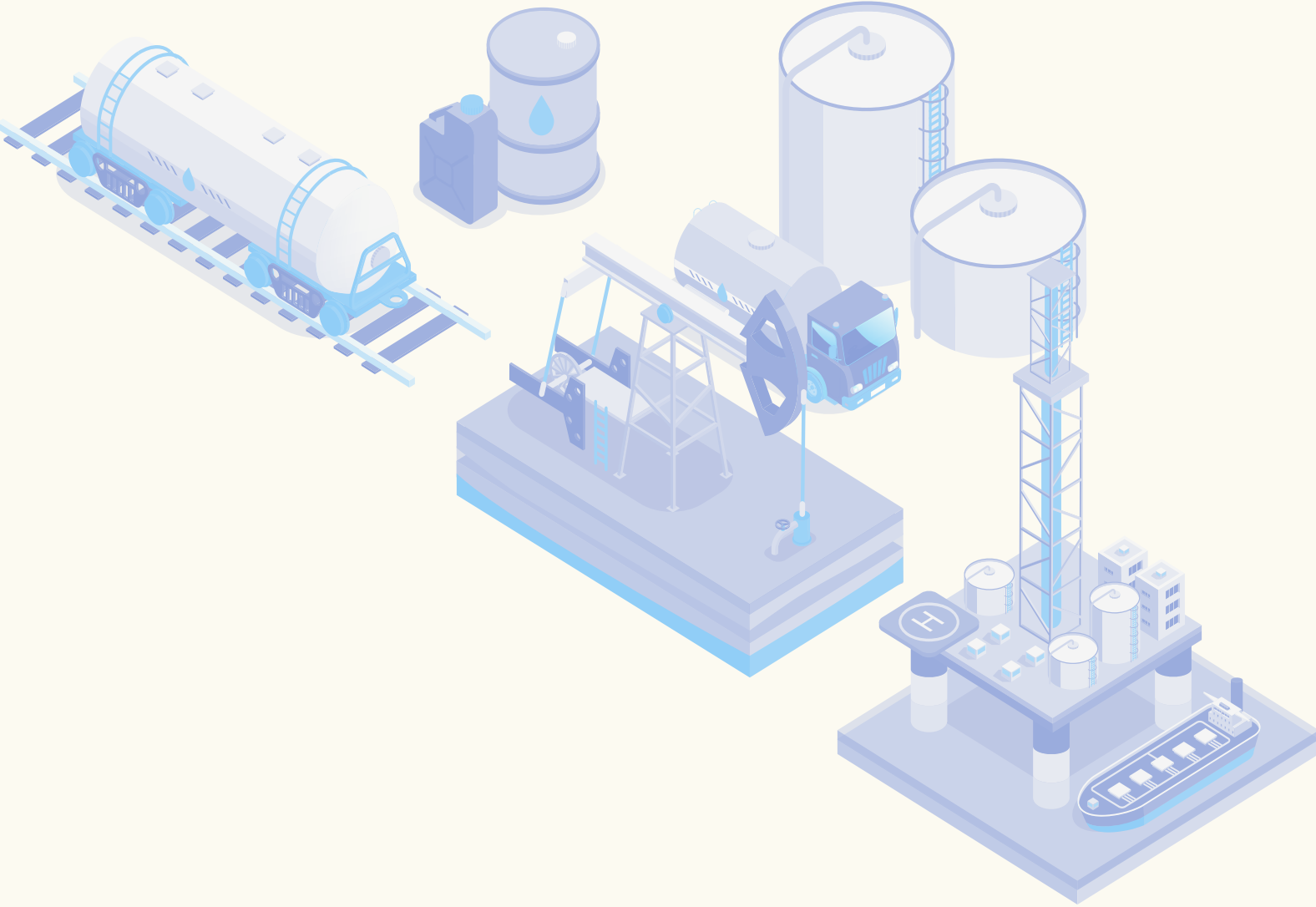


June  
2024

الجزيرة كابيتال

ALJAZIRA CAPITAL الجزيرة للأسواق المالية



# Oil & Petrochemicals Monthly Report May I 2024

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## Ammonia, methanol and MEG price rose; MTBE, PET and VAM declined; propane prices for June kept unchanged, while butane prices cut by Aramco

- **Naphtha, propane and butane prices declined in May:** Prices of naphtha decreased 7.0% M/M to USD 665 per ton in May. Propane and butane prices fell 5.7% and 5.6% to USD 580 per ton and USD 585 per ton, respectively. Aramco maintained propane prices at USD 580 per ton, while cut butane prices to USD 565 per ton for June.
- **Product prices were mixed in May:** MTBE prices plunged 13.6% M/M to USD 855 per ton amid weaker than expected demand during the driving season and increasing supply after completion of turnarounds by some producers. **Ammonia** prices jumped 8.8% M/M to USD 310 per ton mainly due to expectations of upcoming demand from India and tight supply amid natural gas supply limitation in Trinidad. **Methanol** prices gained 3.4% M/M to USD 300 per ton as prices were supported by end-user restocking and short covering in China. **MEG** prices grew 2.9% M/M to USD 525 per ton due to the delay in restarts for several plants and a decrease in inventory in East China. On the contrary, downstream **PET** prices fell 2.8% M/M to USD 875 per ton on bearish buying interest. **VAM** prices fell 2.2% M/M to USD 875 per ton on continued sluggish demand from end user industries such as housing and construction.
- **Petchem Spreads Trend:** PP-propane spread expanded to USD 471 per ton in May from USD 421 per ton in April. PP-butane spread grew to USD 467 per ton in May from USD 417 per ton in April. HDPE-naphtha spread increased to USD 296 per ton in May against USD 239 per ton in April.

