May

2022

Oil & Petrochemicals Monthly Report - April 22

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Acetic acid and EVA prices gained, Urea and EDC fell in April; Aramco decreased propane and butane prices for May

- **Naphtha prices fell, propane and butane rose:** Prices of naphtha decreased 7.3% M/M to USD 895 per ton in April. Propane and butane prices rose 5.0% and 4.3% to USD 940 per ton and USD 960 per ton, respectively. Aramco cut propane and butane prices for May to USD 850 per ton and USD 860 per ton, respectively.
- **Basic and end products prices declined; intermediates were directionless:** Urea prices declined 8.4% M/M to USD 875 per ton in April, easing from a sharp rise in the previous month due to lower demand amid poor weather and delay in buying from India. Acetic acid prices jumped 13.1% M/M to USD 820 per ton because of tighter supply due to US outages. EVA was up 7.1% M/M to Due to logistic issues and higher downstream demand, USD 2,850 per ton is driven by tighter supply, particularly from China's photovoltaic industries. PC prices declined 5.8% to USD 2,850 per ton due to weaker demand amid COVID restrictions in China. Lockdowns in China also weakened demand for Methanol, dragging prices by 5.0% to USD 380 per ton in April. EDC prices decreased by 6.7% to USD 695 per ton, which was impacted by lower downstream PVC demand.
- **Petchem Spreads Trend:** PP-propane spread fell to USD 251 per ton in April from USD 308 per ton in March. PP-butane spread declined to USD 231 per ton in April from USD 283 per ton in March. HDPE-naphtha spread increased to USD 330 per ton in April as against USD 285 per ton in March.

Release of reserves by major oil-consuming countries and demand concerns amid lockdowns in China dragged oil prices in April

- **Crude oil eased from the record highs:** Oil prices tumbled in early April due to release of oil reserves by major consuming countries. The prices recovered around mid of the month on expectations of European Union banning Russian oil in a phased manner. However, demand concerns emerged towards the end of the month owing to continued lockdowns in China, stronger US dollar, and expectations of higher interest rates.

  Brent prices dropped 9.4% M/M, while WTI fell 8.1% M/M in April, ending at USD 109.3/bbl and USD 104.7/bbl, respectively. The Brent-WTI spread contracted to USD 4.7/bbl in April from USD 6.8/bbl in March. Natural gas prices at Henry Hub surged 30.0% M/M to USD 7.2/mn Btu.
- **Manufacturing activity slowed in the US and Eurozone, contracted in China:** US ISM manufacturing PMI fell unexpectedly to 55.4 in April from 57.1 in March. China's Caixin manufacturing PMI remained in the contraction zone for the second consecutive month, decreasing to 46.0 from 48.1 in the previous month, as COVID restrictions continued to weigh on the sector. Eurozone manufacturing PMI declined to a 15-month low of 55.5 in April versus 56.5 in March.

Table 1: Petchem Prices – April FY22

Name	Price (USD per ton)	M/M %	Q/Q %	Y/Y %	YTD %
Naphtha	895	-7.3%	11.2%	58.4%	26.1%
Saudi Propane	940	5.0%	27.0%	67.9%	18.2%
Butane-Saudi	960	4.3%	35.2%	81.1%	28.0%
Ethylene	1,270	-4.5%	30.3%	17.6%	27.6%
Propylene-Asia	1,190	-5.6%	14.4%	10.7%	23.3%
HDPE	1,240	-0.8%	6.0%	8.8%	8.8%
LDPE	1,540	-2.5%	2.0%	5.5%	6.9%
LLDPE	1,230	-2.4%	4.2%	9.3%	7.0%
PP-Asia	1,200	1.3%	3.9%	-1.2%	8.6%
Styrene-Asia	1,365	-2.2%	13.3%	8.3%	23.5%
Polystyrene-Asia	1,500	-0.3%	10.3%	9.5%	11.1%
PET - Asia	1,220	-1.6%	9.9%	25.8%	17.3%
PVC-Asia	1,340	-3.6%	6.3%	-6.9%	0.8%
MEG (Asia)	650	-3.7%	-7.8%	6.6%	2.4%
Methanol-China	380	-5.0%	4.1%	31.0%	22.6%
DAP-Gulf	975	-0.5%	8.9%	82.2%	9.6%
Urea-Gulf	875	-8.4%	36.7%	157.4%	1.2%
Ammonia-Gulf	975	0.0%	16.1%	107.4%	14.7%
MTBE-Asia	1,135	-0.9%	24.0%	56.6%	40.1%
EDC	695	-6.7%	-21.5%	-7.3%	-24.9%
MEG (SABIC)	1,030	0.0%	9.6%	19.8%	10.8%
PC	2,850	-5.8%	-0.9%	-29.6%	6.5%
Acetic Acid-AA	820	13.1%	3.8%	-18.4%	-5.2%
EVA	2,850	7.1%	19.7%	11.1%	17.8%
Vinyl Acetate Monomer-VAM	2,300	1.1%	18.3%	17.9%	-5.2%

