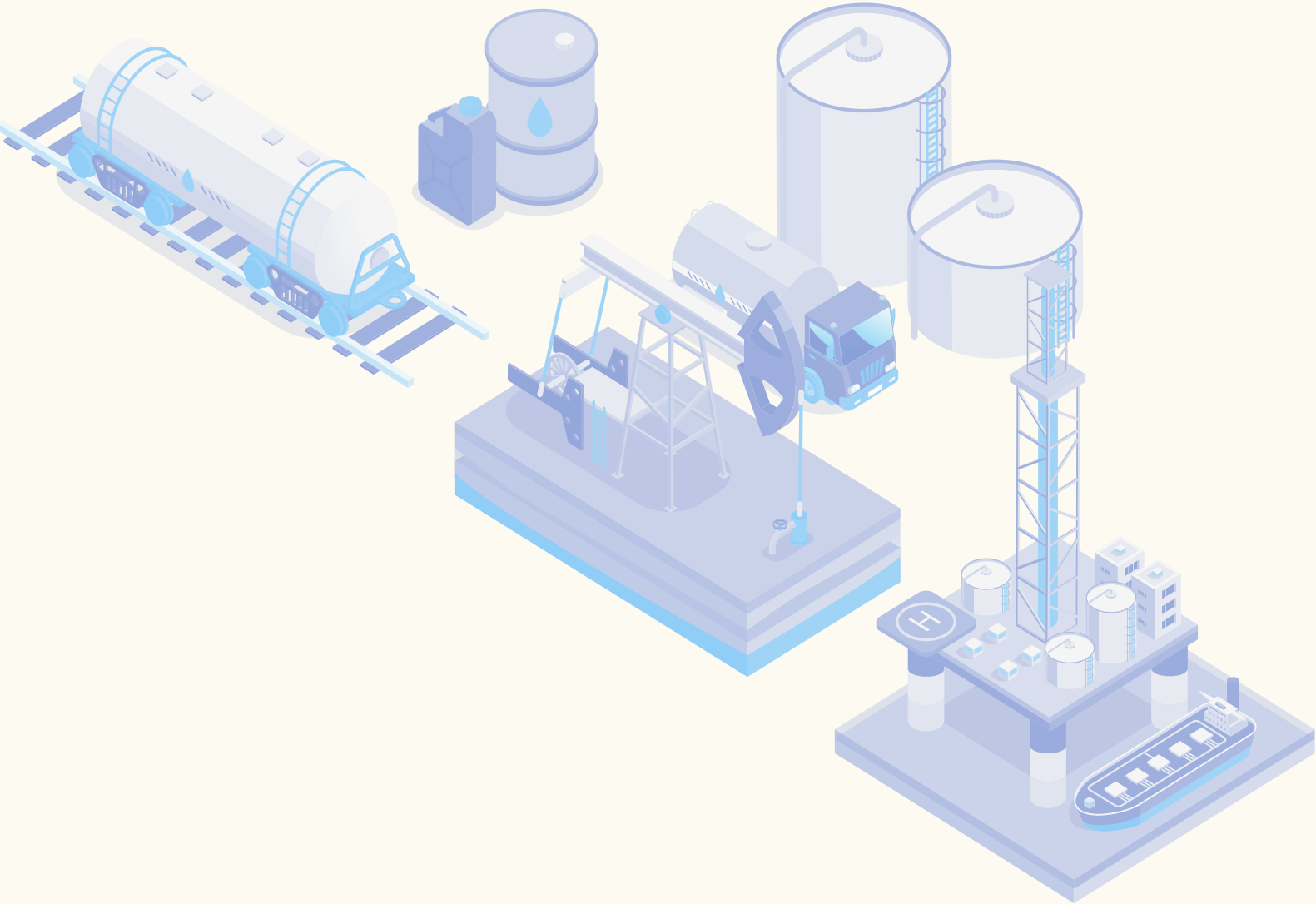


الجزيرة كابيتال

ALJAZIRA CAPITAL الجزيرة للأسواق المالية



August
2024



Oil & Petrochemicals Monthly Report July I 2024

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DAP jumped, while MTBE, Styrene, HDPE and EVA prices declined in July; propane and butane prices increased slightly by Aramco for August

- Naphtha prices declined, while propane and butane were unchanged in July:** Prices of naphtha decreased 4.9% M/M to USD 685 per ton in July. Propane and butane prices remained unchanged at USD 580 per ton and USD 565 per ton, respectively. The prices of propane and butane are increased slightly by Aramco for August to USD 590 per ton and USD 570 per ton, respectively.
- Prices were under pressure in July for most of the products:** DAP prices jumped 13.3% M/M to USD 595 per ton due to demand from South Asian countries such as India, Pakistan and Bangladesh. MTBE prices were down 7.4% M/M to USD 815 per ton, impacted by weaker gasoline demand despite peak driving season. EVA prices fell 3.4% M/M to USD 1,150 per ton amid subdued demand and healthy supply in the US and Europe, partially offset by recovery in photovoltaic demand in Asia. HDPE and PP prices fell 4.1% M/M and 2.6% M/M to USD 940 per ton and USD 930 per ton, respectively, amid bearish market sentiments in Asia, particularly weaker demand in India due to Monsoon season. Styrene prices fell 5.2% M/M to USD 1,100 per ton due to weak demand and lower feedstock benzene costs, subsequently downstream Polystyrene prices also decreased 2.7% M/M to USD 1,250 per ton.
- Petchem Spreads Trend:** PP-propane spread decreased to USD 471 per ton in July from USD 490 per ton in June. PP-butane spread dropped to USD 483 per ton in July from USD 502 per ton in June. HDPE-naphtha spread declined to USD 259 per ton in July from USD 293 per ton in June.