## Oil prices were under pressure in May due to demand worries and delayed rate cuts; regained demand optimism supported prices in early June

- **Oil prices declined in May:** Early in May, oil prices were hit by expectations of higher-for-longer interest rates and a stronger US dollar. The prices recovered briefly during the mid of the month due to a positive set economic data from China and revival of rate cut hopes amid softer US inflation. However, prices fell later in the month with the demand concerns resurfacing. In early June, the negative market reaction to OPEC+'s announcement to gradually phase out the cuts in 2025 was offset by a better demand outlook. Brent prices fell 8.8% M/M, while WTI decreased 8.2% M/M in May, ending at USD 81.6/bbl and USD 77.0/bbl, respectively. Natural gas prices at Henry Hub jumped 60.3% M/M to USD 2.6/mn Btu.
- **Manufacturing activity in China expanded fastest since June 2022, while worsened in the US, Eurozone PMI rose:** US ISM manufacturing PMI fell to 48.7 in May from 49.2 in April, as new orders contracted. China's Caixin manufacturing PMI rose to 51.7 in May from 51.4 in April, registering the fastest expansion since June 2022 driven mainly by the production gains and new orders at smaller firms. The Eurozone manufacturing PMI rose to 47.3 in May from 45.7 in April.

Table 1: Petchem Prices – May FY24

Name	Price (USD per ton)	M/M %	Q/Q %	Y/Y %	YTD %
Naphtha	665	-7.0%	-2.9%	12.7%	-0.7%
Saudi Propane	580	-5.7%	-7.9%	4.5%	-4.9%
Butane-Saudi	585	-5.6%	-8.6%	5.4%	-5.6%
Ethylene	825	-6.3%	-10.8%	0.6%	-2.4%
Propylene-Asia	820	0.0%	0.6%	3.8%	1.2%
HDPE	975	2.6%	2.6%	1.6%	2.6%
LDPE	1,085	3.3%	4.8%	14.2%	8.5%
LLDPE	965	2.7%	2.7%	2.7%	2.7%
PP-Asia	940	2.2%	6.8%	9.3%	6.8%
Styrene-Asia	1,160	0.0%	4.5%	19.0%	12.1%
Polystyrene-Asia	1,315	-1.1%	7.8%	19.5%	14.3%
PET - Asia	875	-2.8%	-1.7%	-4.9%	0.6%
PVC-Asia	790	1.9%	1.3%	2.6%	6.0%
MEG (Asia)	525	2.9%	-2.8%	10.5%	2.9%
Methanol-China	300	3.4%	-1.6%	22.4%	7.1%
DAP-Gulf	485	-4.9%	-19.8%	-6.7%	-19.8%
Urea-Gulf	295	1.7%	-23.4%	-6.3%	-7.8%
Ammonia-Gulf	310	8.8%	8.8%	24.0%	-36.1%
MTBE-Asia	855	-13.6%	-5.5%	-12.3%	0.6%
EDC	305	-6.2%	-18.7%	-16.4%	-14.1%
MEG (SABIC)	800	-1.2%	0.0%	-12.1%	0.0%
PC	1,835	0.0%	6.1%	3.1%	5.8%
Acetic Acid-AA	485	-2.0%	-2.0%	-4.9%	1.0%
EVA	1,215	-2.0%	-6.5%	-17.3%	-1.2%
Vinyl Acetate Monomer-VAM	875	-2.2%	-10.3%	-7.9%	1.2%

Note: Prices as of May 26, 2024

Source: Argaam, Reuters Eikon, AlJazira Capital Research

Table 2: Economic Calendar

Date	Country	Event
Jun 20,26	US	Weekly Petroleum Status Report
13-Jun	US	Initial Jobless Claims
16-Jun	KSA	CPI YoY
27-Jun	US	GDP Annualized QoQ
30-Jun	KSA	Current Account Balance
30-Jun	KSA	M3 Money Supply YoY
30-Jun	KSA	SAMA Net Foreign Assets SAR
3-Jul	US	Trade Balance
3-Jul	KSA	S&P Global Saudi Arabia PMI
5-Jul	US	Unemployment Rate
9-Jul		EIA Short-term Energy Outlook
10-Jul		OPEC Monthly Oil Market Report
11-Jul	US	Monthly Budget Statement
11-Jul		IEA Oil Market Report
31-Jul	KSA	GDP Constant Prices YoY

