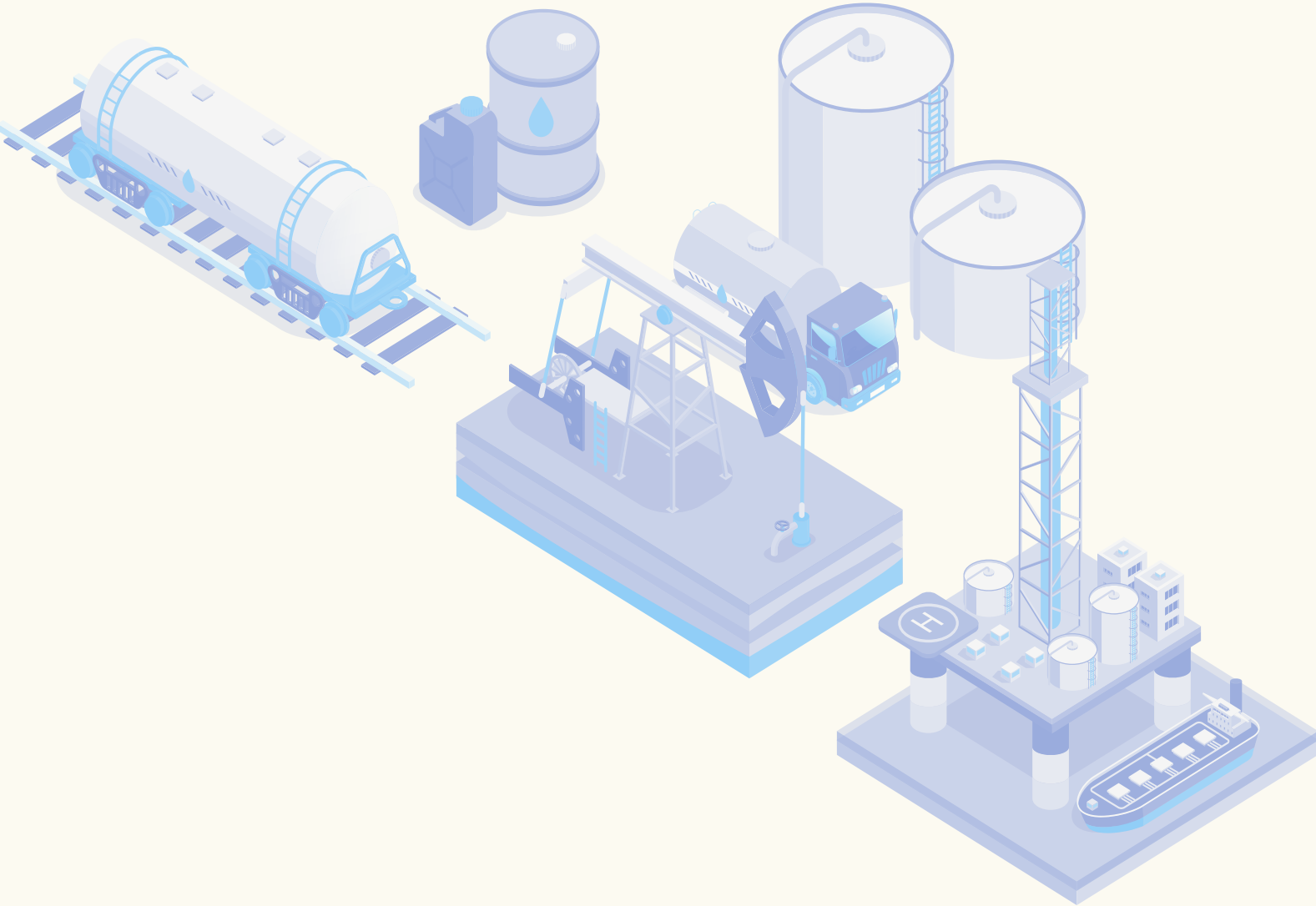


November  
2024

الجزيرة كابيتال

ALJAZIRA CAPITAL الجزيرة للأسواق المالية



# Oil & Petrochemicals Monthly Report October I 2024

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## Urea, Ammonia, PE and PP prices rose, while Acetic acid, PC and methanol declined in October; Aramco increased propane and butane prices for November