Oil prices weighed down by ceasefire talks and concerns over Chinese demand in July; price were up in early August as geopolitical concerns resurfaced

- Oil prices dropped in July:** In July, oil prices declined due to ceasefire talks in the Middle East and the expectations that hurricane Beryl may impact US demand. The prices remained under pressure throughout the month with concerns over weakening Chinese demand also weighing in. In early August, oil prices were up supported by heightened geopolitical tensions in the Middle East. Brent prices decreased 6.1% M/M, while WTI also fell 5.4% M/M in July, ending at USD 81.1/bbl and USD 77.2/bbl, respectively. Natural gas prices at Henry Hub plunged 22.9% M/M to USD 2.0/mn Btu.
- Manufacturing activity remained subdued across major economies of US, China and Eurozone:** US ISM manufacturing PMI decreased to 46.8 in July from 48.5 in June as weak demand affected production. China's Caixin manufacturing PMI dropped to 49.8 in July from 51.8 in June, falling below 50-mark first time in 9 months, as domestic demand declined. Eurozone remained in contraction zone with manufacturing PMI of 45.8 in July, even though it improved slightly from 45.6 in June.

Table 1: Petchem Prices – July FY24

Name	Price (USD per ton)	M/M %	Q/Q %	Y/Y %	YTD %
Naphtha	685	-4.9%	-4.2%	7.0%	2.2%
Saudi Propane	580	0.0%	-5.7%	45.0%	-4.9%
Saudi Butane	565	0.0%	-8.9%	50.7%	-8.9%
Ethylene	825	0.0%	-6.3%	10.0%	-2.4%
Propylene-Asia	855	2.4%	4.3%	14.8%	5.6%
HDPE	940	-4.1%	-1.1%	-2.1%	-1.1%
LDPE	1,150	-0.9%	9.5%	21.1%	15.0%
LLDPE	950	-2.1%	1.1%	1.1%	1.1%
PP-Asia	930	-2.6%	1.1%	11.4%	5.7%
Styrene-Asia	1,100	-5.2%	-5.2%	8.4%	6.3%
Polystyrene-Asia	1,250	-2.7%	-6.0%	13.6%	8.7%
PET - Asia	905	2.3%	0.6%	1.7%	4.0%
PVC-Asia	800	-1.2%	3.2%	-1.2%	7.4%
MEG (Asia)	545	0.9%	6.9%	12.4%	6.9%
Methanol-China	290	0.0%	0.0%	11.5%	3.6%
DAP-Gulf	595	13.3%	16.7%	30.8%	-1.7%
Urea-Gulf	345	0.0%	19.0%	-13.8%	7.8%
Ammonia-Gulf	350	1.4%	22.8%	29.6%	-27.8%
MTBE-Asia	815	-7.4%	-17.7%	-15.5%	-4.1%
EDC	345	0.0%	6.2%	32.7%	-2.8%
MEG (SABIC)	800	1.3%	-1.2%	-9.1%	0.0%
PC	1,875	0.0%	2.2%	7.1%	8.1%
Acetic Acid-AA	470	-1.1%	-5.1%	-5.1%	-2.1%
EVA	1,150	-3.4%	-7.3%	-21.8%	-6.5%
Vinyl Acetate Monomer-VAM	800	-1.2%	-10.6%	-4.2%	-7.5%

Note: Prices as of July 28, 2024

Source: Argaam, Reuters Eikon, Aljazira Capital Research

Table 2: Economic Calendar

Date	Country	Event
Aug 14,21,28	US	Weekly Petroleum Status Report
15-Aug	US	Initial Jobless Claims
15-Aug	KSA	CPI YoY
28-Aug	KSA	M3 Money Supply YoY
28-Aug	KSA	SAMA Net Foreign Assets SAR
29-Aug	US	GDP Annualized QoQ
3-Sep	KSA	S&P Global Saudi Arabia PMI
4-Sep	US	Trade Balance
6-Sep	US	Unemployment Rate
8-Sep	KSA	GDP Constant Prices YoY
10-Sep		EIA Short-term Energy Outlook
10-Sep		OPEC Monthly Oil Market Report
12-Sep	US	Monthly Budget Statement
12-Sep		IEA Oil Market Report
29-Sep	KSA	Current Account Balance

Source: Bloomberg, EIA, OPEC, IEA

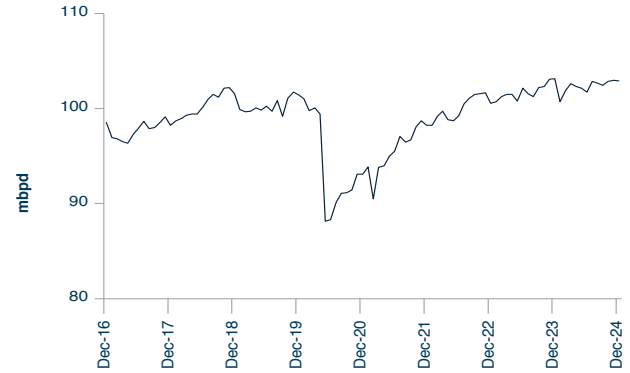
Key comments from international energy agencies

