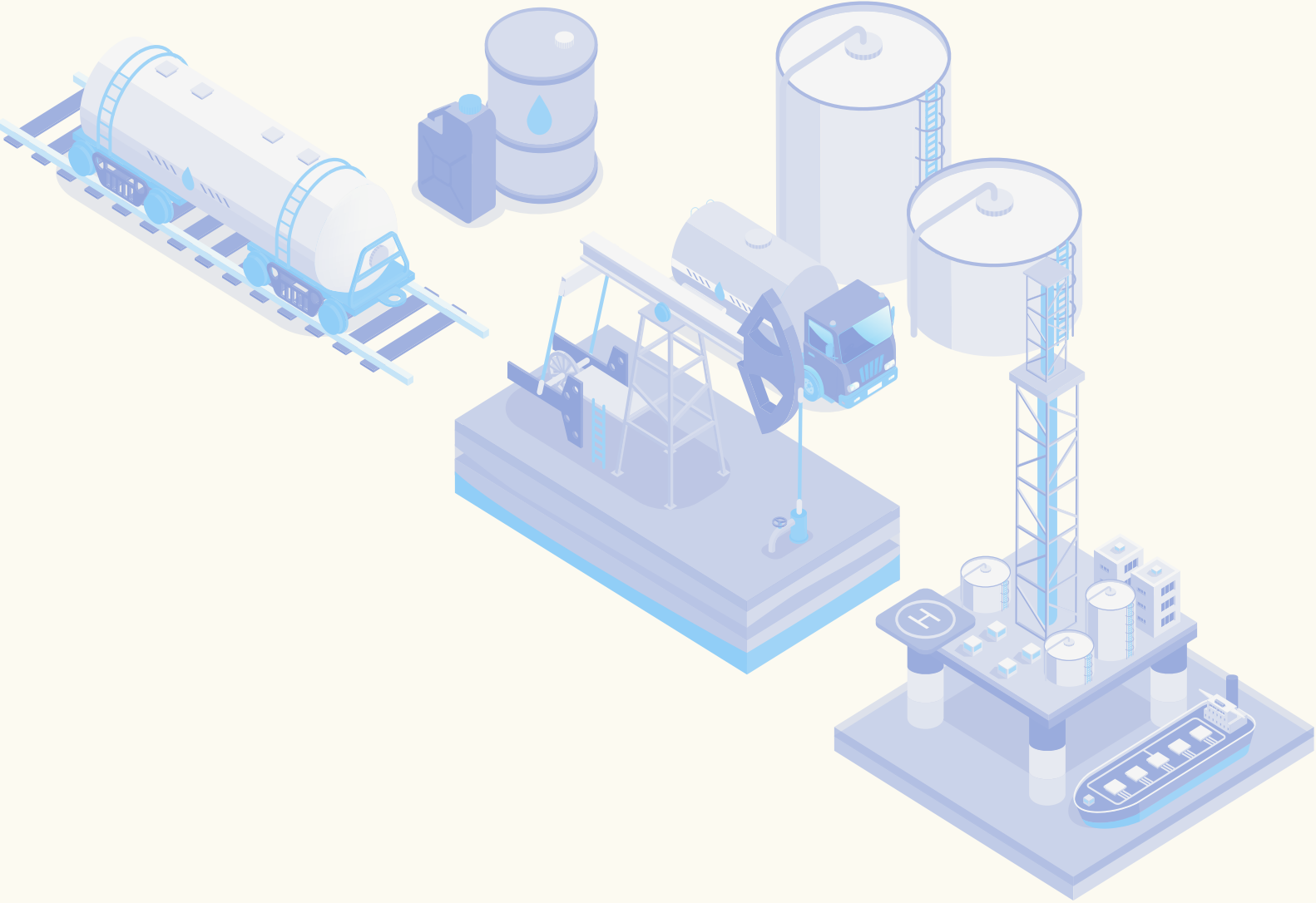


September
2024

الجزيرة كابيتال

ALJAZIRA CAPITAL الجزيرة للأسواق المالية



Oil & Petrochemicals Monthly Report August | 2024

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PVC, MTBE, HDPE, PET and VAM prices declined in August; propane and butane prices increased by Aramco for September