- Naphtha, propane and butane prices increased in October:** Prices of naphtha increased 3.9% M/M to USD 670 per ton in October. Propane and butane prices rose 3.3% M/M and 4.2% M/M to USD 625 per ton and USD 620 per ton, respectively. Aramco further increased the prices of propane and butane for November to USD 635 per ton and USD 630 per ton, respectively.
- Product price performance was mixed:** Urea prices continued the positive momentum, growing 5.6% M/M to USD 375 per ton due to demand from India and geopolitical tensions in the Middle East. **Ammonia** prices rose 2.4% M/M to USD 425 per ton driven by tight supply amid scheduled maintenance in North Africa and production issues in Trinidad. Higher feed stock prices resulted in a rise in the prices of PE and PP. **LDPE** and **LLDPE** prices rose 2.7% M/M each to USD 1,140 per ton and USD 960 per ton, respectively; **PP** prices rose 2.9% M/M to USD 900 per ton. **Acetic acid** prices were down 3.2% M/M to USD 450 per ton, impacted by ample supply and weak demand due to decline in end-use consumption. **Methanol** prices dropped 1.7% M/M to USD 285 per ton on account of the anticipated increase in production and the seasonal slowdown. **PC** prices decreased 2.3% M/M to USD 1,730 per ton due to sluggish demand from construction and automobiles.
- Petchem Spreads Trend:** PP-propane spread inched up to USD 399 per ton in October from USD 398 per ton in September. PP-butane spread dropped to USD 403 per ton in October from USD 406 per ton in September. HDPE-naphtha spread fell to USD 231 per ton in October from USD 250 per ton in September.

## Oil recovered in October due to geopolitical tension; prices under pressure in early November amid stronger dollar and weak demand outlook

- Oil recovered in October; but prices under pressure in early November amid weak demand outlook:** Oil prices recovered in October on account of geopolitical premium as tension between Iran and Israel increased. Further, concerns of supply disruptions due to hurricane in the US also supported prices. In early November, stronger dollar post US presidential elections and weaker demand outlook weighed on prices, despite OPEC+ extending supply cuts till December. Brent increased by 5.7% M/M, while WTI rose 5.3% M/M in October, ending at USD 76.1/bbl and USD 71.8/bbl, respectively. Natural gas prices at Henry Hub declined 11.8% M/M to USD 2.6/mn Btu.
- Manufacturing activity improves in China, worsens in the US; Eurozone PMI rose but stayed in contraction zone:** US ISM manufacturing PMI dropped to 46.5 in October from 47.2 in September, indicating ongoing contraction. China's Caixin manufacturing PMI improved to 50.3 in October from 49.3 in September amid pick-up in new orders. Eurozone manufacturing PMI rose to 46.0 from 45.0, as the pace of decline in demand eased.

Table 1: Petchem Prices – October FY24

Name	Price (USD per ton)	M/M %	Q/Q %	Y/Y %	YTD %
Naphtha	670	3.9%	-2.2%	1.5%	0.0%
Saudi Propane	625	3.3%	7.8%	4.2%	2.5%
Saudi Butane	620	4.2%	9.7%	0.8%	0.0%
Ethylene	795	3.2%	-3.6%	-8.6%	-5.9%
Propylene-Asia	830	1.2%	-2.9%	3.1%	2.5%
HDPE	915	0.5%	-2.7%	-3.7%	-3.7%
LDPE	1,140	2.7%	-0.9%	17.5%	14.0%
LLDPE	960	2.7%	1.1%	6.7%	2.1%
PP-Asia	900	2.9%	-3.2%	3.4%	2.3%
Styrene-Asia	1,045	-1.9%	-5.0%	-1.4%	1.0%
Polystyrene-Asia	1,220	-1.6%	-2.4%	3.0%	6.1%
PET - Asia	830	0.6%	-8.3%	-3.5%	-4.6%
PVC-Asia	740	-1.3%	-7.5%	-0.7%	-0.7%
MEG (Asia)	550	0.9%	0.9%	18.3%	7.8%
Methanol-China	285	-1.7%	-1.7%	3.6%	1.8%
DAP-Gulf	635	1.6%	6.7%	6.7%	5.0%
Urea-Gulf	375	5.6%	8.7%	-2.6%	17.2%
Ammonia-Gulf	425	2.4%	21.4%	-17.5%	-12.4%
MTBE-Asia	740	2.8%	-9.2%	-23.7%	-12.9%
EDC	295	0.0%	-14.5%	-7.8%	-16.9%
MEG (SABIC)	790	0.0%	-1.3%	-9.2%	-1.3%
PC	1,730	-2.3%	-7.7%	-4.4%	-0.3%
Acetic Acid-AA	450	-3.2%	-4.3%	-6.3%	-6.3%
EVA	1,165	1.3%	1.3%	-13.4%	-5.3%
Vinyl Acetate Monomer-VAM	780	0.0%	-2.5%	-14.3%	-9.8%

Note: Prices as of October 27, 2024

Source: Argaam, Reuters Eikon, AlJazira Capital Research

Table 2: Economic Calendar

Date	Country	Event
Nov 14,20,27	US	Weekly Petroleum Status Report
14-Nov	US	Initial Jobless Claims
14-Nov	US	Monthly Budget Statement
27-Nov	US	GDP Annualized QoQ
28-Nov	KSA	M3 Money Supply YoY
28-Nov	KSA	SAMA Net Foreign Assets SAR
3-Dec	KSA	S&P Global Saudi Arabia PMI
5-Dec	US	Trade Balance
6-Dec	US	Unemployment Rate
8-Dec	KSA	GDP Constant Prices YoY
10-Dec		EIA Short-term Energy Outlook
11-Dec		OPEC Monthly Oil Market Report
12-Dec		IEA Oil Market Report
15-Dec	KSA	CPI YoY
29-Dec	KSA	Current Account Balance