Crude oil supply

Global supply

- Global oil supply is expected to increase by 730,000 bpd in FY24 (primarily led by non-OPEC) and by 1.9 mbpd in FY25, according to IEA.
- Global supplies of crude oil and liquid fuels are expected to rise by 0.6 mbpd to 102.4 mbpd in FY24 and by 2.1 mbpd to 104.4 mbpd in FY25, as per EIA. Non-OPEC supply is forecast to grow 0.8 mbpd to 70.4 mbpd in FY24 and 1.7 mbpd to 72.0 mbpd in FY25.
- Global refinery throughputs are forecast to rise by 840,000 bpd to 83.3 mbpd in FY24 and by 600,000 bpd to 83.9 mbpd in FY25, according to IEA.

Figure 1: World Oil Production



Source: Bloomberg, AlJazira Capital Research

OPEC Supply

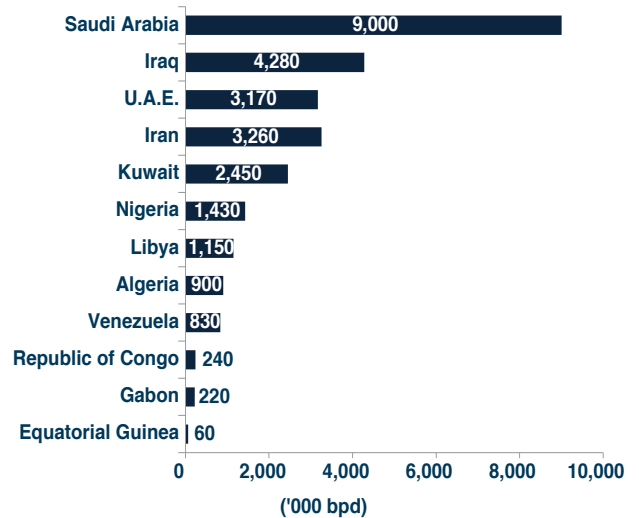
- OPEC crude oil production increased 185,000 bpd M/M in July to average at 26.8 mbpd, as per OPEC's secondary sources.
- On average, OPEC members are estimated to produce 26.8 mbpd of crude oil in Q3-24 compared to 26.6 mbpd of crude oil in Q2-24, as per EIA.
- OPEC's average crude production is estimated at 26.7 mbpd in FY24 and at 27.2 mbpd in FY25, according to EIA.
- OPEC's unplanned oil supply disruptions averaged 1.45 mbpd in July (vs. 1.47 in June), as per EIA.

Table 3: OPEC Oil Production ('000 bpd; excl. Angola)

Prod. ('000 bpd)	Cap.	Apr 2024	May 2024	Jun 2024	Jul 2024	% M/M Chg.
Equatorial Guinea	120	50	60	50	60	20.0%
Gabon	220	210	220	210	220	4.8%
Republic of Congo	300	250	240	250	240	-4.0%
Venezuela	890	840	860	890	830	-6.7%
Algeria	1,060	910	900	900	900	0.0%
Libya	1,200	1,190	1,160	1,160	1,150	-0.9%
Nigeria	1,600	1,420	1,460	1,430	1,430	0.0%
Kuwait	2,820	2,430	2,460	2,440	2,450	0.4%
Iran	3,830	3,220	3,240	3,310	3,260	-1.5%
U.A.E.	4,650	3,120	3,170	3,170	3,170	0.0%
Iraq	4,800	4,220	4,280	4,250	4,280	0.7%
Saudi Arabia	12,000	9,040	9,010	8,990	9,000	0.1%
Total OPEC	33,490	26,900	27,060	27,050	26,990	-0.2%

Source: Bloomberg

Figure 2: OPEC July Oil Production ('000 bpd)



Source: Bloomberg

Crude oil demand

Global

- OPEC estimates a 2.1 mbpd increase in global consumption in FY24, slightly below the previous month's estimate. IEA estimates global oil demand to grow by slightly less than 1.0 mbpd in FY24 and FY25. As per EIA, global consumption of petroleum and liquid fuels is forecasted to average at 102.9 mbpd in FY24 (+1.1 mbpd Y/Y) and increase further by 1.6 mbpd Y/Y in FY25.
- Global demand for petroleum and liquid fuels stood at 103.4 mbpd in July, up 1.4% Y/Y, as per EIA.
- DoC (countries participating in the Declaration of Cooperation) crude demand for FY24 is forecasted to grow 0.8 mbpd Y/Y to 43.0 mbpd, according to OPEC. The DoC demand is estimated to increase to 43.6 mbpd in FY25, up around 0.6 mbpd Y/Y.

Inventory

- Global oil inventories fell by 26.2 mb in June. OECD industry stocks decreased 19.5 mb, as per IEA.
- EIA forecasts OECD inventories to stand at 2.69bn barrels by end-FY24 and at 2.68bn by end-FY25.
- Natural gas inventories in the US are estimated to reach 3,954 bcf by the end of October, as per EIA.

