

Energy Sector – Underweight

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News Update

Rising uncertainty

- Inventory build across all products
- Trump to promote shale oil/gas production
- Trump trade war 2.0
- Disappointing China stimulus package

Weekly US data: Inventory build across all products

- Administration reported an inventory build of 2.15 million barrels. The change in oil stocks compared with a draw of 0.5 million barrels for the previous week.
- In its weekly report, the EIA estimated inventory build in gasoline and middle distillates. Gasoline stocks rose by 0.4 million barrels in the week. These figures compared with an inventory draw of 2.7 million barrels for the previous week. In middle distillates, the authority estimated an inventory build of 2.8 million barrels for last week. These compared with a stock draw of 0.9 million barrels for the previous week.

Donald Trump's energy policy

- Promote shale oil/gas production.** Donald Trump underscored his plans to further boost U.S. oil and natural gas production, currently both at record levels. He is also expected to lift a Joe Biden-era moratorium on licensing new liquefied natural gas export facilities. In practice, U.S. oil output may not move much higher, given it is already at record levels and companies will be wary about boosting production if they believe the impact will be to weaken prices further.
- China's cheap Iranian oil supply at risk.** China faces a squeeze on supplies of cheap Iranian crude, which make up about 13% of imports by the world's biggest buyer of oil, if Donald Trump ramps up enforcement of sanctions on Tehran after his return as U.S. president in January.
- Trump trade war 2.0.** Trump has proposed a 10% tariff on all U.S. imports and 60% on Chinese-made products, which if enacted would affect the whole economy by pushing consumer prices higher. Not only are the tariff rates much higher than the 7.5%-25% levied on China during his first term, the economy is also in a much more vulnerable position. Since 2021, China's real estate has been in a severe downturn and local government revenues have plunged.
- Impact.** Cracking down on Iran would support global oil prices, but the effect could also be offset by other Trump policies, from measures to expand domestic drilling, the imposition of tariffs on China that could depress economic activity, or an easing of relations with Russia that could unfetter its sanctioned crude shipments. We see this will likely create more uncertain in the energy space and maintain our cautious stance on the sector.

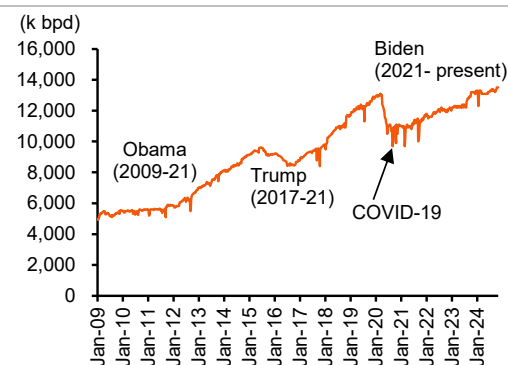
Ex 1: US Weekly data

(m bbls)	Weekly change	Consensus	Last week
Crude Oil	2.149	0.300	-0.515
Gasoline	0.412	-1.650	-2.707
Distillates	2.947	-1.500	-0.977

(k bpd)	Weekly change	% Change	Current number
Production	0.0	0.0%	13,500
Refinery Runs	+253	+1.5%	16,579