Source: Bloomberg, EIA, OPEC, IEA

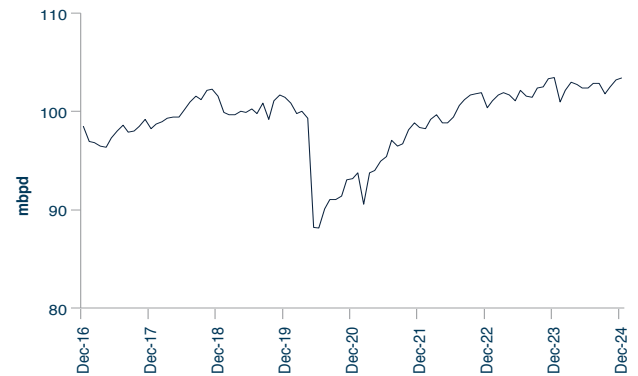
## Key comments from international energy agencies

### Crude oil supply

#### Global supply

- Global supplies of crude oil and liquid fuels are expected to rise by 0.6 mbpd to 102.6 mbpd in FY24 (higher than 102.5 mbpd earlier) and by 2.0 mbpd to 104.7 mbpd in FY25 (higher than 104.5 earlier), as per EIA. Non-OPEC supply is forecast to grow 0.7 mbpd to 70.5 mbpd in FY24 and 1.6 mbpd to 72.2 mbpd in FY25.
- Non-OPEC supply is expected to increase by 1.5 mbpd this year and next year, according to IEA.
- The global refinery margins improved in October as seasonal maintenance and economic run cuts supported product cracks, according to IEA.

Figure 1: World Oil Production



Source: Bloomberg, AlJazira Capital Research

#### OPEC Supply

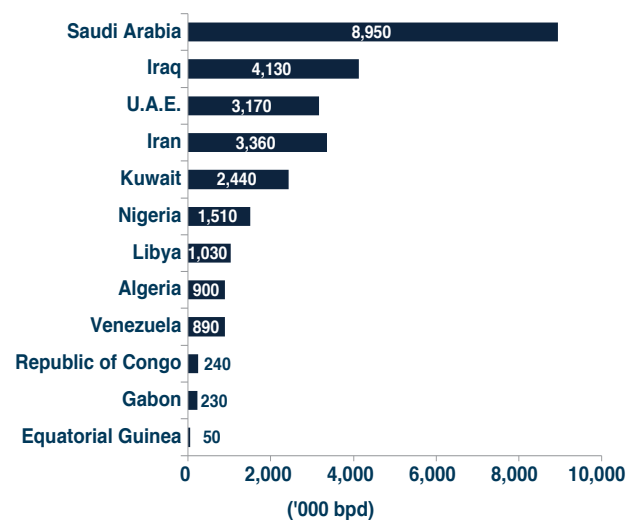
- OPEC crude oil production increased 466,000 bpd M/M in October to average at 26.5 mbpd, as per OPEC's secondary sources.
- On average, OPEC members are estimated to produce 26.7 mbpd of crude oil in Q4-24 slightly higher than crude oil production in Q3-24, as per EIA.
- OPEC's average crude production is estimated at 26.8 mbpd in FY24 and at 27.2 mbpd in FY25, according to EIA.
- OPEC's unplanned oil supply disruptions averaged 1.54 mbpd in October (vs. 1.99 in September), as per EIA.

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

Prod. ('000 bpd)	Cap.	Jul 2024	Aug 2024	Sep 2024	Oct 2024	% M/M Chg.
Equatorial Guinea	120	60	70	60	50	-16.7%
Gabon	220	220	220	210	230	9.5%
Republic of Congo	300	240	250	240	240	0.0%
Venezuela	890	890	900	880	890	1.1%
Algeria	1,060	900	890	900	900	0.0%
Libya	1,200	1,150	960	530	1,030	94.3%
Nigeria	1,600	1,430	1,480	1,470	1,510	2.7%
Kuwait	2,820	2,450	2,470	2,450	2,440	-0.4%
Iran	3,830	3,300	3,370	3,400	3,360	-1.2%
U.A.E.	4,650	3,170	3,170	3,180	3,170	-0.3%
Iraq	4,800	4,320	4,320	4,220	4,130	-2.1%
Saudi Arabia	12,000	9,000	8,990	8,990	8,950	-0.4%
<b>Total OPEC</b>	<b>33,490</b>	<b>27,130</b>	<b>27,090</b>	<b>26,530</b>	<b>26,900</b>	<b>1.4%</b>

Source: Bloomberg

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



Source: Bloomberg

## Crude oil demand

### Global

- OPEC estimates a 1.8 mbpd increase in global consumption in FY24, lower than the previous month's estimate by 107,000 bpd. IEA estimates global oil demand to grow 0.9 mbpd in FY24 (vs. previous month's forecast of 1.1 mbpd growth) and slightly lower than 1.0 mbpd growth in FY25. As per EIA, global consumption of petroleum and liquid fuels is forecasted to average at 103.1 mbpd in FY24 (same as last month's estimate; +1.0 mbpd Y/Y) and increase further by 1.2 mbpd Y/Y in FY25 (lower than 1.3 mbpd increase earlier).
- Global demand for petroleum and liquid fuels stood at 103.8 mbpd in September, up 0.9% Y/Y, as per EIA.
- DoC (countries participating in the Declaration of Cooperation) crude demand for FY24 is forecasted to grow 0.5 mbpd Y/Y to 42.7 mbpd, according to OPEC. The DoC demand is estimated to increase to 43.0 mbpd in FY25, up by around 0.4 mbpd Y/Y.