Figure 3: OECD Monthly Oil Inventories



Source: US EIA, AlJazira Capital Research

Price outlook

- Brent spot prices are forecasted to average USD 84 per barrel in FY24 and at USD 86 per barrel in FY25, as per EIA.
- JP Morgan expects oil prices to average USD 75 per barrel in FY25, falling from an expected range of USD 80-90 per barrel in this summer. Goldman Sachs forecasts Brent crude at USD 86 per barrel this summer due to strong consumer demand and expects prices to remain above USD 75 per barrel. EIA expects natural gas prices at Henry Hub to average USD 2.30/mn Btu in FY24 and USD 3.30/mn Btu in FY25.

Table 4: World Oil Demand and Supply

(mbpd)	FY23				FY24E				FY23	FY24E	FY25E
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4			
World Crude Oil & Liq. Fuels Supply											
OPEC Supp.	32.77	32.46	31.63	31.88	32.04	31.91	32.52	32.42	32.18	31.87	32.43
Non-OPEC Suppl.	68.38	69.03	70.04	70.96	69.73	70.21	70.61	70.88	69.61	70.36	72.01
Total World Supply	101.15	101.49	101.67	102.84	101.75	102.08	102.67	102.92	101.79	102.36	104.44
World Crude Oil & Liq. Fuels Cons.											
OECD Cons.	45.09	45.56	45.95	45.98	44.80	45.41	46.24	46.32	45.65	45.69	45.92
Non-OECD Cons.	55.71	56.27	56.33	56.29	57.02	57.39	57.31	57.26	56.15	57.24	58.63
Total World Cons.	100.80	101.82	102.27	102.27	101.81	102.80	103.55	103.58	101.80	102.94	104.55
OECD Comm. Inventory (mn barrels)	2,746	2,782	2,815	2,776	2,756	2,761	2,728	2,685	2,776	2,685	2,682
OPEC Surplus Crude Oil Prod. Cap.	1.94	2.13	1.95	1.52	1.52	1.48	n/a	n/a	1.88	n/a	n/a

Source: EIA STEO August 2024, AlJazira Capital Research

- The gap between crude consumption and supply is estimated to increase to 0.88 mbpd in Q3-24 (higher consumption than supply) from 0.72 mbpd in Q2-24 (higher consumption than supply).
- OECD's crude inventories are expected to be at 2.73bn barrels in Q3-24 compared to 2.76bn barrels in Q2-24.

Petrochemical sector news

- **Saudi Aramco** signed a binding agreement to acquire an additional stake of approximately 22.5% in Rabigh Refining and Petrochemical Co. (Petro Rabigh) from Sumitomo Chemical Co., for USD 702.0mn. Sumitomo Chemical currently owns about 37.5% of Petro Rabigh's shares. Upon completion of the deal, priced at SAR 7 per share, Saudi Aramco will become the majority shareholder in Petro Rabigh, with nearly 60% stake. (Source: Tadawul)
- **Methanol Chemicals Co. (Chemanol)** finalized the procedures for picking the contractor to implement the methanol plant expansion project in accordance with the company's mechanism. The delay in appointing a contractor from the previously announced date was due to the lack of full-time qualified contractors as most were engaged in other projects in the petrochemical sector. (Source: Tadawul)
- **Sahara International Petrochemical Co. (Sipchem)** signed a USD190 million (SAR 713 million) contract with South Korean engineering, procurement and construction (EPC) company SGC E&C Co. Ltd. to build the former's petrochemical facility. (Source: Argam)
- **Saudi Basic Industries Corp. (SABIC)** signed under the auspices of the Saudi Ministry of Energy, a potential investment agreement with the Fujian government to build an engineering thermoplastics compounding plant in Fujian Province in China. (Source: Argam)
- **Saudi Industrial Exports Co.'s (Sadirat)** subsidiary, Haddaj Co., signed a non-binding MoU with Nama Chemicals Co. to acquire a stake in Jubail Chemical Industries Co. (JANA), a subsidiary of Nama. (Source: Argam)
- **Saudi Aramco** signed definitive agreements to acquire an equity interest in the Jubail-based Blue Hydrogen Industrial Gases Co. (BHIG), a wholly owned subsidiary of Air Products Qudra (APQ). The transaction, which is subject to standard closing conditions, will also include options for Aramco to offtake hydrogen and nitrogen. (Source: Argam)
- **Saudi Aramco's** President and CEO Amin Nasser said the company is working on a number of international investments and exploring global opportunities in the field of LNG. He added that the company has ambitious plans to develop its portfolio and expand its capabilities in this field. (Source: Argam)

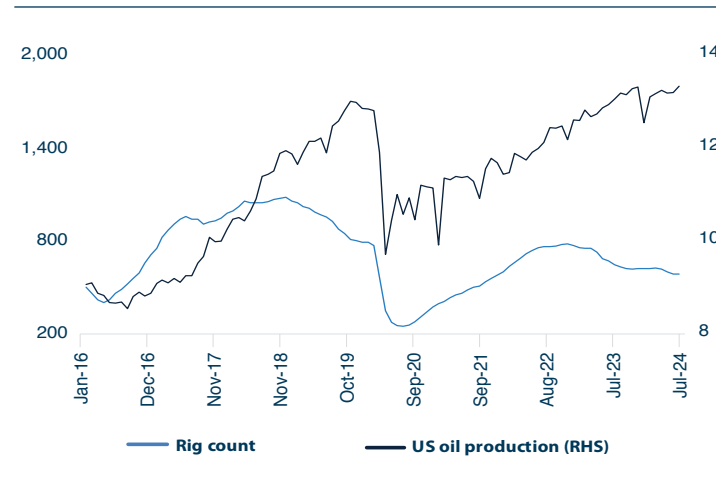
Table 5: KSA Petrochemical Companies Key Metrics