- **Naphtha prices fell, while propane and butane rose in August:** Prices of naphtha decreased 2.2% M/M to USD 670 per ton in August. Propane and butane prices increased to USD 590 per ton and USD 570 per ton, respectively. Aramco raised prices of propane and butane for September to USD 605 per ton and USD 595 per ton, respectively.
- **Majority of product prices ended in the red:** PVC prices declined 7.5% M/M to USD 740 per ton due to ample supply in Turkey, and availability of US and Egyptian supply in the export market after the anti-dumping duties were imposed in Europe. Upstream EDC prices also fell 4.3% M/M to USD 330 per ton amid subdued demand with seasonally weaker activity. MTBE prices were down 8.6% M/M to USD 745 per ton, impacted by weaker gasoline demand. Polyethylene prices declined due to rising supply in Asia. HDPE and LDPE prices fell 4.3% M/M each to USD 900 per ton and USD 1,100 per ton, respectively; while LLDPE decreased 2.1% M/M to USD 930 per ton. PET prices dropped 3.3% M/M to USD 875 per ton due to weaker-than-expected demand during the summer season and lowering feedstock costs. VAM prices decreased 3.1% M/M to USD 775 per ton due to ample supply and weak demand.
- **Petchem Spreads Trend:** PP-propane spread decreased to USD 444 per ton in August from USD 471 per ton in July. PP-butane spread dropped to USD 460 per ton in August from USD 483 per ton in July. HDPE-naphtha spread declined to USD 244 per ton in August from USD 259 per ton in July.

Oil prices continued the downtrend in August, as the demand concerns overpower; prices remained under pressure in early September with brent crude reaching 14-month low

- **Oil prices continued to fall in August:** Initially in the month crude oil prices were supported by increased geopolitical tensions. However, weaker demand outlook, particularly from the US and China, weighed on the prices. The pressure on oil continued in early September dragging the prices to a 14-month low, despite the likely impact of hurricane on US production. Brent prices decreased 2.9% M/M, while WTI dropped 4.7% M/M in August, ending at USD 78.8/bbl and USD 73.6/bbl, respectively. Natural gas prices at Henry Hub rose 6.0% M/M to USD 2.1/mn Btu.
- **Manufacturing PMI rises in the US but stays in contraction zone; China witnessed expansion, while Eurozone PMI unchanged:** US ISM I increased to 47.2 in August from 46.8 in July, indicating a slower pace of contraction. China's Caixin manufacturing PMI improved to 50.4 in August from 49.8 in July, as new orders grew amid rise in demand for intermediate products. Eurozone manufacturing PMI remained unchanged at 45.8 in August showing continued weakness.

Table 1: Petchem Prices – August FY24

Name	Price (USD per ton)	M/M %	Q/Q %	Y/Y %	YTD %
Naphtha	670	-2.2%	0.8%	0.8%	0.0%
Saudi Propane	590	1.7%	1.7%	25.5%	-3.3%
Saudi Butane	570	0.9%	-2.6%	23.9%	-8.1%
Ethylene	845	2.4%	2.4%	4.3%	0.0%
Propylene-Asia	835	-2.3%	1.8%	7.1%	3.1%
HDPE	900	-4.3%	-7.7%	-9.1%	-5.3%
LDPE	1,100	-4.3%	1.4%	11.1%	10.0%
LLDPE	930	-2.1%	-3.6%	-5.1%	-1.1%
PP-Asia	905	-2.7%	-3.7%	5.8%	2.8%
Styrene-Asia	1,105	0.5%	-4.7%	6.8%	6.8%
Polystyrene-Asia	1,250	0.0%	-4.9%	8.7%	8.7%
PET - Asia	875	-3.3%	0.0%	-0.6%	0.6%
PVC-Asia	740	-7.5%	-6.3%	-15.4%	-0.7%
MEG (Asia)	550	0.9%	4.8%	15.8%	7.8%
Methanol-China	285	-1.7%	-5.0%	1.8%	1.8%
DAP-Gulf	605	1.7%	24.7%	13.1%	0.0%
Urea-Gulf	335	-2.9%	13.6%	-11.8%	4.7%
Ammonia-Gulf	355	1.4%	14.5%	-11.3%	-26.8%
MTBE-Asia	745	-8.6%	-12.9%	-28.7%	-12.4%
EDC	330	-4.3%	8.2%	24.5%	-7.0%
MEG (SABIC)	800	0.0%	0.0%	-9.1%	0.0%
PC	1,870	-0.3%	1.9%	5.1%	7.8%
Acetic Acid-AA	475	1.1%	-2.1%	-6.9%	-1.0%
EVA	1,150	0.0%	-5.3%	-24.8%	-6.5%
Vinyl Acetate Monomer-VAM	775	-3.1%	-11.4%	-12.9%	-10.4%