Source: Bloomberg, EIA, OPEC, IEA

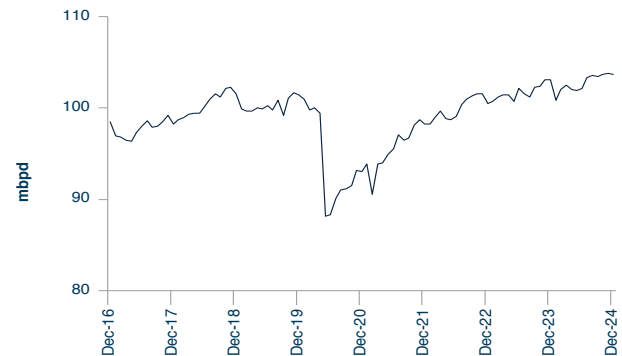
## Key comments from international energy agencies

### Crude oil supply

#### Global supply

- Global oil supply is expected to increase 690,000 bpd in FY24, driven by 1.4 mbpd rise in non-OPEC+ output, according to IEA.
- Global supplies of crude oil and liquid fuels are expected to rise by 0.8 mbpd to 102.6 mbpd in FY24 and by 2.2 mbpd to 104.7 mbpd in FY25, as per EIA. Non-OPEC supply is forecast to grow 0.9 mbpd to 70.6 mbpd in FY24 and 1.7 mbpd to 72.3 mbpd in FY25.
- The global refinery runs are forecast at 83.5 mbpd in FY24 and 84.2 mbpd in FY25, according to IEA.

Figure 1: World Oil Production



Source: Bloomberg, AlJazira Capital Research

#### OPEC Supply

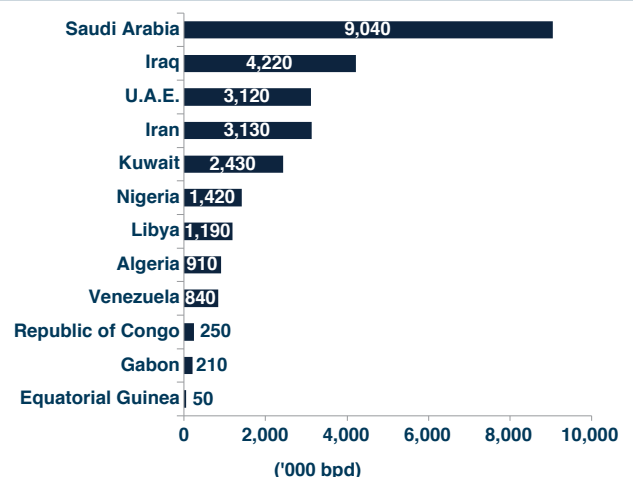
- OPEC crude oil production increased 29,000 bpd M/M in May to average at 26.6 mbpd, as per OPEC's secondary sources.
- On average, OPEC members are estimated to produce 26.7 mbpd of crude oil in Q2-24 compared to 26.6 mbpd of crude oil in Q1-24, as per EIA.
- OPEC's average crude production is estimated at 26.7 mbpd in FY24 and at 27.2 mbpd in FY25, according to EIA.
- OPEC's unplanned oil supply disruptions averaged 1.47 mbpd in May (vs. 1.51 in April), as per EIA.

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

Prod. ('000 bpd)	Cap.	Feb 2024	Mar 2024	Apr 2024	May 2024	% M/M Chg.
Equatorial Guinea	120	60	60	50	60	20.0%
Gabon	220	200	230	210	220	4.8%
Republic of Congo	300	250	240	250	240	-4.0%
Venezuela	860	850	870	840	860	2.4%
Algeria	1,060	910	910	910	900	-1.1%
Libya	1,200	1,140	1,130	1,190	1,160	-2.5%
Nigeria	1,600	1,520	1,470	1,420	1,460	2.8%
Kuwait	2,820	2,430	2,430	2,430	2,460	1.2%
Iran	3,830	3,070	3,180	3,220	3,200	-0.6%
U.A.E.	4,650	3,140	3,130	3,120	3,130	0.3%
Iraq	4,800	4,160	4,170	4,220	4,240	0.5%
Saudi Arabia	12,000	8,950	9,040	9,040	9,030	-0.1%
<b>Total OPEC</b>	<b>33,460</b>	<b>26,680</b>	<b>26,860</b>	<b>26,900</b>	<b>26,960</b>	<b>0.2%</b>

Source: Bloomberg

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



Source: Bloomberg

## Crude oil demand

### Global

- OPEC estimates a 2.2 mbpd increase in global consumption in FY24, unchanged from the previous month's estimate. IEA estimates global oil demand to grow 960,000 bpd in FY24 (100,000 bpd lower than previous month's forecast) and 1.0 mbpd in FY25. As per EIA, global consumption of petroleum and liquid fuels is forecasted to average at 103.0 mbpd in FY24 (+1.1 mbpd Y/Y) and increase further by 1.5 mbpd Y/Y in FY25.
- Global demand for petroleum and liquid fuels stood at 102.0 mbpd in May, unchanged Y/Y, as per EIA.
- DoC (countries participating in the Declaration of Cooperation) crude demand for FY24 is forecasted to grow 0.9 mbpd Y/Y to 43.2 mbpd, according to OPEC. The DoC demand is estimated to increase to 43.9 mbpd in FY25, up around 0.7 mbpd Y/Y.