Company	Net profit (TTM; SAR mn)	P/E (Adjusted)	P/B	EV/ EBITDA	DPS (SAR) TTM	Dividend Yield (2023)	YTD returns
SABIC	-2,177.9	High	1.4x	13.1x	3.30	4.4%	-9.7%
TASNEE	41.9	High	0.8x	High	-	-	-11.6%
YANSAB	181.4	High	1.8x	13.6x	1.75	4.5%	1.7%
SABIC Agri-Nutrients	3,574.1	14.8x	3.1x	10.2x	6.00	5.2%	-17.1%
Sipchem	694.7	48.1x	1.3x	11.9x	1.25	4.5%	-18.4%
Advanced	51.3	High	3.2x	47.6x	-	-	-1.0%
KAYAN	-1,892.7	NEG	1.0x	15.3x	-	-	-24.2%
SIIG	325.5	43.1x	1.4x	-	1.00	5.5%	-17.6%
Nama Chemical	-84.0	NEG	2.4x	-	-	-	-23.2%
Chemanol	-171.5	NEG	1.0x	32.8x	-	-	-28.6%
ALUJAIN	-30.5	NEG	0.8x	8.5x	-	-	-4.6%

Source: Bloomberg, Tadawul, Argam, Aljazira Capital Research; Data as of August 12, 2024

US oil and gas developments

Figure 4: US Oil Production versus Rig Count

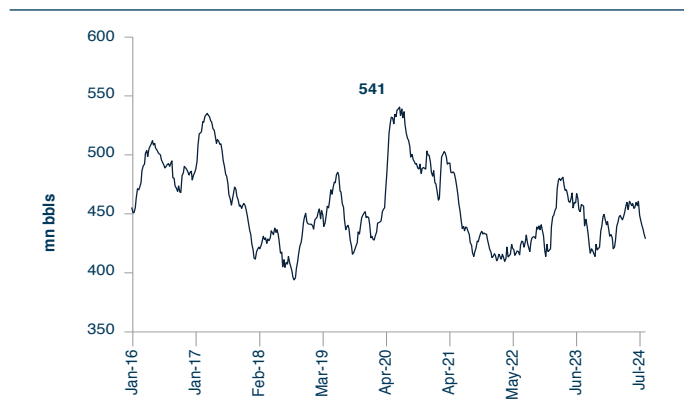


Source: US EIA, AlJazira Capital Research

US oil production averaged 13.33 mbpd in July 2024. Production increased 1.1% M/M and 3.0% Y/Y from 12.94 mbpd in July 2023.

In the week ended July 26, the rotary rig count in the US stood at 589 (up 3 W/W). The average number of rigs fell 0.4% M/M in July vis-à-vis a decrease of 2.3% in June. The average rig count was down 12.8% Y/Y in July. As of August 09, of the total 588 rigs, 485 (up 3 W/W) were used to drill for oil and 97 (down 1 W/W) for natural gas. In the US, oil exploration decreased 7.6% Y/Y, while gas exploration declined 21.1% Y/Y.

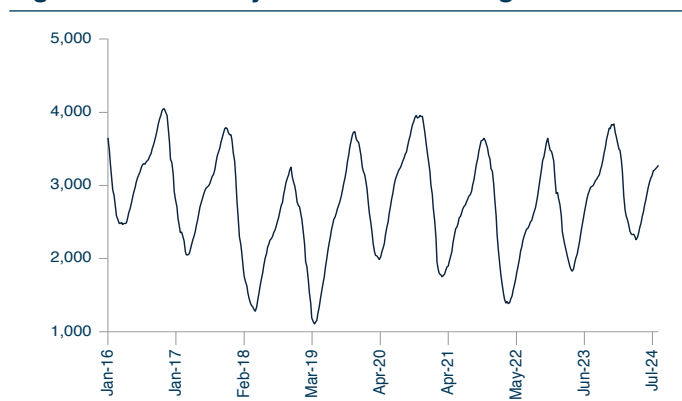
Figure 5: US Weekly Oil Inventories



- US weekly oil inventories decreased 0.8% W/W to 433.0mn barrels for the week ended July 26. On M/M basis, inventories fell 3.5%.