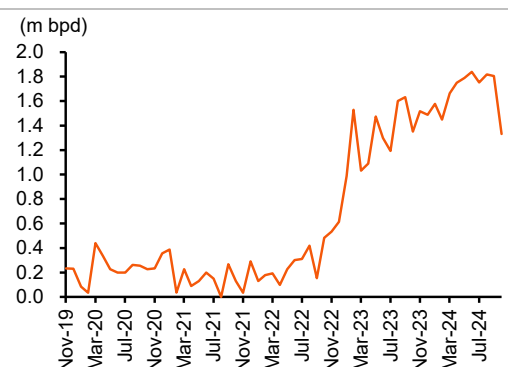
Source: EIA

Ex 2: U.S. Oil Production By Presidency



Source: Bloomberg

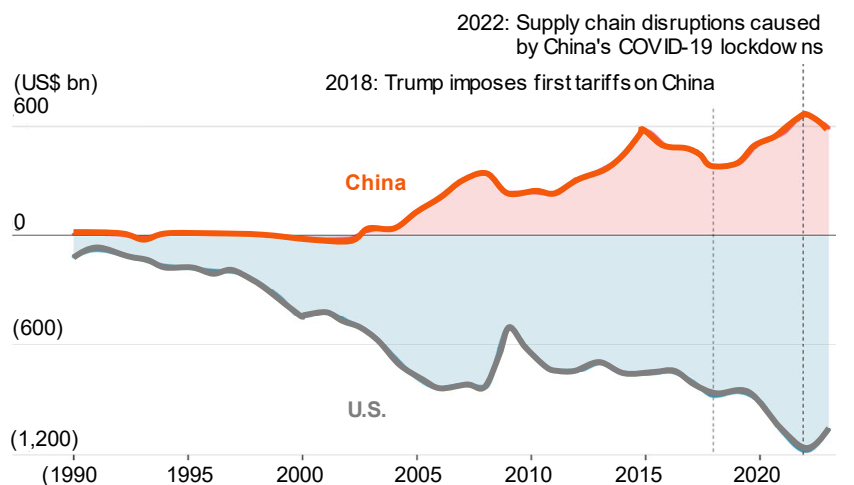
Ex 3: Iran Oil Production



Source: Bloomberg

Ex 4: Net Trade In Goods

China runs the world's biggest trade surplus, while the United States runs the largest deficit.



Source: Reuter

Note: Export and import data through August 2024. Net trade data in current U.S. dollars and through 2023.

China unveils US\$1.4 trillion local debt package but no direct stimulus

- Local govts to raise 10 trillion yuan for 'hidden' debt swaps. China introduced a 10 trillion-yuan (US\$1.4 trillion) package on Friday to ease local government debt pressures and stabilize economic growth. The debt ceiling for local governments will rise to 35.52 trillion yuan, enabling them to issue 6 trillion yuan in special bonds over three years for "hidden" debt swaps. An additional 4 trillion yuan in special bonds will be available over five years for the same purpose. Approved by the National People's Congress Standing Committee, this move aims to bring off-balance-sheet debt onto the books, lowering debt costs and creating more room for essential spending to meet the 5% growth target.
- Measures seen as stabilizing, rather than boosting growth. China's recent fiscal stimulus announcement centers around debt management and risk mitigation rather than spurring economic and consumption growth. The money is used to replace hidden debts, which means it doesn't create new workflows, so the support to growth is not that direct.
- Impact. Finance Minister Lan Foan hinted that further stimulus could follow, with some analysts suggesting Beijing might wait until after Trump takes office in January. For now, the cautious approach has dampened market enthusiasm, particularly among petrochemical stocks. We maintain a SELL rating on SCC, PTTGC, and IRPC amid lackluster stimulus measures.

Ex 5: Prices And Spreads

Unit	This week	Last week	% chg	Quarterly						Yearly			
				2Q23	3Q23	4Q23	1Q24	2Q24	3Q24	2022	2023	2024	
Upstream													
Dubai (US\$/bbl)	74	73	0.5%	87	84	82	85	79	75	97	81	82	
Brent (US\$/mmbtu)	74	73	1.1%	86	83	82	85	79	75	99	82	82	
Henry hub (US\$/mmbtu)	2.7	2.7	0.2%	2.7	2.9	2.1	2.3	2.2	2.6	6.5	2.6	2.2	
JKM Spot (US\$/mmbtu)	13.6	13.5	0.6%	12.3	15.6	9.7	11.2	13.0	13.4	34.0	13.9	11.3	
Dutch TTF (EUR/MWh)	42	39	8.3%	34	43	28	32	36	40	132	41	32	
NEX coal price (US\$/tonne)	143	144	-0.4%	147	136	127	136	140	145	357	188	134	
Crack spreads over Dubai													
Gasoline (US\$/bbl)	11.0	11.2	-1.2%	16.6	18.9	12.6	17.9	11.6	11.0	18.8	16.7	12.7	
Jet fuel (US\$/bbl)	16.3	13.8	18.3%	14.0	26.1	23.6	21.1	13.6	12.1	30.3	22.5	14.7	
Diesel (US\$/bbl)	14.7	12.4	17.8%	14.6	26.9	21.1	21.7	14.0	12.2	34.3	21.9	14.9	
HSFO (US\$/bbl)	0.9	(0.7)	-232.4%	(8.7)	(5.4)	(11.0)	(9.7)	(3.4)	(4.3)	(14.1)	(10.3)	(5.8)	
SG GRM (US\$/bbl)	7.5	6.4	17.0%	5.4	10.9	6.3	8.1	4.9	4.6	11.5	7.9	5.7	
Aromatics													
PX-naphtha (US\$/tonne)	172	165	4.1%	407	407	349	323	336	184	299	378	307	
BZ-naphtha (US\$/tonne)	262	250	4.7%	275	273	269	326	391	264	267	267	356	
Olefin													
HDPE-naphtha (US\$/tonne)	342	320	6.8%	436	361	350	333	350	310	392	390	340	
LDPE-naphtha (US\$/tonne)	502	490	2.4%	443	363	372	454	519	479	683	427	508	
PP-naphtha (US\$/tonne)	342	330	3.6%	403	305	303	302	331	322	386	359	321	
Others													
Integrated PET (US\$/tonne)	142	154	-7.9%	194	114	134	138	130	158	278	161	143	
Phenol-BZ (US\$/tonne)	20	35	-42.9%	79	89	64	(52)	(38)	47	279	80	6	
BPA -Phenol (US\$/tonne)	312	315	-1.0%	299	270	327	317	303	251	551	294	286	