## Inventory

- Global oil inventories rose by 19.3 mb in April. OECD stocks increased 32.1 mb, as per IEA.
- EIA forecasts OECD inventories to stand at 2.74bn barrels by end-FY24 and at 2.79bn by end-FY25.
- Natural gas inventories in the US are estimated to reach 3,340 bn cu. ft. by the end of FY24, 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 85 per barrel in FY25, as per EIA.
- J. P. Morgan anticipates Brent crude prices to average at USD 84 per barrel in 2024 and USD 75 per barrel in 2025. Goldman Sachs expects a downside risk to its estimated range of USD 75-90 per barrel for Brent crude due to OPEC+'s recently announced planned phasing out of cuts. EIA expects natural gas prices at Henry Hub to average USD 2.50/mn Btu in FY24 and USD 3.20/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			
<b>World Crude Oil &amp; Liq. Fuels Supply</b>											
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.	68.33	69.02	70.06	71.00	69.82	70.24	70.96	71.15	69.61	70.55	72.29
<b>Total World Supply</b>	<b>101.11</b>	<b>101.48</b>	<b>101.69</b>	<b>102.88</b>	<b>101.84</b>	<b>102.21</b>	<b>103.01</b>	<b>103.21</b>	<b>101.79</b>	<b>102.57</b>	<b>104.73</b>
<b>World Crude Oil &amp; Liq. Fuels Cons.</b>											
OECD Cons.	45.22	45.67	46.02	46.08	45.34	44.99	46.25	46.41	45.76	45.76	45.92
Non-OECD Cons.	55.71	56.27	56.33	56.30	56.83	57.50	57.33	57.29	56.16	57.24	58.49
<b>Total World Cons.</b>	<b>100.93</b>	<b>101.94</b>	<b>102.35</b>	<b>102.38</b>	<b>102.17</b>	<b>102.48</b>	<b>103.57</b>	<b>103.70</b>	<b>101.90</b>	<b>102.98</b>	<b>104.51</b>
OECD Comm. Inventory (mn barrels)	2,746	2,782	2,815	2,774	2,746	2,752	2,733	2,697	2,773	2,737	2,793
OPEC Surplus Crude Oil Prod. Cap.	1.94	2.13	1.95	1.52	1.52	n/a	n/a	n/a	1.88	n/a	n/a

Source: EIA STEO June 2024, AlJazira Capital Research

- The gap between crude consumption and supply is estimated to decrease to 0.27 mbpd in Q2-24 (higher consumption than supply) from 0.33 mbpd in Q1-24 (higher consumption than supply).
- OECD's crude inventories are expected to be at 2.75bn barrels in Q2-24, almost same as in Q1-24.

## Petrochemical sector news

- **Sahara International Petrochemical Co. (Sipchem)** resumed operations at three plants affiliated with its subsidiaries, International Vinyl Acetate Co. (IVC), International Acetyl Co. (IAC) and International Gases Co. (IGC) after scheduled maintenance. The related financial impact will be reflected in Q2-24. (Source: Tadawul)
- **Alujain Corp.** announced completing the transaction of selling a 35.0% equity stake in its subsidiary National Petrochemical Industrial Company (NAPTET) to Basell International Holdings B.V., with SAR 1.9bn having been deposited. The company also said that all conditions agreed upon in the share purchase agreement have been completed. (Source: Tadawul)
- **Saudi Basic Industries Corp. (SABIC)** obtained all final approvals from the relevant authorities for Saudi Iron and Steel Co.'s (Hadeed) acquisition by PIF. SABIC said that it has satisfied all transaction-related conditions and completed the transfer of Hadeed's full ownership to PIF. (Source: Tadawul)
- The Export-Import Bank of Korea announced that it will provide the **Amiral petrochemical complex** project in Saudi Arabia with USD 1.0bn in financing. The project was awarded to Hyundai Engineering & Co. This project financing will be used to pay for construction costs incurred by South Korean companies. (Source: Argaam)
- **Methanol Chemicals Co.'s (Chemanol)** board of directors decided to amend its recommendation to the extraordinary general meeting regarding the company's capital hike through a rights issue of SAR 350.0mn from SAR 674.5mn due to market changes. (Source: Tadawul)
- **Saudi Aramco and Abu Dhabi National Oil Co. (ADNOC)** are among companies considering bids for Shell's assets in South Africa. South Africa's Sasol Ltd is also studying an offer for the business, which could be valued at more than USD 800.0mn. (Source: Argaam)
- **Sipchem's** shareholders approved transferring the statutory reserve of SAR 2.1bn, as stated in the financial statements for FY23, to the retained earnings. (Source: Tadawul)
- **Methanol Chemicals Co. (Chemanol)** announced the completion of all regulatory procedures for the transfer of ownership of 80.0% of Global Co. for Chemical Industries Ltd. (GCI), besides fulfilling all legal documents and obtaining approvals from relevant authorities in this regard. (Source: Argaam)
- **Saudi Kayan Petrochemical Co.'s** single stock options (SSOs) started trading as of May 19. SSOs will be cleared by the Securities Clearing Center Co. (Muqassa). (Source: Tadawul)