## Inventory

- Global oil inventories fell by 47.5 mb in September. OECD industry stocks decreased 36.4 mb, as per IEA.
- EIA forecasts OECD inventories to stand at 2.77bn barrels by end-FY24 and at 2.80bn by end-FY25.
- Natural gas inventories in the US are estimated to reach 3.41bn cu. ft. by the end of FY24 (down from 3.46bn cu. ft. by the end of FY23), 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 81 per barrel in FY24 and at USD 76 per barrel in FY25, as per EIA.
- HSBC forecasts average Brent prices at USD 79.6 per barrel, 2.1 per barrel lower than earlier estimate. It also revised down its FY25 price projections for Brent to USD 70 per barrel from USD 76.5 per barrel, due to a 0.6 mbpd supply surplus estimated next year. Morgan Stanley expects oil prices to average USD 75 per barrel in Q4-24 (down from USD 80 per barrel earlier). EIA expects natural gas prices at Henry Hub to average USD 2.20/mn Btu in FY24 and USD 2.90/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.	68.85	69.16	70.19	71.16	69.87	70.39	70.59	71.26	69.83	70.45	71.94
<b>Total World Supply</b>	<b>101.55</b>	<b>101.60</b>	<b>101.82</b>	<b>103.09</b>	<b>102.03</b>	<b>102.48</b>	<b>102.62</b>	<b>103.35</b>	<b>102.00</b>	<b>102.50</b>	<b>104.54</b>
<b>World Crude Oil &amp; Liq. Fuels Cons.</b>											
OECD Cons.	45.26	45.52	45.90	46.00	44.80	45.55	46.15	46.22	45.67	45.61	45.69
Non-OECD Cons.	56.01	56.60	56.66	56.59	57.40	57.59	57.37	57.46	56.47	57.45	58.66
<b>Total World Cons.</b>	<b>101.27</b>	<b>102.12</b>	<b>102.56</b>	<b>102.59</b>	<b>102.20</b>	<b>103.13</b>	<b>103.52</b>	<b>103.68</b>	<b>102.14</b>	<b>103.06</b>	<b>104.35</b>
OECD Comm. Inventory (mn barrels)	2,748	2,781	2,816	2,766	2,757	2,836	2,800	2,768	2,766	2,770	2,789
OPEC Surplus Crude Oil Prod. Cap.	1.94	2.13	1.95	1.52	1.52	1.47	1.64	n/a	1.88	n/a	n/a

Source: EIA STEO November 2024, AlJazira Capital Research

- The gap between crude consumption and supply is estimated to decrease 0.33 mbpd in Q4-24 to (higher consumption than supply) from 0.90 mbpd in Q3-24 (higher consumption than supply).
- OECD's crude inventories are expected to be at 2.77bn barrels in Q4-24 compared to 2.80bn barrels in Q3-24.

## Petrochemical sector news

- **Saudi Basic Industries Corp.'s (SABIC)** CEO Abdulrahman Al-Fageeh expects sales to grow with new plant completions in China's Fujian complex and Jubail Methyl tert-butyl ether (MTBE) facility. He noted Fujian's capacity exceeds 5.0mn metric tons annually, with Jubail contributing over 1.0mn metric tons upon completion. (Source: Argaam)
- **Methanol Chemicals Co. (Chemanol)** signed a 20-year supply agreement with Air Products Qudra (APQ) to supply industrial gases needed for the ongoing methanol revamp project. The company added that the project's expected implementation timeframe is approximately 18 months. (Source: Argaam)
- **Saudi Industrial Investment Group (SIIG)** has fully restarted all units of its Saudi Polymer Co. project after completing safety inspections. The financial impact on Q4-24 results is expected to be SAR 28.0mn. The group reported an unscheduled shutdown at Saudi Polymer due to an external power outage, which halted all units. (Source: Tadawul)
- **Saudi Arabia's exports of chemical industry and related products** rose by 1.0% Y/Y to nearly SAR 6.5bn in July. Compared to June, the chemical exports increased by SAR 352.9mn or 6.0%. The exports of chemical industry and related products represented 26.0% of July's SAR 25.4bn non-oil exports. (Source: Argaam)
- **Advanced Petrochemical Co. (Advanced)** started commercial operations of the pipeline for the supply of associated gas from the propane dehydrogenation (PDH) unit to the ethylene plant of Jubail United Petrochemical Co. (United) as of November 3, 2024. The project will boost operational efficiency and maximize the benefit from associated gases after converting them into value-added chemicals. The financial impact is expected to be reflected in Q4-24 financials. (Source: Tadawul)
- **Saudi Aramco** canceled plans to build a refinery and chemicals project in the Kingdom and is reviewing three other projects as it evaluates spending plans with a focus on expanding in Asia, as per a Bloomberg report. Aramco and SABIC will not proceed with the planned 400,000 barrel per day facility at Ras Al Khair. Moreover, a proposal to move the project to Jubail was shelved, as per the report. (Source: Bloomberg)
- **Rabigh Refining and Petrochemical Co. (Petro Rabigh)** signed an MoU with China-based Jiahua Chemicals Inc. to explore establishing in Rabigh a manufacturing plant for advanced products used in the construction and automotive sectors, under the Ministry of Energy's patronage. The plant will produce specialty chemicals derived from ethylene oxide and propylene oxide, which are deemed basic materials supplied by Petro Rabigh for the project. (Source: Tadawul)