Source: US EIA, AlJazira Capital Research

Figure 6: US Weekly Natural Gas Storage

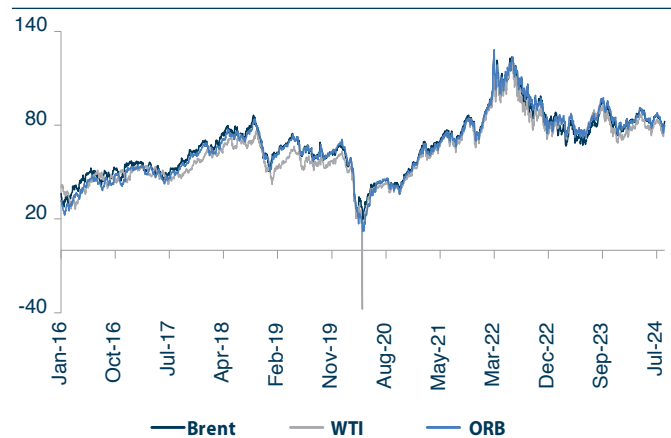


- US weekly natural gas storage increased 0.6% W/W to 3,249 bcf in the week ended July 26. On M/M basis, natural gas storage rose 3.7%.

Source: US EIA, AlJazira Capital Research

Price Trend: Oil, Natural Gas & Petrochemicals Products

Figure 7: Oil Price Trends (USD per Barrel)



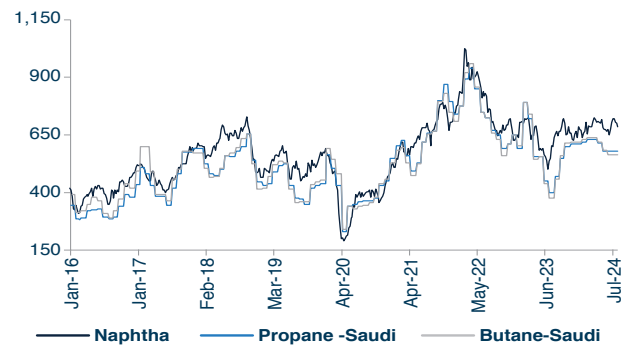
Source: Reuters Eikon, AlJazira Capital Research

Figure 8: Henry Hub Natural Gas (USD per MMBtu)



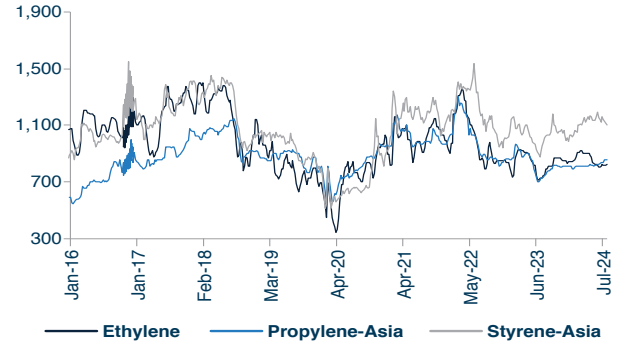
Source: OPEC, AlJazira Capital Research

Figure 9: Feedstock Price Trends (USD per Ton)



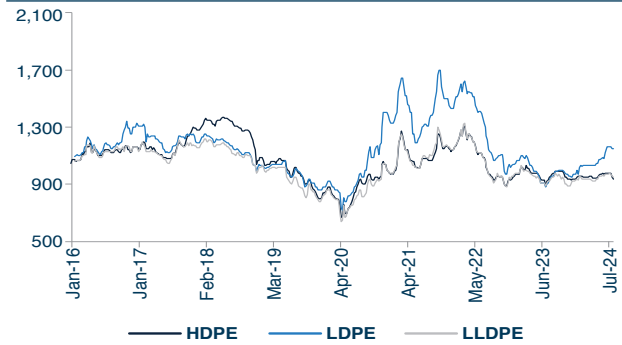
Source: Argaam, ALJazira Capital Research

Figure 10: Basic Petchem Price Trends (USD per Ton)



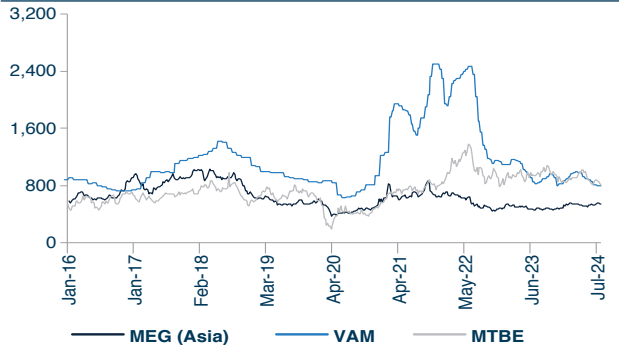
Source: Argaam, ALJazira Capital Research

Figure 11: Polyethylene Price Trends (USD per Ton)



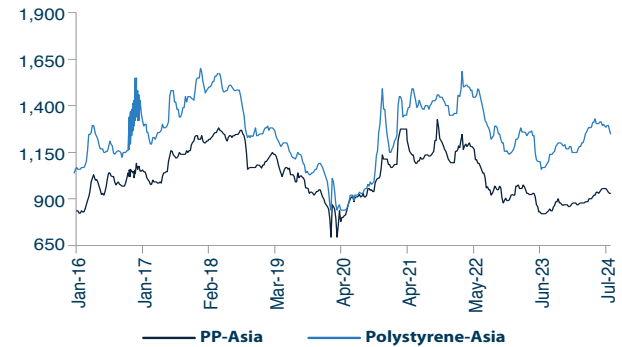
Source: Argaam, ALJazira Capital Research

Figure 12: Intermediates Price Trends (USD per Ton)