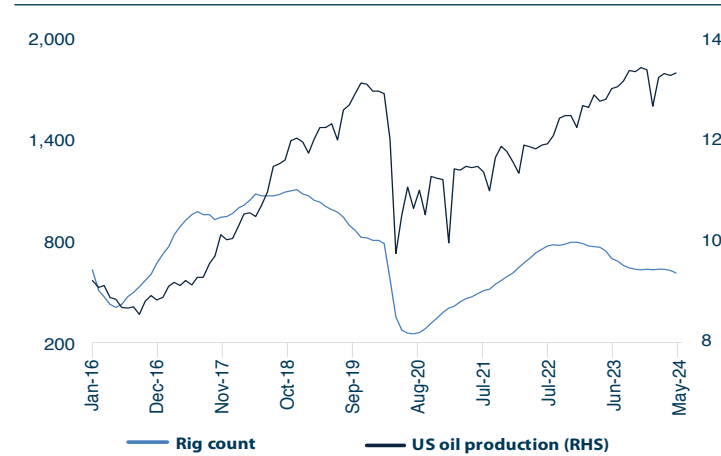
Table 5: KSA Petrochemical Companies Key Metrics

Company	Net profit (TTM; SAR mn)	P/E (Adjusted)	P/B	EV/ EBITDA	DPS (SAR) TTM	Dividend Yield	YTD returns
SABIC	-3,183.0	High	1.4x	14.5x	3.30	4.4%	-9.8%
TASNEE	20.4	34.5x	0.8x	High	-	-	-4.0%
YANSAB	-15.9	NEG	1.7x	16.1x	1.75	4.7%	-2.4%
SABIC Agri-Nutrients	3,519.7	14.3x	2.8x	10.7x	6.00	5.5%	-20.7%
Sipchem	886.2	30.3x	1.4x	11.9x	2.00	6.6%	-10.6%
Advanced	70.0	High	3.1x	36.7x	-	-	-0.8%
KAYAN	-2,035.1	NEG	1.0x	19.3x	-	-	-24.8%
SIIG	381.2	42.8x	1.6x	-	1.00	4.6%	-2.7%
Nama Chemical	-163.3	NEG	3.3x	-	-	-	-10.9%
Chemanol	-153.4	NEG	1.0x	25.9x	-	-	-27.0%
ALUJAIN	-28.3	NEG	1.0x	10.7x	-	-	3.3%

Source: Bloomberg, Tadawul, Argaam, Aljazira Capital Research; Data as of June 11, 2024

## US oil and gas developments

Figure 4: US Oil Production versus Rig Count



Source: US EIA, AlJazira Capital Research

US oil production averaged 13.20 mbpd in May 2024. Production increased 0.4% M/M and grew 4.0% Y/Y from 12.69 mbpd in May 2023.

In the week ended May 31, the rotary rig count in the US stood at 600 (unchanged W/W). The average number of rigs fell 2.4% M/M in May vis-à-vis a decrease of 1.2% in April. The average rig count was down 17.2% Y/Y in May. As of June 07, of the total 594 rigs, 492 (down 4 W/W) were used to drill for oil and 98 (down 2 W/W) for natural gas. In the US, oil exploration decreased 11.5% Y/Y, while gas exploration declined 27.4% Y/Y.

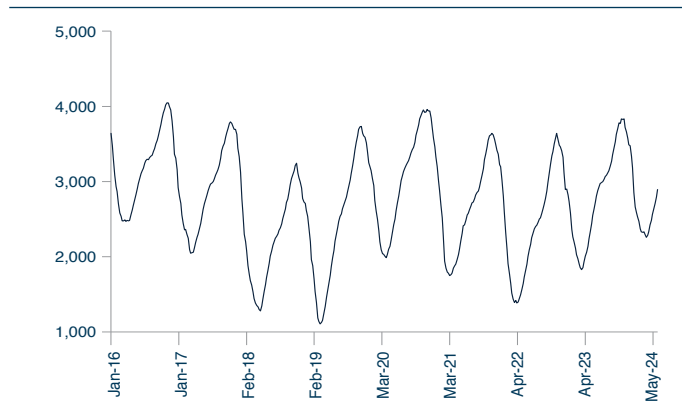
Figure 5: US Weekly Oil Inventories



- US weekly oil inventories increased 0.3% W/W to 455.9mn barrels for the week ended May 31. On M/M basis, inventories fell 1.1%.