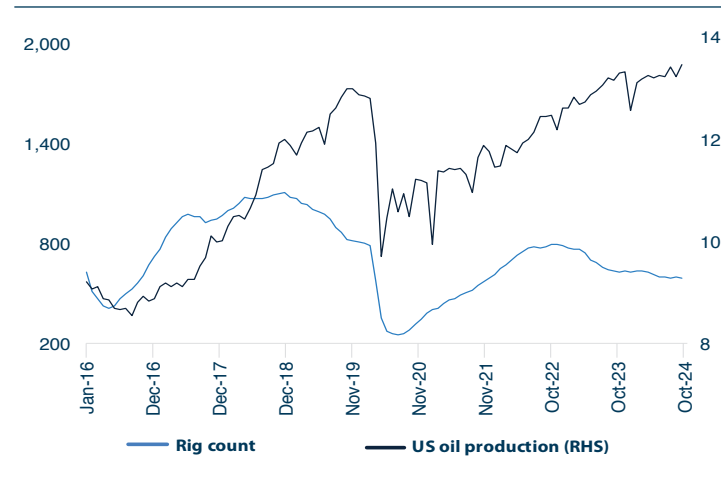
Table 5: KSA Petrochemical Companies Key Metrics

Company	Net profit (TTM; SAR mn)	P/E (Adjusted)	P/B	EV/ EBITDA	DPS (SAR) TTM	Dividend Yield	YTD returns
SABIC	1,702.1	High	1.3x	13.6x	3.30	4.6%	-14.6%
TASNEE	52.7	High	0.7x	High	-	-	-12.4%
YANSAB	473.3	47.7x	1.9x	13.1x	1.75	4.4%	3.8%
SABIC Agri-Nutrients	3,351.1	15.6x	2.9x	11.0x	6.00	5.3%	-17.4%
Sipchem	564.8	High	1.2x	13.3x	1.25	4.8%	-23.8%
Advanced	51.6	High	2.9x	49.2x	-	-	-8.1%
KAYAN	-1,740.2	NEG	0.9x	14.6x	-	-	-31.1%
SIIG	201.2	High	1.4x	-	1.00	5.6%	-19.8%
Nama Chemical	-86.7	NEG	3.1x	-	-	-	-18.2%
Chemanol	-171.4	NEG	1.3x	41.5x	-	-	-10.7%
ALUJAIN	-0.7	NEG	0.8x	9.1x	-	-	-2.4%

Source: Bloomberg, Tadawul, Argaam, Aljazira Capital Research; Data as of November 12, 2024

## US oil and gas developments

Figure 4: US Oil Production versus Rig Count

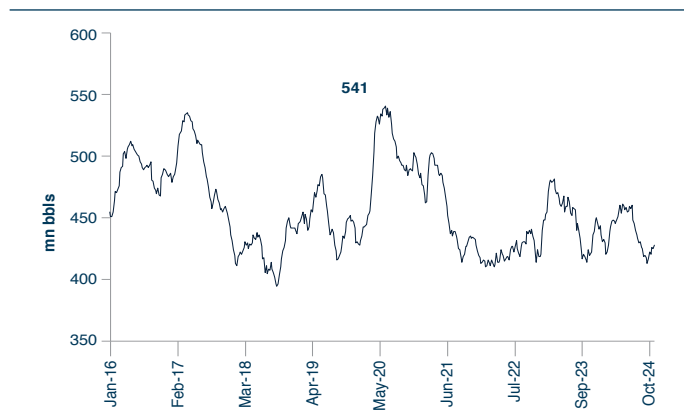


Source: US EIA, AlJazira Capital Research

US oil production averaged 13.45 mbpd in October 2024. Production increased 1.8% M/M and 2.3% Y/Y from 13.15 mbpd in October 2023.