Note: Prices as of August 25, 2024

Source: Argaam, Reuters Eikon, AlJazeera Capital Research

Table 2: Economic Calendar

Date	Country	Event
Sep 18,25	US	Weekly Petroleum Status Report
15-Sep	KSA	CPI YoY
19-Sep	US	Initial Jobless Claims
26-Sep	US	GDP Annualized QoQ
29-Sep	KSA	Current Account Balance
29-Sep	KSA	M3 Money Supply YoY
29-Sep	KSA	SAMA Net Foreign Assets SAR
3-Oct	KSA	S&P Global Saudi Arabia PMI
4-Oct	US	Unemployment Rate
7-Oct	US	Monthly Budget Statement
8-Oct		EIA Short-term Energy Outlook
8-Oct	US	Trade Balance
14-Oct		OPEC Monthly Oil Market Report
15-Oct		IEA Oil Market Report
8-Dec	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 by 660,000 bpd in FY24 and by 2.1 mbpd in FY25 with non-OPEC increase of 1.5 mbpd each year, according to IEA.
- Global supplies of crude oil and liquid fuels are expected to rise by 0.3 mbpd to 102.2 mbpd in FY24 and by 2.4 mbpd to 104.6 mbpd in FY25, as per EIA. Non-OPEC supply is forecast to grow 0.7 mbpd to 70.4 mbpd in FY24 and 1.6 mbpd to 72.0 mbpd in FY25.
- Global refinery throughputs are forecast to rise by 440,000 bpd to 83.0 mbpd in FY24 and by 630,000 bpd to 83.7 mbpd in FY25, according to IEA.

OPEC Supply

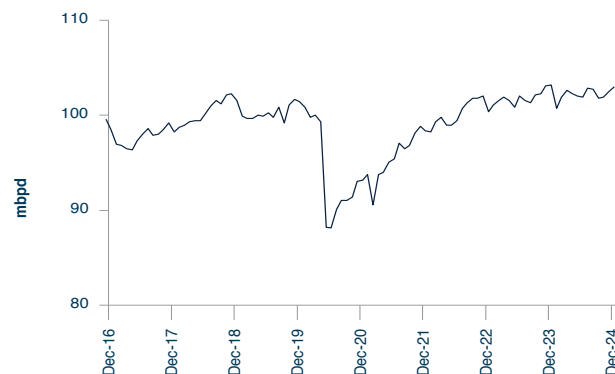
- OPEC crude oil production increased 197,000 bpd M/M in August to average at 26.6 mbpd, as per OPEC's secondary sources.
- On average, OPEC members are estimated to produce 26.4 mbpd of crude oil in Q3-24 compared to 26.6 mbpd of crude oil in Q2-24, as per EIA.
- OPEC's average crude production is estimated at 26.7 mbpd in FY24 and at 27.2 mbpd in FY25, according to EIA.
- OPEC's unplanned oil supply disruptions averaged 1.56 mbpd in August (vs. 1.39 in July), as per EIA.

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

Prod. ('000 bpd)	Cap.	May 2024	Jun 2024	Jul 2024	Aug 2024	% M/M Chg.
Equatorial Guinea	120	60	50	60	70	16.7%
Gabon	220	220	210	220	220	0.0%
Republic of Congo	300	240	250	240	250	4.2%
Venezuela	890	860	890	890	900	1.1%
Algeria	1,060	900	900	900	890	-1.1%
Libya	1,200	1,160	1,160	1,150	1,000	-13.0%
Nigeria	1,600	1,460	1,430	1,430	1,480	3.5%
Kuwait	2,820	2,460	2,440	2,450	2,470	0.8%
Iran	3,830	3,240	3,310	3,300	3,300	0.0%
U.A.E.	4,650	3,170	3,170	3,170	3,170	0.0%
Iraq	4,800	4,280	4,250	4,320	4,320	0.0%
Saudi Arabia	12,000	9,010	8,990	9,000	8,990	-0.1%
Total OPEC	33,490	27,060	27,050	27,130	27,060	-0.3%