Source: US EIA, AlJazira Capital Research

Figure 6: US Weekly Natural Gas Storage

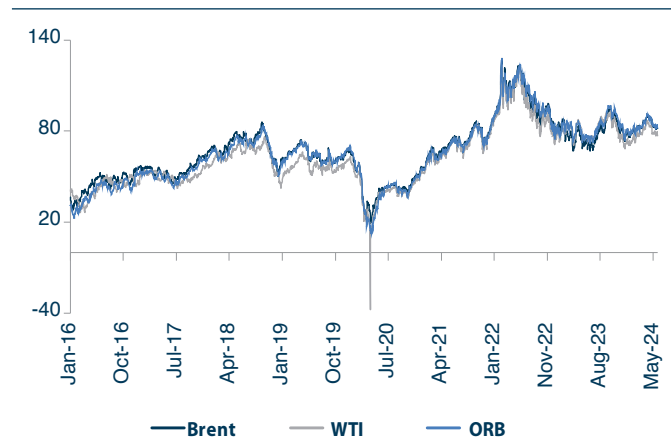


- US weekly natural gas storage increased 3.5% W/W to 2,893 bcf in the week ended May 31. On M/M basis, natural gas storage rose 16.5%.

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)

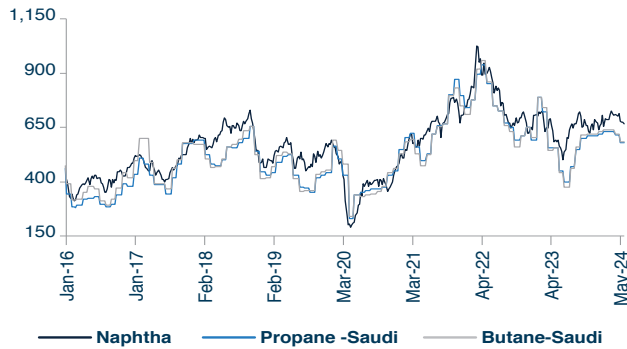


Source: OPEC, AlJazira Capital Research



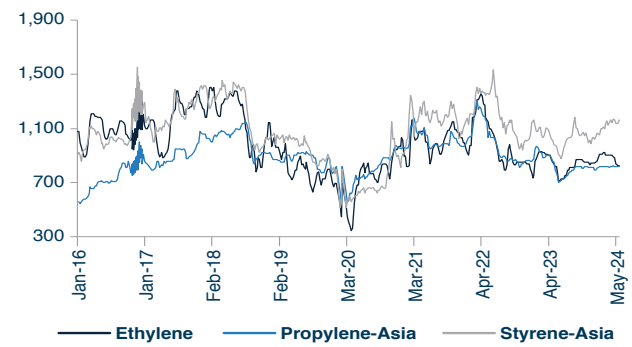


Figure 9: Feedstock Price Trends (USD per Ton)



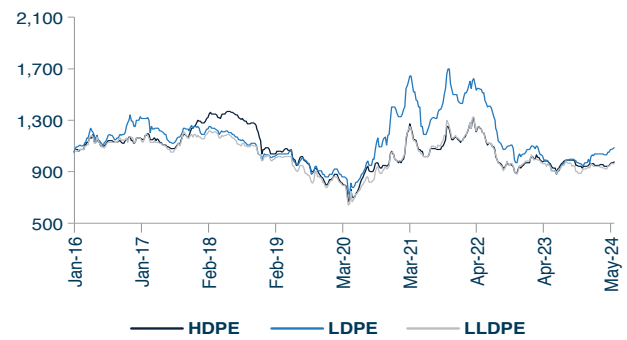
Source: Argaam, ALJazira Capital Research

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



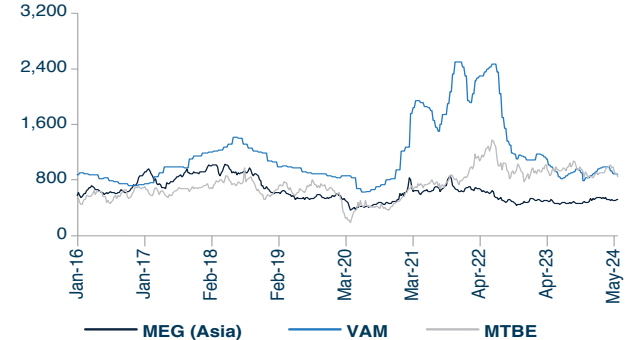
Source: Argaam, ALJazira Capital Research

Figure 11: Polyethylene Price Trends (USD per Ton)



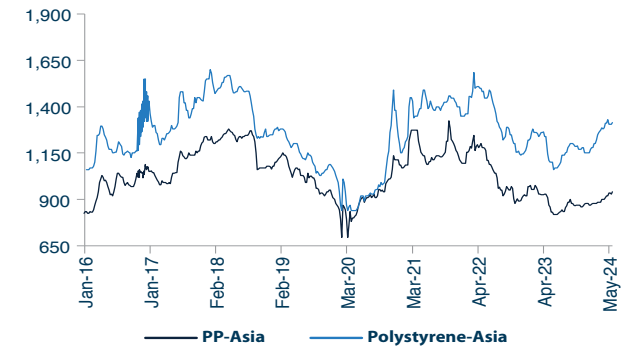
Source: Argaam, ALJazira Capital Research

