

Energy Sector – Underweight

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

News Update

Signs of optimism in oil markets

- **Continue build in US product inventory**
- **Positive development on China oil demand**
- **Expanding China Manufacturing PMI**
- **Russian gas stops flowing through Ukraine**

Oil markets have started the year with a renewed sense of optimism, driven by stock draws in the U.S. and China's attempts to stimulate its economy.

Weekly US data: Continue build in US product inventory

- Commercial crude oil stocks decreased by 1.2 million barrels to 415.6 million barrels, which is about 5% below the five-year average for this time of year.
- Gasoline stocks increased by 7.7 million barrels to 231.4 million barrels, slightly below the five-year average. This marks the seventh consecutive weekly increase, indicating a potential buildup due to lower demand. Meanwhile, distillate stocks rose by 6.4 million barrels to 122.9 million barrels, about 6% below the five-year average.

Positive development on China oil demand

- **Higher Chinese crude run y-y in Dec.** Chinese refineries are going to end 2024 with a reduction in month-over-month crude throughput in December, despite fewer scheduled maintenance undergoing. Their utilization rate fell to 84.6% in December, from 85.6% in November, but still higher from 84% compared with the previous year. While December saw a slight month-over-month decline in utilization rates, the year-over-year increase indicates a positive trend.
- **Expanding China Manufacturing PMI.** China Dec Manufacturing PMI at 50.1 in December, inching down from 50.3 the month prior, marking the third consecutive month of expansion, National Bureau of Statistics data showed Dec. 31. Despite the slower pace, the index remains above the 50-mark that separates expansion from contraction, signaling a blitz of fresh stimulus supporting the economy of the world's largest crude importer.
- **Higher China crude import quota.** Beijing has allocated 198.69 million tons of crude import quotas to non-state refiners for 2025, up 8.8% from the 182.69 million tons issued in January 2024, offering some hope to oil producers worried about China's sluggish crude demand and falling imports.
- **Impacts.** Although these developments suggest a potential positive trend for oil demand, we remain cautious about the oil market due to persistent concerns over supply-side pressures and uncertainties surrounding global economic recovery and geopolitical tensions. Our preferred pick in the energy space remains BCP, PTT and PTTEP.

Ex 1: US Weekly data

(m bbls)	Weekly change	Consensus	Last week
Crude Oil	-1.178	-2.400	-4.237
Gasoline	7.717	0.700	1.630
Distillates	6.406	-0.100	-1.694

(k bpd)	Weekly change	% Change	Current number
Production	-12	-0.1%	13,573
Refinery Runs	36	+0.2%	16,993

Source: EIA

Russian gas stops flowing through Ukraine

- Russia's gas transit through Ukraine to Europe has ended.** Following the expiry of the 5-year gas transit contract between Russia and Ukraine, Russia's gas giant Gazprom halted natural gas supplies through Ukraine, with the halt in pipeline supplies triggering an energy crisis in Moldova and the breakaway region of Transnistria. The pipeline was one of the last two routes still carrying Russian gas to Europe nearly three years into the full-scale war. EU countries will lose about 5 per cent of gas imports in the middle of winter. Ukraine repeatedly said it would not sign a new deal to replace the one expiring due to the war. The decision also aligns with efforts by Ukraine and its allies to cut off the Kremlin's source of funding for the war.
- Impact.** The European Union has secured alternative energy sources, minimizing the market impact of the halted Russian gas supply.