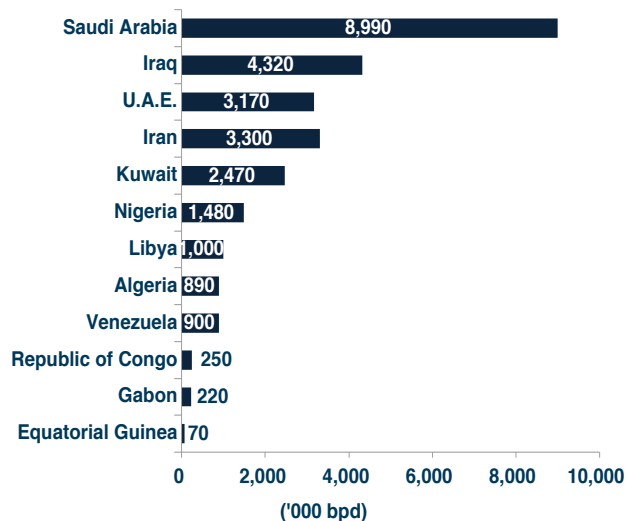
Source: Bloomberg

Figure 1: World Oil Production



Source: Bloomberg, AlJazira Capital Research

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



Source: Bloomberg

Crude oil demand

Global

- OPEC estimates a 2.0 mbpd increase in global consumption in FY24, slightly below the previous month's estimate. IEA estimates global oil demand to grow by 900,000 bpd in FY24 and 950,000 bpd in FY25. As per EIA, global consumption of petroleum and liquid fuels is forecasted to average at 103.1 mbpd in FY24 (+0.9 mbpd Y/Y) and increase further by 1.5 mbpd Y/Y in FY25.
- Global demand for petroleum and liquid fuels stood at 103.1 mbpd in August, up 0.4% Y/Y, as per EIA.
- DoC (countries participating in the Declaration of Cooperation) crude demand for FY24 is forecasted to grow 0.7 mbpd Y/Y to 42.8 mbpd, according to OPEC. The DoC demand is estimated to increase to 43.4 mbpd in FY25, up around 0.6 mbpd Y/Y.

Inventory

- Global oil inventories fell by 47.1 mb in July. OECD industry stocks decreased 12.3 mb, as per IEA.
- EIA forecasts OECD inventories to stand at 2.73bn barrels by end-FY24 and at 2.73bn by end-FY25.
- Natural gas inventories in the US are estimated to reach 5% above five-year average by the end of October (down from surplus of 11% in August), 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 83 per barrel in FY24 and at USD 84 per barrel in FY25, as per EIA.
- Morgan Stanley expects oil prices to average USD 80 per barrel in Q4-24 (down from USD 85 per barrel earlier) and USD 75 per barrel in FY25 (down from US 76 per barrel), reflecting expectations of increased supply from OPEC and non-OPEC producers and signs of weakening global demand. Goldman Sachs forecasts Brent crude at USD 77 per barrel in FY25. EIA expects natural gas prices at Henry Hub to average USD 2.20/mn Btu in FY24 and USD 3.10/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.	68.78	69.02	70.03	70.97	69.71	70.18	70.80	70.96	69.71	70.42	72.04
Total World Supply	101.49	101.46	101.66	102.85	101.73	102.05	102.48	102.47	101.87	102.18	104.60
World Crude Oil & Liq. Fuels Cons.											
OECD Cons.	45.26	45.52	45.90	46.00	44.80	45.46	45.97	46.30	45.67	45.64	45.89
Non-OECD Cons.	56.02	56.60	56.66	56.59	57.36	57.55	57.45	57.42	56.47	57.45	58.71
Total World Cons.	101.28	102.12	102.56	102.59	102.16	103.02	103.42	103.72	102.14	103.08	104.60
OECD Comm. Inventory (mn barrels)	2,748	2,781	2,816	2,766	2,757	2,828	2,792	2,729	2,766	2,729	2,733
OPEC Surplus Crude Oil Prod. Cap.	1.94	2.13	1.95	1.52	1.52	1.47	n/a	n/a	1.88	n/a	n/a

Source: EIA STEO September 2024, AlJazira Capital Research

- The gap between crude consumption and supply is estimated to decrease to 0.94 mbpd in Q3-24 (higher consumption than supply) from 0.97 mbpd in Q2-24 (higher consumption than supply).
- OECD's crude inventories are expected to be at 2.79bn barrels in Q3-24 compared to 2.83bn barrels in Q2-24.