In the week ended October 25, the rotary rig count in the US stood at 585 (unchanged W/W). The average number of rigs fell 0.3% M/M in October vis-à-vis an increase of 0.2% in September. The average rig count was down 6.0% Y/Y in October. As of November 8, of the total 585 rigs, 479 (unchanged W/W) were used to drill for oil and 102 (unchanged W/W) for natural gas. In the US, oil exploration decreased 3.0% Y/Y, while gas exploration declined 13.6% Y/Y.

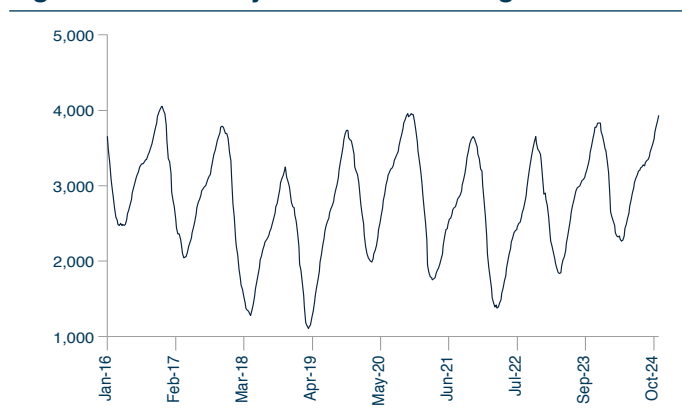
Figure 5: US Weekly Oil Inventories



- US weekly oil inventories decreased 0.1% W/W to 425.5mn barrels for the week ended October 25. On M/M basis, inventories rose 2.1%.

Source: US EIA, AlJazira Capital Research

Figure 6: US Weekly Natural Gas Storage

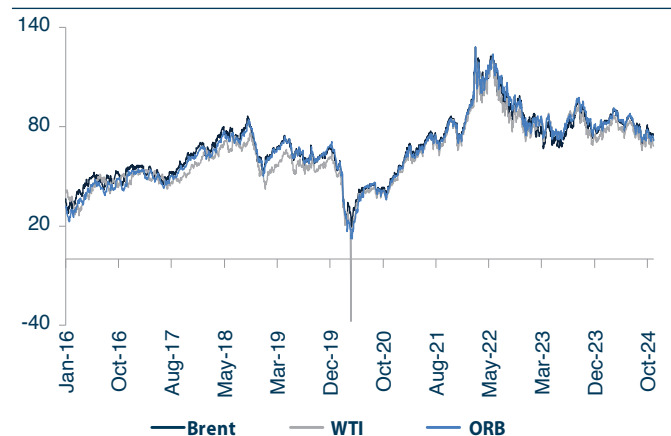


- US weekly natural gas storage increased 2.1% W/W to 3,863 bcf in the week ended October 25. On M/M basis, natural gas storage rose 8.9%.

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

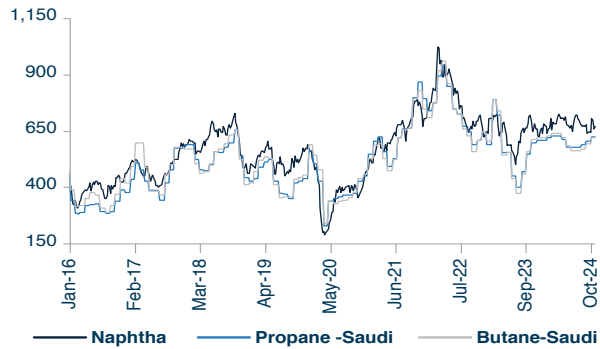
Figure 8: Henry Hub Natural Gas (USD/ MMBTu)



Source: OPEC, AlJazira Capital Research

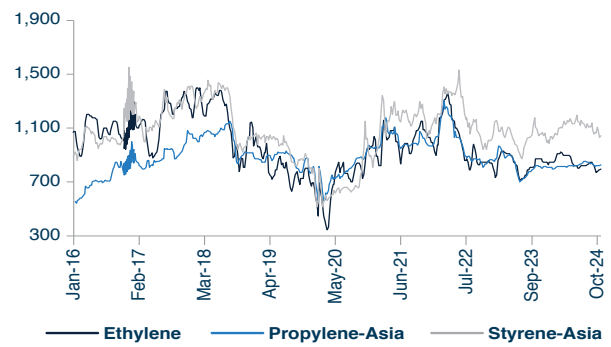


Figure 9: Feedstock Price Trends (USD per Ton)



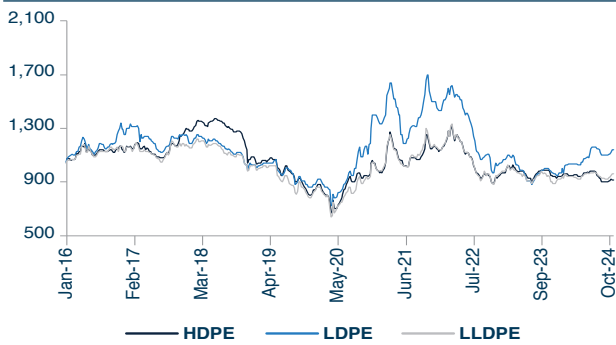
Source: Argaam, ALJazira Capital Research