Figure 12: Intermediates Price Trends (USD per Ton)



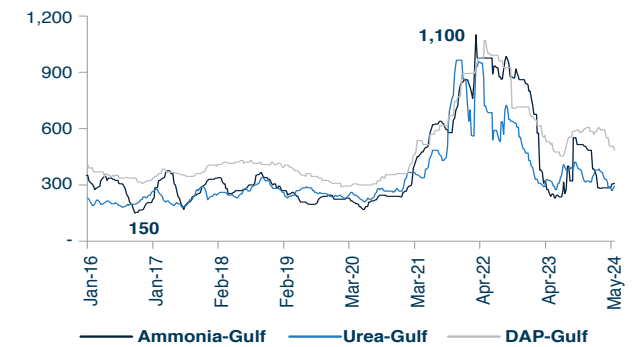
Source: Argaam, ALJazira Capital Research

Figure 13: Polypropylene &amp; Polystyrene



Source: Argaam, ALJazira Capital Research

Figure 14: Ammonia, Urea &amp; DAP



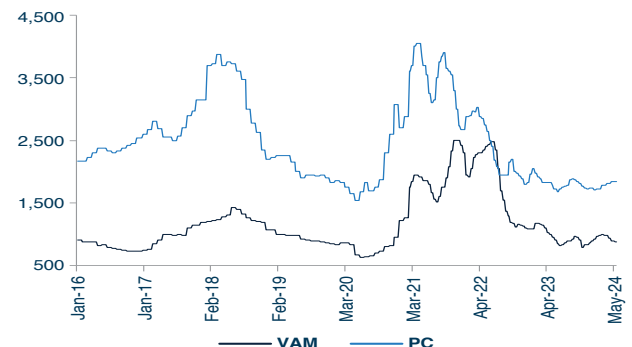
Source: Argaam, ALJazira Capital Research

Figure 15: Methanol-China (USD per Ton)



Source: Argaam, ALJazira Capital Research

Figure 16: PC-VAM



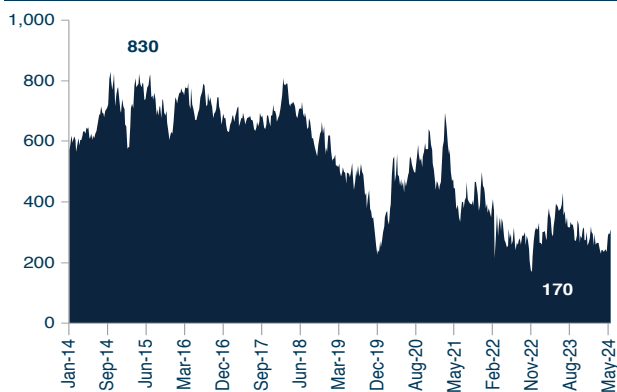
Source: Argaam, ALJazira Capital Research



## Petchem Spreads Trend

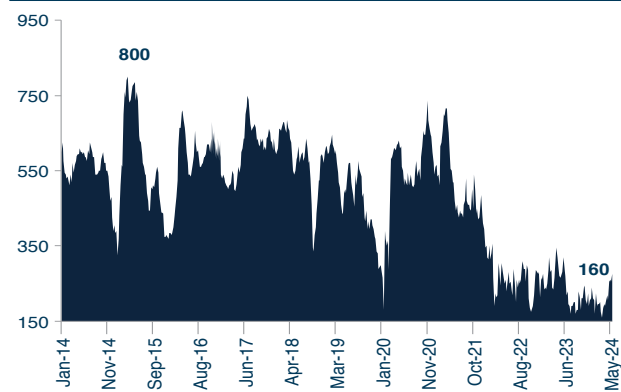
- Naphtha prices averaged USD 674 per ton in May, down from USD 708 per ton in April.
- Polypropylene average prices rose to USD 935 per ton in May from USD 913 per ton in April.
- The HDPE-naphtha spread increased to USD 296 per ton in May against USD 239 per ton in April.
- The PP-naphtha spread gained to USD 261 per ton from USD 205 per ton during the previous month.
- The PP-propane spread expanded to USD 471 per ton in May from USD 421 per ton in April.
- The PVC-EDC spread widened to USD 480 per ton in May from USD 463 per ton in April.
- The polystyrene-benzene spread rose to USD 263 per ton in May compared to USD 240 per ton in April.
- The HDPE-ethylene spread increased to USD 140 per ton in May from USD 54 per ton in April.
- PP-butane spread grew to USD 467 per ton in May from USD 417 per ton in April.
- LDPE-naphtha spread jumped 21.8% M/M at USD 405 per ton, while LDPE-ethylene spread surged 68.6% M/M to USD 249 per ton in May.
- LLDPE-naphtha expanded 28.7% to USD 286 per ton. Whereas LLDPE-ethylene spread widened 246.7% M/M to USD 130 per ton in May.