Petrochemical sector news

- **Sahara International Petrochemical Co. (Sipchem)** awarded EPC contracts for the expansion of the PDH-PP plant related to the subsidiary, Al Waha Petrochemical Co. for USD 169.0mn (SAR 634.0mn). The 28-month contracts were awarded to SGC E&C Co. Ltd. and SGC Arabia Co. Ltd. The relevant financial impact will appear after the project is completed by Q4-26. (Source: Tadawul)
- **National Industrialization Co.'s (Tasnee)** subsidiary AMIC Toho Titanium Metal Co. Ltd. (ATTM) and Advanced Metal Industries Cluster Co. Ltd. (AMIC) signed a SAR 50.0mn credit facility deal with Saudi EXIM Bank. The agreement is aimed at bankrolling ATTM's working capital. It shall also provide financial liquidity to meet the company's export needs. (Source: Tadawul)
- **Methanol Chemicals Co. (Chemanol)** signed a technical licensing agreement with a foreign company that owns the technology to produce methyl diethanolamine (MDEA) at a production capacity of 25,000 metric tons per year. The company said the project's initial operation is expected in Q4-27. (Source: Tadawul)
- **Chemanol's** subsidiary, Madarat Al-Dhara Chemicals Co., which produces specialty chemicals, signed a long-term agreement with Sadara Chemical Co. The agreement is to supply ethylene oxide to Madarat Al-Dhara's methyl diethanolamine (MDEA) and choline chloride projects, which will serve as the nucleus of the company's projects. (Source: Tadawul)
- **Saudi Aramco** announced agreements with key Chinese partners Rongsheng and Hengli to reinforce Aramco's ongoing contribution to China's long-term energy security and development, support China's participation in Saudi Arabia's economic growth, and foster collaboration in new technology development. (Source: Argaam)
- **Rabigh Refining and Petrochemical Co. (Petro Rabigh)** signed modified agreements on revolving shareholders loans (RSLs) provided by its founding shareholders, Saudi Aramco and Sumitomo Chemical Co. Under these agreements, the founding shareholders have irrevocably and unconditionally waived Petro Rabigh's obligation to pay SAR 3.8bn of the aggregate amount of RSLs outstanding, plus any related commission. (Source: Tadawul)

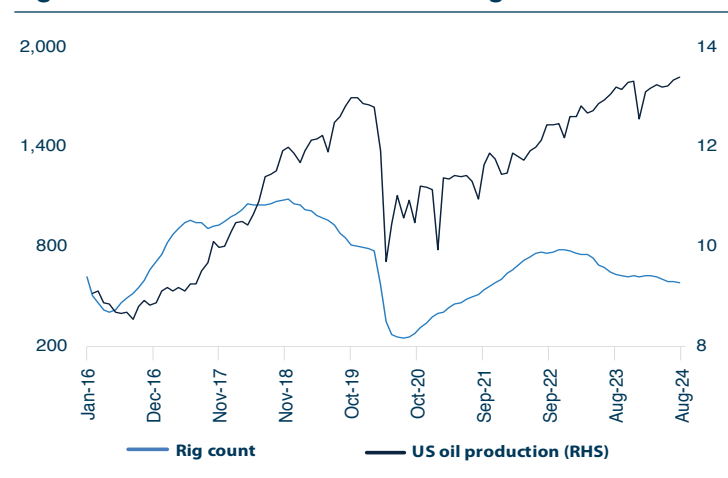
Table 5: KSA Petrochemical Companies Key Metrics

Company	Net profit (TTM; SAR mn)	P/E (Adjusted)	P/B	EV/ EBITDA	DPS (SAR) TTM	Dividend Yield (2023)	YTD returns
SABIC	-2,177.9	High	1.3x	13.1x	3.30	4.5%	-13.1%
TASNEE	41.9	High	0.8x	High	-	-	-11.1%
YANSAB	181.4	High	1.9x	13.6x	1.75	4.4%	4.6%
SABIC Agri-Nutrients	3,574.1	14.3x	3.0x	10.2x	6.00	5.4%	-19.5%
Sipchem	694.7	48.2x	1.3x	11.9x	1.25	4.5%	-18.5%
Advanced	51.3	High	3.1x	47.6x	-	-	-4.9%
KAYAN	-1,893.0	NEG	1.0x	15.3x	-	-	-27.8%
SIIG	325.5	44.9x	1.4x	-	1.00	5.2%	-13.8%
Nama Chemical	-88.5	NEG	2.7x	-	-	-	-9.8%
Chemanol	-171.5	NEG	1.2x	32.8x	-	-	-16.1%
ALUJAIN	-30.5	NEG	0.8x	8.5x	-	-	-1.9%

Source: Bloomberg, Tadawul, Argaam, Aljazeera Capital Research; Data as of September 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 13.39 mbpd in August 2024. Production increased 0.4% M/M and 2.6% Y/Y from 13.05 mbpd in August 2023.

In the week ended August 30, the rotary rig count in the US stood at 583 (down 2 W/W). The average number of rigs fell 0.1% M/M in August vis-à-vis a decrease of 0.4% in July. The average rig count was down 9.5% Y/Y in August. As of September 13, of the total 590 rigs, 488 (up 5 W/W) were used to drill for oil and 97 (up 3 W/W) for natural gas. In the US, oil exploration decreased 5.2% Y/Y, while gas exploration declined 19.8% Y/Y.