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



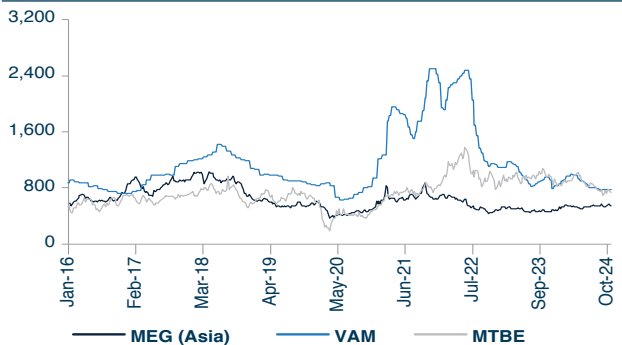
Source: Argaam, ALJazira Capital Research

Figure 11: Polyethylene Price Trends (USD per Ton)



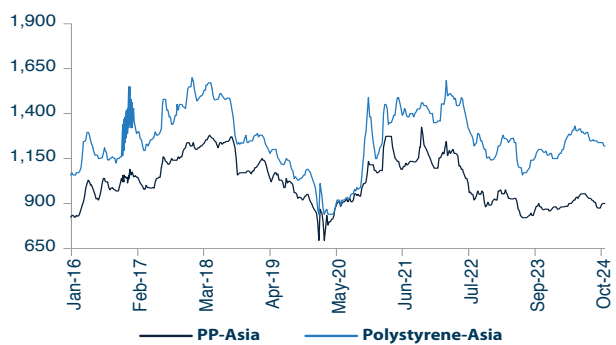
Source: Argaam, ALJazira Capital Research

Figure 12: Intermediates Price Trends (USD per Ton)



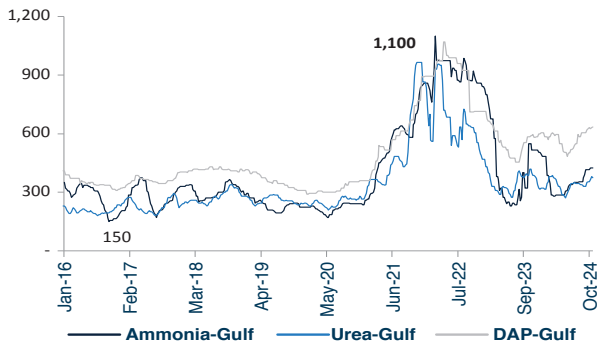
Source: Argaam, ALJazira Capital Research

Figure 13: Polypropylene &amp; Polystyrene



Source: Argaam, ALJazira Capital Research

Figure 14: Ammonia, Urea &amp; DAP



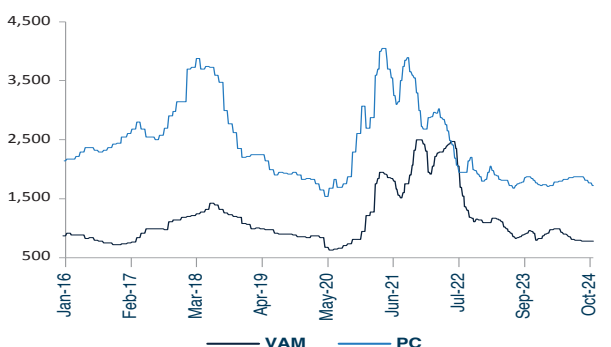
Source: Argaam, ALJazira Capital Research

Figure 15: Methanol-China (USD per Ton)