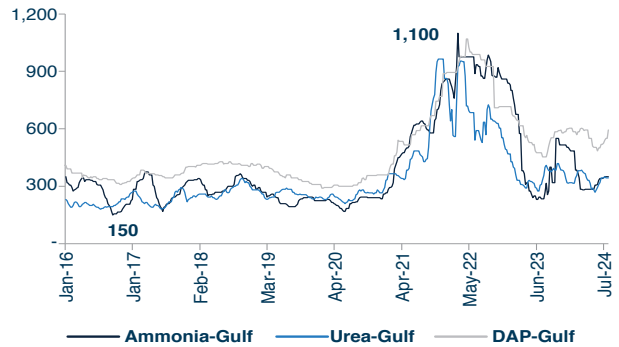
Source: Argaam, ALJazira Capital Research

Figure 13: Polypropylene & Polystyrene



Source: Argaam, ALJazira Capital Research

Figure 14: Ammonia, Urea & DAP



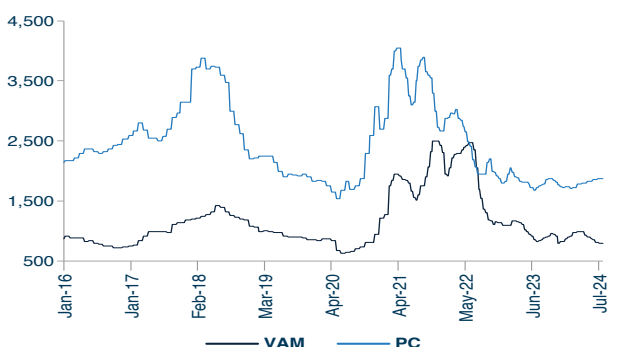
Source: Argaam, ALJazira Capital Research

Figure 15: Methanol-China (USD per Ton)



Source: Argaam, ALJazira Capital Research

Figure 16: PC-VAM

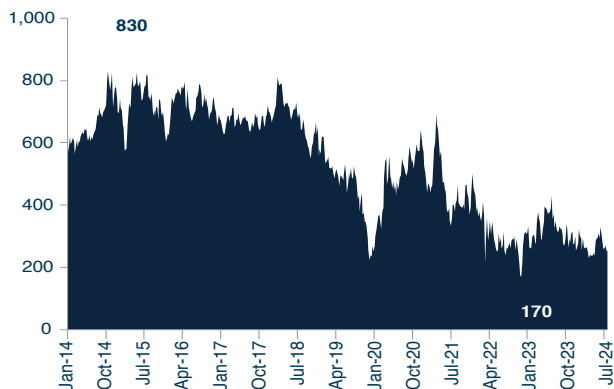


Source: Argaam, ALJazira Capital Research

Petchem Spreads Trend

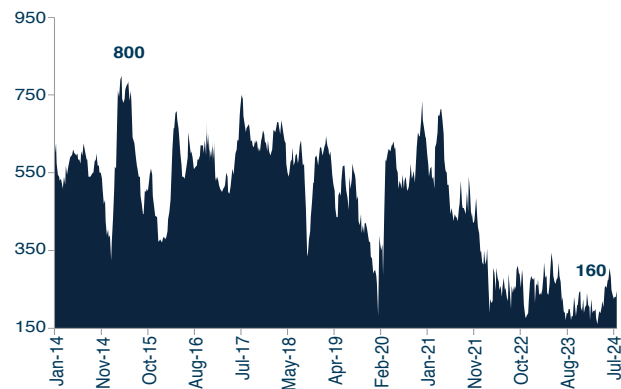
- Naphtha prices averaged USD 703 per ton in July, up from USD 685 per ton in June.
- Polypropylene average prices fell to USD 935 per ton in July from USD 954 per ton in June.
- The HDPE-naphtha spread declined to USD 259 per ton in July from USD 293 per ton in June.
- The PP-naphtha spread contracted to USD 233 per ton from USD 269 per ton during the previous month.
- The PP-propane spread decreased to USD 471 per ton in July from USD 490 per ton in June.
- The PVC-EDC spread reduced slightly to USD 510 per ton in July from USD 513 per ton in June.
- The polystyrene-benzene spread expanded to USD 275 per ton in July compared to USD 254 per ton in June.
- The HDPE-ethylene spread decreased to USD 140 per ton in July from USD 164 per ton in June.
- PP-butane spread dropped to USD 483 per ton in July from USD 502 per ton in June.
- LDPE-naphtha spread inched up 0.8% M/M at USD 453 per ton, while LDPE-ethylene spread grew 4.3% M/M to USD 334 per ton in July.
- LLDPE-naphtha spread squeezed 7.7% at USD 261 per ton. Whereas LLDPE-ethylene declined 7.5% M/M to USD 143 per ton in July.