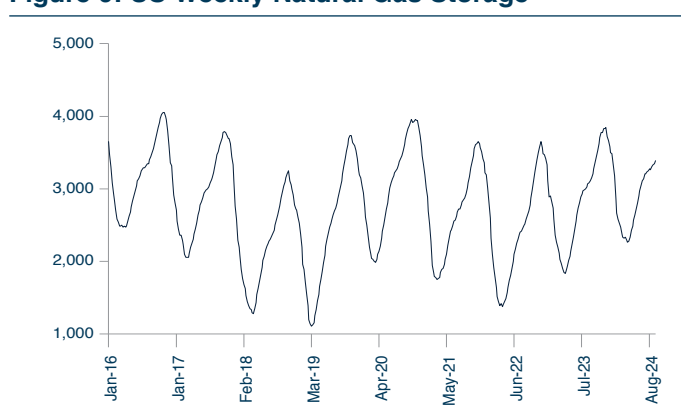
Figure 5: US Weekly Oil Inventories



- US weekly oil inventories decreased 1.6% W/W to 418.3mn barrels for the week ended August 30. On M/M basis, inventories fell 3.4%.

Source: US EIA, AlJazira Capital Research

Figure 6: US Weekly Natural Gas Storage

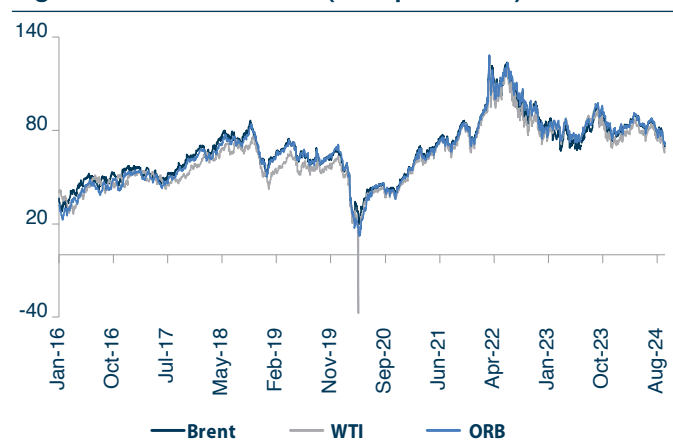


- US weekly natural gas storage increased 0.4% W/W to 3,347 bcf in the week ended August 30. On M/M basis, natural gas storage rose 3.0%.

Source: US EIA, AlJazira Capital Research

Price Trend: Oil, Natural Gas & Petrochemicals Products

Figure 7: Oil Price Trends (USD per Barrel)



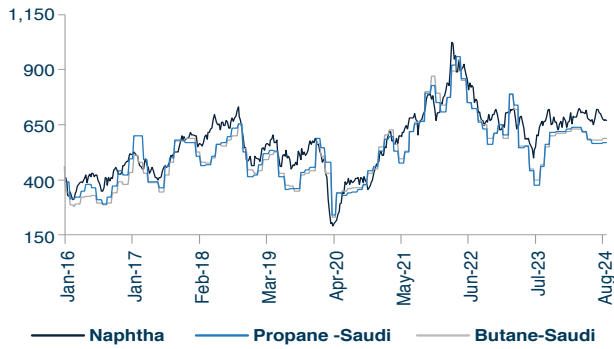
Source: Reuters Eikon, AlJazira Capital Research

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



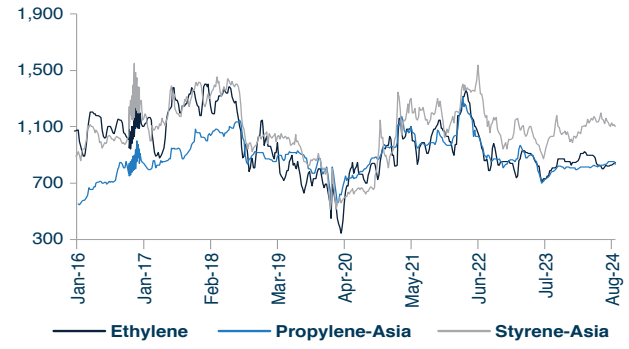
Source: OPEC, AlJazira Capital Research

Figure 9: Feedstock Price Trends (USD per Ton)



Source: Argaam, AlJazira Capital Research

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



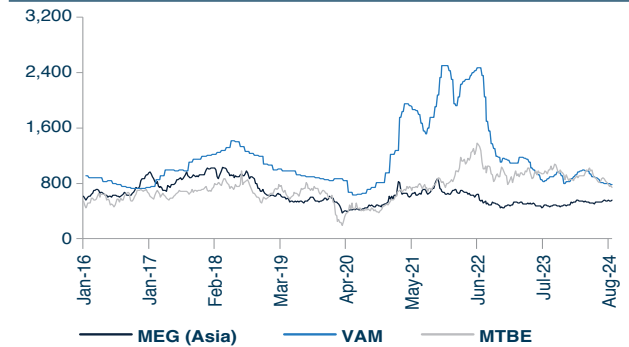
Source: Argaam, AlJazira Capital Research