Figure 17: Naphtha- HDPE



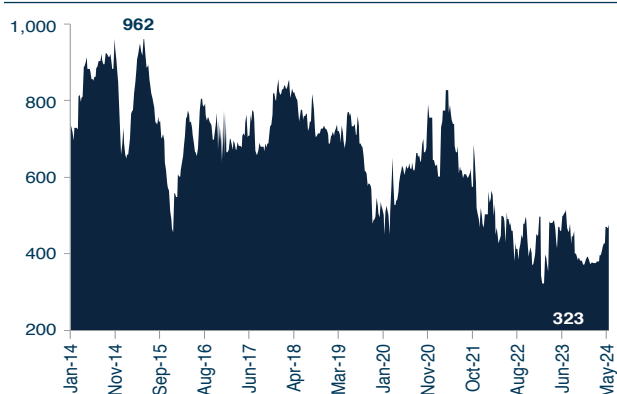
Source: Argaam, AlJazira Capital Research

Figure 18: Naphtha- PP



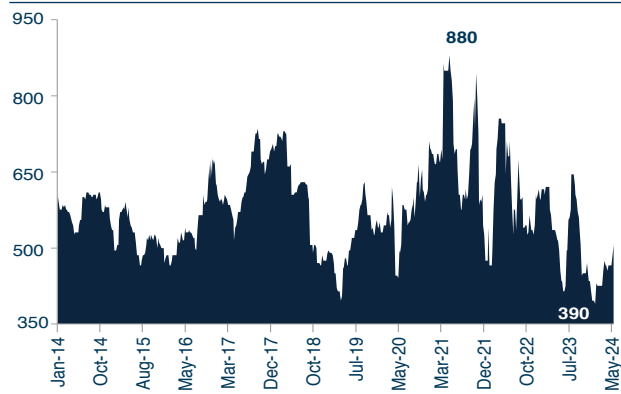
Source: Argaam, AlJazira Capital Research

Figure 19: Propane (Saudi)- PP



Source: Argaam, AlJazira Capital Research

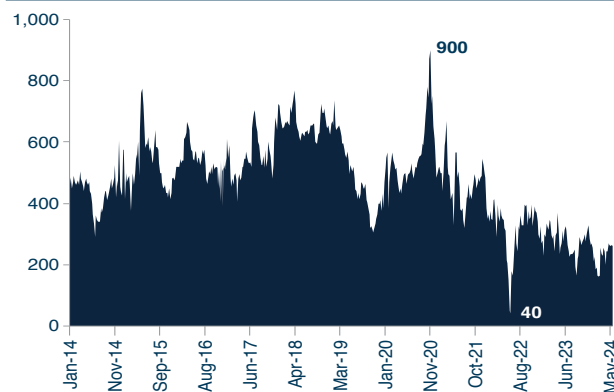
Figure 20: EDC- PVC



Source: Argaam, AlJazira Capital Research

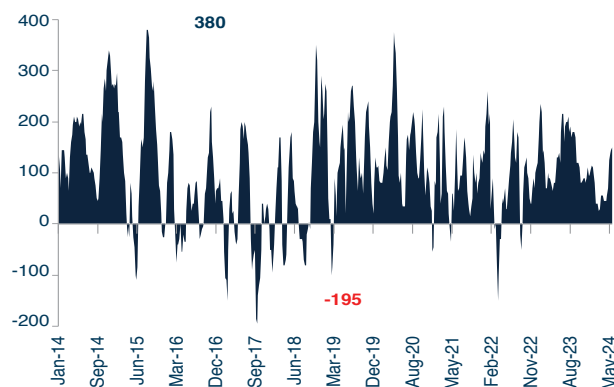


Figure 21: Benzene- Polystyrene



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
<b>SABIC</b>	Polyethylene, polypropylene, poly styrene, ethylene glycol (MEG), methyl tert-butyl ether (MTBE), benzene, urea, ammonia, PVC, and PTA
<b>SABIC Agri- Nutrients</b>	Urea, ammonia
<b>YANSAB</b>	Polyethylene, polypropylene, MEG, MTBE, and benzene
<b>Tasnee</b>	Polyethylene, polypropylene, and propylene (TiO2)
<b>Saudi Kayan</b>	Polyethylene, polypropylene, MEG, polycarbonate, and bisphenol A
<b>Petro Rabigh</b>	Polyethylene, polypropylene, propylene oxide, and refined petroleum products
<b>Sahara Petrochemicals (Sipchem)</b>	Polyethylene, polypropylene, Methanol, butanol, acetic acid, and vinyl acetate monomer
<b>Saudi Group</b>	Styrene, benzene, cyclohexene, propylene, polyethylene, polypropylene, and polystyrene
<b>Advanced</b>	Polypropylene
<b>Alujain</b>	Polypropylene
<b>CHEMANOL</b>	Formaldehyde – improvers concrete
<b>NAMA</b>	Epoxy resin, hydrochloric acid, liquid caustic soda, and soda granule
<b>MAADEN</b>	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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