Figure 17: Naphtha- HDPE



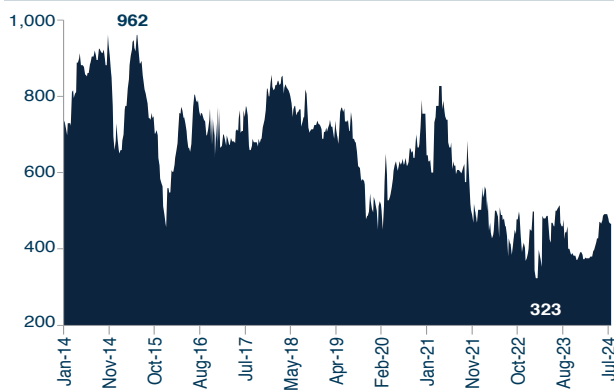
Source: Argaam, AlJazira Capital Research

Figure 18: Naphtha- PP



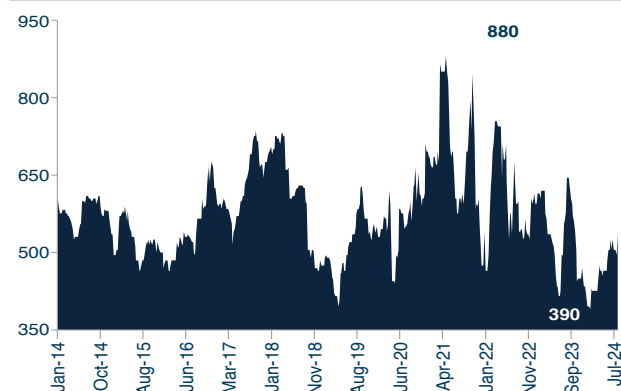
Source: Argaam, AlJazira Capital Research

Figure 19: Propane (Saudi) - PP



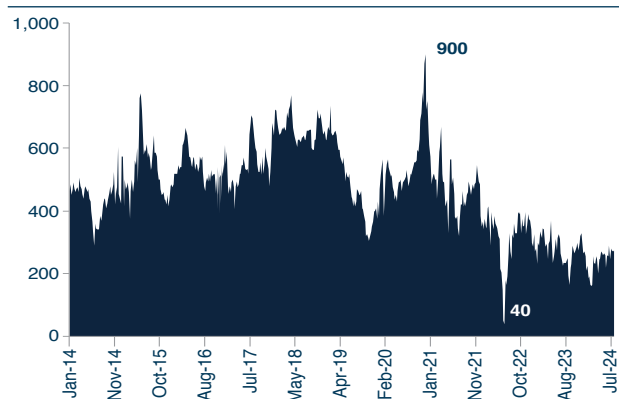
Source: Argaam, AlJazira Capital Research

Figure 20: EDC- PVC



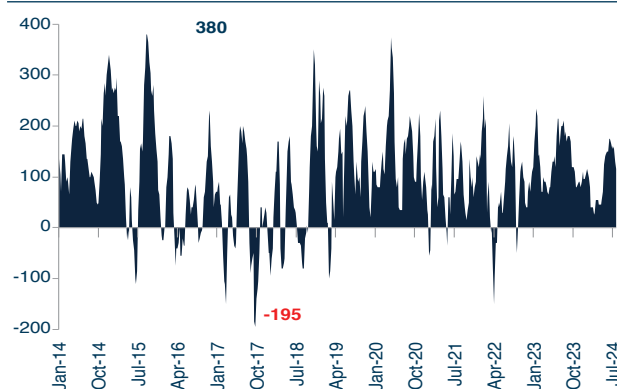
Source: Argaam, AlJazira Capital Research

Figure 21: Benzene- Polystyrene



Source: Argaam, ALJazira Capital Research

Figure 22: Ethylene- HDPE



Source: Argaam, ALJazira Capital Research

Table 6: Petrochemical Products by Saudi Petrochemical Companies

Company	Finished Products
SABIC	Polyethylene, polypropylene, poly styrene, ethylene glycol (MEG), methyl tert-butyl ether (MTBE), benzene, urea, ammonia, PVC, and PTA
SABIC Agri- Nutrients	Urea, ammonia
YANSAB	Polyethylene, polypropylene, MEG, MTBE, and benzene
Tasnee	Polyethylene, polypropylene, and propylene (TiO ₂)
Saudi Kayan	Polyethylene, polypropylene, MEG, polycarbonate, and bisphenol A
Petro Rabigh	Polyethylene, polypropylene, propylene oxide, and refined petroleum products
Sahara Petrochemicals (Sipchem)	Polyethylene, polypropylene, Methanol, butanol, acetic acid, and vinyl acetate monomer
Saudi Group	Styrene, benzene, cyclohexene, propylene, polyethylene, polypropylene, and polystyrene
Advanced	Polypropylene
Alujain	Polypropylene
CHEMANOL	Formaldehyde – improvers concrete
NAMA	Epoxy resin, hydrochloric acid, liquid caustic soda, and soda granule
MAADEN	Ammonia and DAP

Source: Argaam Plus



RESEARCH DIVISION

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RESEARCH
DIVISION

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RATING
TERMINOLOGY

1. **Overweight:** This rating implies that the stock is currently trading at a discount to its 12 months price target. Stocks rated "Overweight" will typically provide an upside potential of over 10% from the current price levels over next twelve months.
2. **Underweight:** This rating implies that the stock is currently trading at a premium to its 12 months price target. Stocks rated "Underweight" would typically decline by over 10% from the current price levels over next twelve months.
3. **Neutral:** The rating implies that the stock is trading in the proximate range of its 12 months price target. Stocks rated "Neutral" is expected to stagnate within +/- 10% range from the current price levels over next twelve months.
4. **Suspension of rating or rating on hold (SR/RH):** This basically implies suspension of a rating pending further analysis of a material change in the fundamentals of the company.

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