Figure 11: Polyethylene Price Trends (USD per Ton)



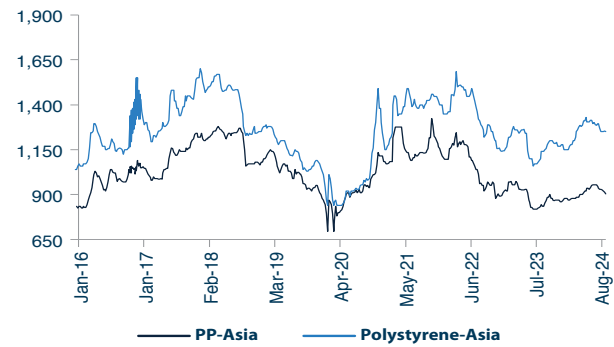
Source: Argaam, AlJazira Capital Research

Figure 12: Intermediates Price Trends (USD per Ton)



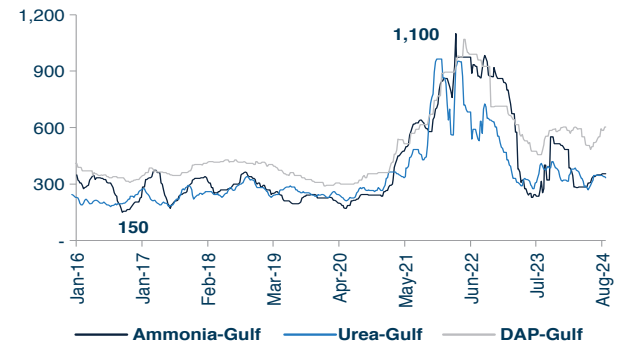
Source: Argaam, AlJazira Capital Research

Figure 13: Polypropylene & Polystyrene



Source: Argaam, AlJazira Capital Research

Figure 14: Ammonia, Urea & DAP



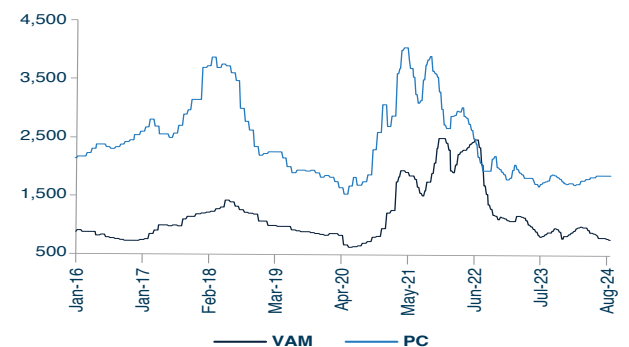
Source: Argaam, AlJazira Capital Research

Figure 15: Methanol-China (USD per Ton)