Sources: TOP, Bloomberg

Ex 6: Valuation

	Rating	Current	Target	Upside/	Market cap	Norm EPS grw		Norm PE		EV/EBITDA		P/BV		Yield		ROE	
		price	price	(Downside)		24F	25F	24F	25F	24F	25F	24F	25F	24F	25F	24F	25F
		(Bt)	(Bt)	(%)	(US\$ m)	(%)	(%)	(x)	(x)	(x)	(x)	(x)	(x)	(%)	(%)	(%)	(%)
BANPU	BUY	5.80	8.00	37.9	1,708	(32.2)	9.5	10.4	9.5	6.0	5.7	0.4	0.4	5.8	5.3	4.3	4.6
BCP	BUY	33.25	40.00	20.3	1,346	(48.3)	69.9	9.1	5.4	4.4	4.1	0.6	0.6	1.7	4.2	6.9	11.1
BSRC	HOLD	7.10	7.00	(1.4)	722	11.7	(7.0)	8.7	9.3	5.3	4.9	0.9	0.8	2.5	3.8	10.0	8.9
IRPC	SELL	1.42	1.20	(15.5)	853	na	na	na	na	19.8	14.9	0.4	0.4	0.0	0.0	na	na
IVL	BUY	26.00	29.00	11.5	4,291	298.1	28.1	22.9	17.9	7.4	6.7	1.0	0.9	0.0	1.7	4.5	5.8
OR	SELL	14.50	13.80	(4.8)	5,114	(5.3)	6.4	16.6	15.6	8.4	7.9	1.5	1.5	3.4	3.6	9.4	9.6
PTG	SELL	9.20	6.80	(26.1)	452	(0.8)	6.0	16.3	15.4	3.9	4.0	1.7	1.6	2.8	2.9	10.5	10.5
PTT	BUY	33.25	38.00	14.3	27,915	0.7	(3.8)	9.5	9.8	4.3	4.0	0.8	0.8	6.0	6.0	8.9	8.3
PTTEP	BUY	127.50	150.00	17.6	14,878	(6.1)	(13.7)	6.9	7.9	2.1	2.4	0.9	0.9	7.5	7.1	14.2	11.4
PTTGC	SELL	27.00	23.00	(14.8)	3,578	na	na	na	24.6	11.8	9.3	0.4	0.4	2.8	1.5	na	1.8
SCC	SELL	197.00	175.00	(11.2)	6,948	(44.9)	76.8	28.7	16.2	23.4	11.8	0.6	0.6	1.7	3.1	2.3	3.9
SPRC	SELL	6.55	5.90	(9.9)	835	na	(1.1)	8.8	8.9	5.1	5.1	0.7	0.7	3.5	3.0	8.5	7.9
TOP	SELL	42.75	39.00	(8.8)	2,807	(41.5)	(16.6)	5.9	7.1	7.9	9.2	0.6	0.5	3.6	4.7	9.6	7.7

Sources: Company data, Thanachart estimates

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