuel	(US\$/bbl)	27.2	21.0	76.2%	39.2	32.4	33.5	26.5	14.0	17.8	5.8	30.3	19.9
Diesel	(US\$/bbl)	31.9	23.3	85.1%	43.1	35.2	39.3	25.2	14.6	19.8	6.7	34.3	19.9
HSFO	(US\$/bbl)	(5.4)	(5.4)	8.5%	(3.2)	(22.3)	(22.5)	(16.3)	(8.7)	(5.6)	(4.9)	(14.1)	(11.5)
SG GRM	(US\$/bbl)	10.8	9.3	87.7%	22.0	6.9	7.0	8.9	5.4	7.5	3.7	11.5	6.9
Aromatics													
PX-naphtha	(US\$/tonne)	423	449	-5.8%	353	359	289	318	407	431	193	299	385
BZ-naphtha	(US\$/tonne)	243	269	-9.7%	367	298	184	252	275	247	285	267	258
Olefin													
HDPE-naphtha	(US\$/tonne)	333	359	-7.3%	445	368	336	373	436	371	532	392	393
LDPE-naphtha	(US\$/tonne)	333	359	-7.3%	807	635	523	476	443	375	909	683	431
PP-naphtha	(US\$/tonne)	283	309	-8.5%	442	362	301	369	403	313	650	386	362
Others													
Integrated PET	(US\$/tonne)	109	126	-13.7%	302	303	212	201	194	138	248	278	178
Phenol-BZ	(US\$/tonne)	127	140	-9.3%	193	233	269	87	79	95	264	279	87
BPA -Phenol	(US\$/tonne)	225	225	0.0%	625	369	368	282	299	268	1,711	551	290

Sources: TOP, Bloomberg

Ex 7: Valuation

	Rating	Current price (Bt)	Target price (Bt)	Upside/ Downside (%)	Market cap (US\$ m)	Norm EPS grw		Norm PE		EV/EBITDA		— P/BV —		— Yield —		— ROE —	
						23F (%)	24F (%)	23F (x)	24F (x)	23F (x)	24F (x)	23F (x)	24F (x)	23F (%)	24F (%)	23F (%)	24F (%)
BANPU	SELL	9.35	6.50	(30.5)	2,272	(86.6)	(23.1)	9.5	12.4	5.6	6.1	0.7	0.7	3.6	2.0	7.2	5.5
BCP	BUY	39.25	42.00	7.0	1,554	(56.0)	23.4	8.0	6.5	4.1	4.0	0.8	0.7	3.6	4.6	10.4	11.9
ESSO	BUY	9.60	10.50	9.4	955	(56.9)	(5.7)	7.0	7.4	6.4	6.1	1.2	1.1	3.5	5.5	17.0	15.0
IRPC	BUY	2.38	3.10	30.3	1,398	85.2	46.7	14.1	9.6	9.3	7.8	0.6	0.6	3.6	5.2	4.3	6.1
IVL	BUY	33.50	39.00	16.4	5,407	(55.3)	35.6	12.2	9.0	6.5	5.8	1.0	0.9	1.9	3.3	8.1	10.3
OR	SELL	20.80	19.00	(8.7)	7,175	3.8	8.5	23.3	21.5	14.4	13.3	2.3	2.1	1.7	1.8	10.0	10.2
PTG	HOLD	10.30	11.40	10.7	494	4.0	18.5	17.8	15.0	4.5	3.9	2.0	1.9	2.5	3.0	11.5	12.8
PTT	SELL	34.75	28.00	(19.4)	28,533	(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	162.00	170.00	4.9	18,488	(24.8)	(0.4)	9.4	9.5	2.8	2.8	1.3	1.2	5.2	4.6	14.1	13.1
PTTGC	HOLD	39.25	41.00	4.5	5,087	(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	320.00	410.00	28.1	11,039	27.7	56.9	14.1	9.0	10.6	7.7	1.0	0.9	3.6	5.6	7.1	10.6
SPRC	BUY	9.00	12.50	38.9	1,122	(41.7)	(0.2)	7.8	7.9	4.7	4.6	1.0	0.9	6.4	5.3	12.6	12.1
TOP	BUY	51.75	58.00	12.1	3,323	(69.0)	(3.5)	9.3	9.6	9.7	10.8	0.7	0.7	4.3	4.1	7.8	7.2

Sources: Company data, Thanachart estimates

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