Source: Argaam, AlJazira Capital Research

Figure 16: PC-VAM

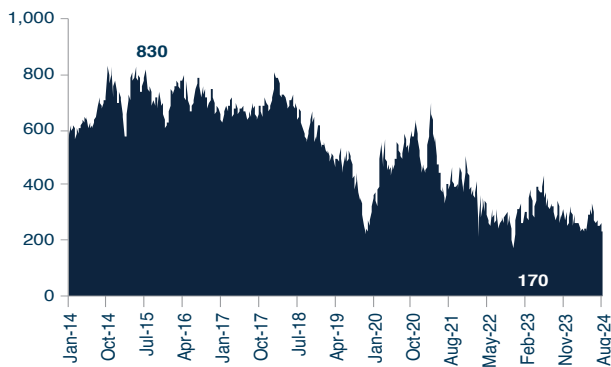


Source: Argaam, AlJazira Capital Research

Petchem Spreads Trend

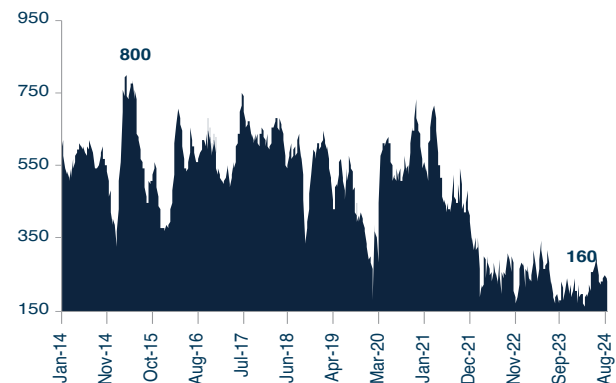
- Naphtha prices averaged USD 673 per ton in August, down from USD 703 per ton in July.
- Polypropylene average prices fell to USD 916 per ton in August from USD 935 per ton in July.
- The HDPE-naphtha spread declined to USD 244 per ton in August from USD 259 per ton in July.
- The PP-naphtha spread expanded to USD 244 per ton from USD 233 per ton during the previous month.
- The PP-propane spread decreased to USD 444 per ton in August from USD 471 per ton in July.
- The PVC-EDC spread reduced to USD 490 per ton in August from USD 510 per ton in July.
- The polystyrene-benzene spread contracted to USD 245 per ton in August compared to USD 275 per ton in July.
- The HDPE-ethylene spread decreased to USD 79 per ton in August from USD 140 per ton in July.
- PP-butane spread dropped to USD 460 per ton in August from USD 483 per ton in July.
- LDPE-naphtha spread edged down 2.2% M/M at USD 443 per ton, while LDPE-ethylene spread declined 16.9% M/M to USD 278 per ton in August.
- LLDPE-naphtha spread rose slightly 0.5% to USD 263 per ton. Whereas LLDPE-ethylene plunged 31.6% M/M to USD 98 per ton in August.

Figure 17: Naphtha- HDPE



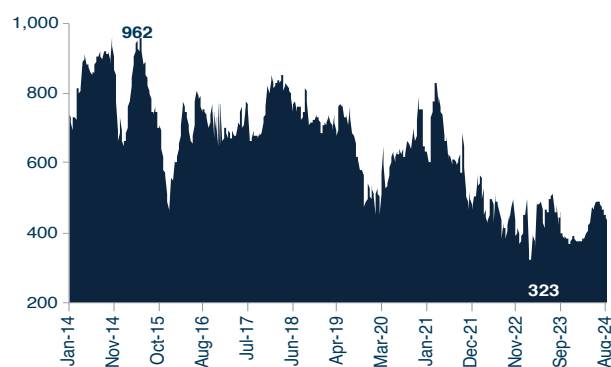
Source: Argaam, AlJazira Capital Research

Figure 18: Naphtha- PP



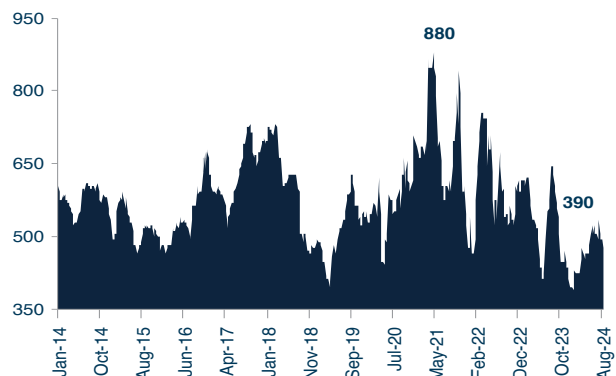
Source: Argaam, AlJazira Capital Research

Figure 19: Propane (Saudi) - PP



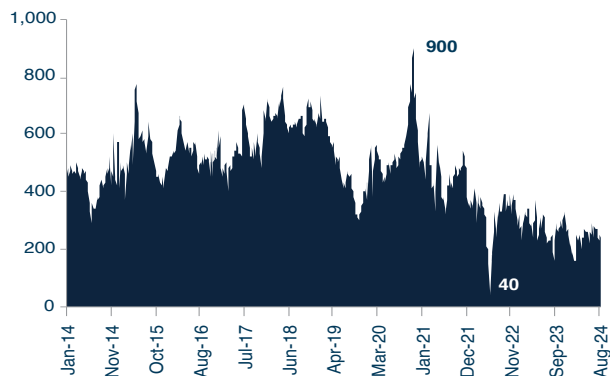
Source: Argaam, AlJazira Capital Research

Figure 20: EDC- PVC



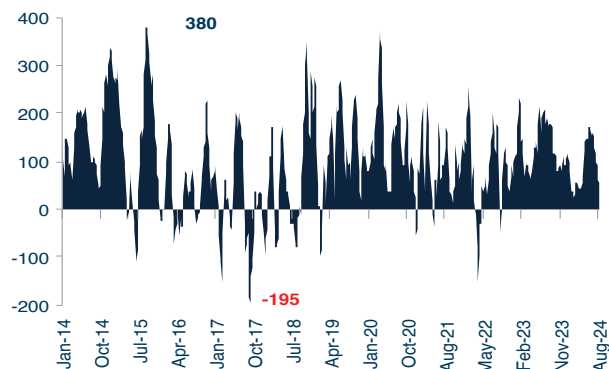
Source: Argaam, AlJazira Capital Research

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



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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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