Ex 2: Prices And Spreads

	Unit	This week	Last week	% chg	Quarterly						Yearly		
					2Q23	3Q23	4Q23	1Q24	2Q24	3Q24	2022	2023	2024
Upstream													
Dubai	(US\$/bbl)	76	73	4.1%	87	84	82	85	79	74	97	81	82
Brent	(US\$/mmbtu)	77	74	3.2%	86	83	82	85	79	74	99	82	82
Henry hub	(US\$/mmbtu)	3.4	3.5	-4.6%	2.7	2.9	2.1	2.3	2.2	3.0	6.5	2.6	2.2
JKM Spot	(US\$/mmbtu)	14.4	14.3	0.5%	12.3	15.6	9.7	11.2	13.0	14.0	34.0	13.9	11.3
Dutch TTF	(EUR/MWh)	50	48	4.0%	34	43	28	32	36	43	132	41	32
NEX coal price	(US\$/tonne)	124	127	-2.6%	147	136	127	136	140	139	357	188	134
Crack spreads over Dubai													
Gasoline	(US\$/bbl)	10.1	11.5	-12.7%	16.6	18.9	12.6	17.9	11.6	11.6	18.8	16.7	13.1
Jet fuel	(US\$/bbl)	13.0	15.1	-13.6%	14.0	26.1	23.6	21.1	13.6	15.0	30.3	22.5	15.7
Diesel	(US\$/bbl)	14.6	15.9	-7.9%	14.6	26.9	21.1	21.7	14.0	14.8	34.3	21.9	15.8
HSFO	(US\$/bbl)	(3.2)	(2.6)	23.8%	(8.7)	(5.4)	(11.0)	(9.7)	(3.4)	(2.2)	(14.1)	(10.3)	(5.2)
SG GRM	(US\$/bbl)	5.9	7.2	-17.3%	5.4	10.9	6.3	8.1	4.9	6.0	11.5	7.9	6.1
Aromatics													
PX-naphtha	(US\$/tonne)	144	172	-16.0%	407	407	349	323	336	174	299	378	307
BZ-naphtha	(US\$/tonne)	214	277	-22.6%	275	273	269	326	391	271	267	267	356
Olefin													
HDPE-naphtha	(US\$/tonne)	294	337	-12.6%	436	361	350	333	350	333	392	390	340
LDPE-naphtha	(US\$/tonne)	434	477	-8.9%	443	363	372	454	519	489	683	427	508
PP-naphtha	(US\$/tonne)	304	337	-9.7%	403	305	303	302	331	339	386	359	321
Others													
Integrated PET	(US\$/tonne)	145	145	0.0%	194	114	134	138	130	146	278	161	140
Phenol-BZ	(US\$/tonne)	33	33	0.0%	79	89	64	(52)	(38)	42	279	80	5
BPA -Phenol	(US\$/tonne)	315	315	0.0%	299	270	327	317	303	307	551	294	299

Sources: TOP, Bloomberg

Ex 3: Valuation

	Rating	Current	Target	Upside/	Market	Norm EPS grw		Norm PE		EV/EBITDA		— P/BV —		— Yield —		— ROE —	
		price	price	(Downside)	cap	24F	25F	24F	25F	24F	25F	24F	25F	24F	25F	24F	25F
		(Bt)	(Bt)	(%)	(US\$ m)	(%)	(%)	(x)	(x)	(x)	(x)	(x)	(x)	(%)	(%)	(%)	(%)
BANPU	BUY	5.90	7.50	27.1	1,715	(87.3)	426.3	56.3	10.7	7.3	5.9	0.5	0.4	2.1	4.7	0.8	4.2
BCP	BUY	34.75	40.00	15.1	1,389	(48.3)	69.9	9.5	5.6	4.5	4.2	0.7	0.6	1.6	4.0	6.9	11.1
BSRC	HOLD	7.20	7.00	(2.8)	723	11.7	(7.0)	8.8	9.5	5.3	5.0	0.9	0.8	2.5	3.7	10.0	8.9
IRPC	SELL	1.23	1.20	(2.4)	729	na	na	na	na	19.0	14.4	0.3	0.4	0.0	0.0	na	na
IVL	BUY	24.90	29.00	16.5	4,057	298.1	28.1	22.0	17.1	7.3	6.6	0.9	0.9	0.0	1.7	4.5	5.8
OR	SELL	13.00	12.60	(3.1)	4,527	(44.7)	50.0	25.4	17.0	10.2	7.8	1.4	1.3	2.2	3.3	5.6	8.1
PTG	SELL	8.40	6.80	(19.0)	407	(0.8)	6.0	14.9	14.0	3.7	3.8	1.5	1.4	3.0	3.2	10.5	10.5
PTT	BUY	32.00	38.00	18.8	26,526	0.7	(3.8)	9.1	9.5	4.2	3.9	0.8	0.8	6.3	6.3	8.9	8.3
PTTEP	BUY	124.00	150.00	21.0	14,286	(6.1)	(13.7)	6.7	7.7	2.0	2.3	0.9	0.9	7.7	7.3	14.2	11.4
PTTGC	SELL	25.50	23.00	(9.8)	3,337	na	na	na	23.2	11.6	9.1	0.4	0.4	2.9	1.5	na	1.8
SCC	SELL	166.00	175.00	5.4	5,781	(44.9)	76.8	24.2	13.7	21.8	11.0	0.5	0.5	2.1	3.7	2.3	3.9
SPRC	SELL	6.50	5.90	(9.2)	818	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	26.50	21.00	(20.8)	1,718	(41.8)	(30.0)	3.7	5.3	6.8	8.0	0.3	0.3	5.8	6.3	9.5	6.9

Sources: Company data, Thanachart estimates

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