Source: Argaam, ALJazira Capital Research

Figure 16: PC-VAM

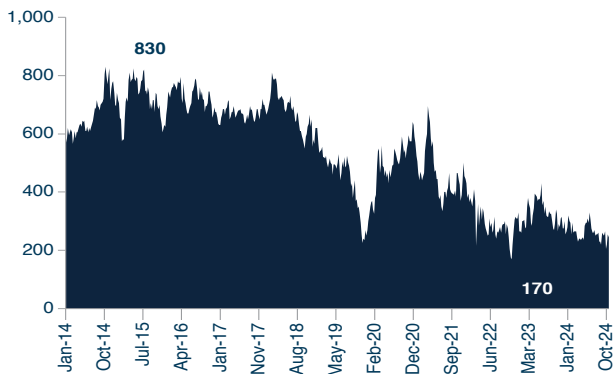


Source: Argaam, ALJazira Capital Research

## Petchem Spreads Trend

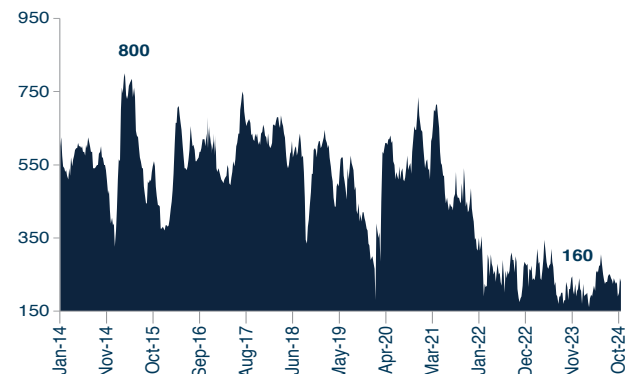
- Naphtha prices averaged USD 684 per ton in October, up from USD 652 per ton in September.
- Polypropylene average prices rose to USD 899 per ton in October from USD 882 per ton in September.
- The HDPE-naphtha spread fell to USD 231 per ton in October from USD 250 per ton in September.
- The PP-naphtha spread contracted to USD 215 per ton from USD 230 per ton during the previous month.
- The PP-propane spread inched up to USD 399 per ton in October from USD 398 per ton in September.
- The PVC-EDC spread widened to USD 510 per ton in October from USD 485 per ton in September.
- The polystyrene-benzene spread expanded to USD 311 per ton in October compared to USD 279 per ton in September.
- The HDPE-ethylene spread increased to USD 128 per ton in October from USD 90 per ton in September.
- PP-butane spread dropped to USD 403 per ton in October from USD 406 per ton in September.
- LDPE-naphtha spread slipped 1.4% M/M at USD 444 per ton, while LDPE-ethylene spread jumped 17.2% M/M to USD 340 per ton in October.
- LLDPE-naphtha spread decreased 3.1% to USD 268 per ton. Whereas LLDPE-ethylene surged 41.2% M/M to USD 164 per ton in October.

Figure 17: Naphtha- HDPE



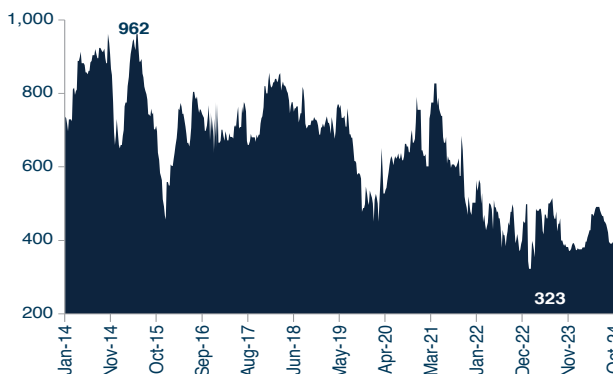
Source: Argaam, AlJazira Capital Research

Figure 18: Naphtha- PP



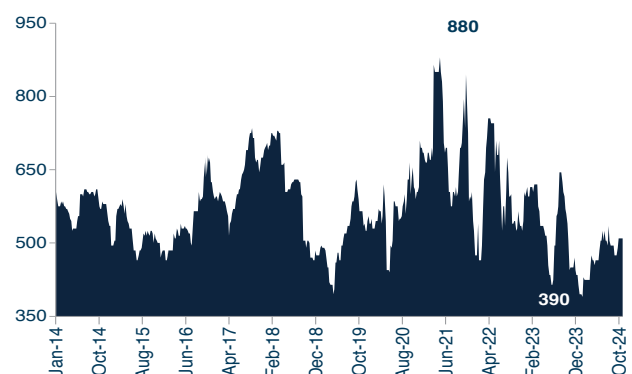
Source: Argaam, AlJazira Capital Research

Figure 19: Propane (Saudi)- PP



Source: Argaam, AlJazira Capital Research

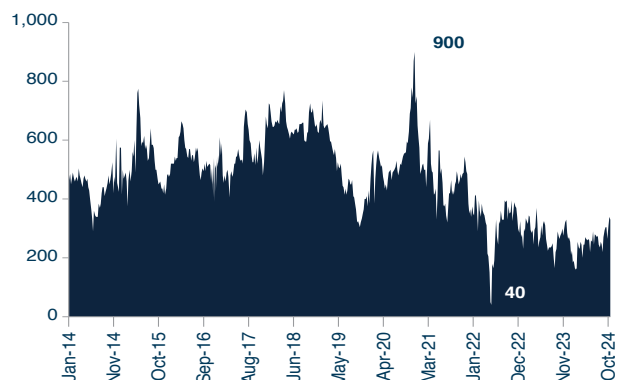
Figure 20: EDC- PVC



Source: Argaam, AlJazira Capital Research

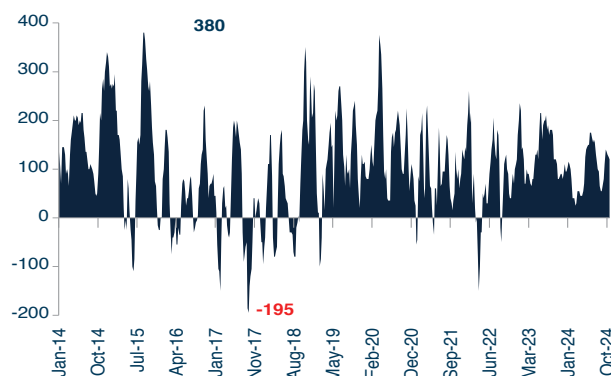


Figure 21: Benzene- Polystyrene



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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