Note: Prices as of April 24, 2022

Source: Argaam, Reuters Eikon, AlJazira Capital Research

Table 2: Economic Calendar

Date	Country	Event
May 04,11,18,25	US	Weekly Petroleum Status Report
8-May	KSA	IHS Markit Saudi Arabia PMI
10-May		EIA Short-term Energy Outlook
10-May	KSA	GDP Constant Prices YoY
11-May	US	Monthly Budget Statement
12-May	US	Initial Jobless Claims
12-May		IEA Oil Market Report
12-May		OPEC Monthly Oil Market Report
15-May	KSA	CPI YoY
26-May	US	GDP Annualized QoQ
31-May	KSA	M3 Money Supply YoY
31-May	KSA	SAMA Net Foreign Assets SAR
3-Jun	US	Unemployment Rate
7-Jun	US	Trade Balance
27-Jun	KSA	Current Account Balance

Source: Bloomberg, IEA, EIA, OPEC

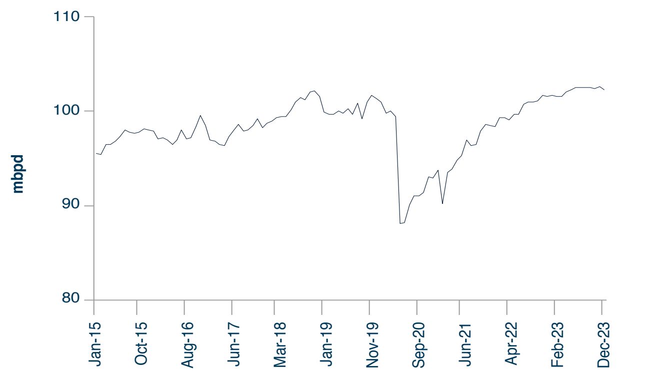
Key comments from international energy agencies

Crude oil supply

Global supply

- The global oil supply increased by 450,000 bpd to 99.1 mbpd in March, According to IEA.
- Global supplies of crude oil and liquid fuels are expected to rise by 4.7 mbpd to 100.2 mbpd in FY22 and by 2.0 mbpd to 102.2 mbpd in FY23, as per EIA. Non-OPEC supply is forecast to grow 2.0 mbpd to 65.9 mbpd in FY22 and 1.5 mbpd to 67.4 mbpd in FY23.
- Global refining throughputs are forecasted to increase by 3.0 mbpd in FY22, as per EIA. From April to August, throughputs are estimated to rise by 4.4 mbpd due to seasonality and new capacity.

Figure 1: World Oil Production



Source: OPEC, AlJazira Capital Research

OPEC Supply

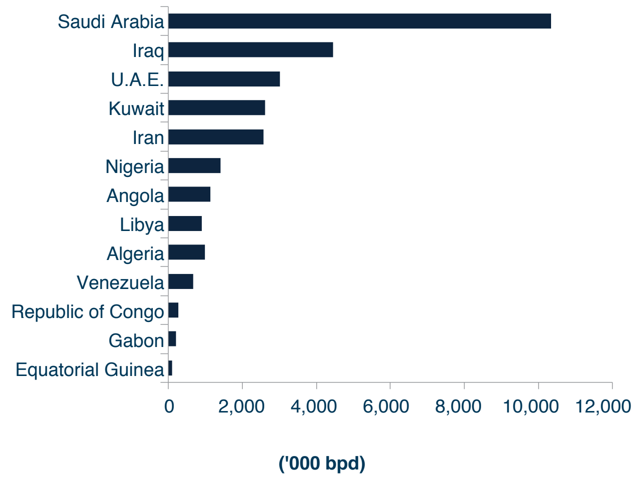
- As per OPEC's secondary sources, OPEC crude oil production rose 57,000 bpd M/M in March to average at 28.6 mbpd.
- On average, OPEC members produced 28.2 mbpd of crude oil in Q1-22 compared to 27.7 mbpd in Q4-21, as per EIA. The agency forecasts OPEC crude oil production to increase to 28.6 mbpd in Q2-22.
- OPEC's average crude production is estimated at 28.8 mbpd in FY22 and at 29.4 mbpd in FY23, According to EIA.
- OPEC's unplanned oil supply disruptions averaged 1.99 mbpd in March (versus an average of 1.86 for February), as per EIA.

Table 3: OPEC Monthly Oil Production

Prod. ('000bpd)	Cap.	Jan	Feb	Mar	Apr	% M/M Chg.
Equatorial Guinea	120	110	100	100	110	10.0%
Gabon	220	180	180	180	200	11.1%
Republic of Congo	300	270	260	270	270	0.0%
Venezuela	670	670	620	680	670	-1.5%
Algeria	1,060	970	980	990	990	0.0%
Libya	1,200	920	1,120	1,050	900	-14.3%
Angola	1,200	1,120	1,170	1,170	1,140	-2.6%
Nigeria	1,600	1,520	1,500	1,480	1,420	-4.1%
Iran	3,830	2,520	2,550	2,590	2,580	-0.4%
Kuwait	2,715	2,580	2,620	2,640	2,610	-1.1%
U.A.E.	4,200	2,910	2,960	2,980	3,010	1.0%
Iraq	4,800	4,310	4,280	4,290	4,460	4.0%
Saudi Arabia	11,500	10,060	10,170	10,270	10,340	0.7%
Total OPEC	**33,415**	**28,140**	**28,510**	**28,690**	**28,700**	**0.0%**

Source: Bloomberg

Figure 2: OPEC April Oil Production



Source: Bloomberg

Crude oil demand

Global

- OPEC estimates a 3.7 mbpd increase in global consumption in FY22 (0.5 mbpd lower than previous estimate) mainly due to expectation of lower global economic growth. IEA estimates global oil demand to increase by 1.9 mbpd to 99.4 mbpd in FY22 (260,000 bpd lower than previous estimate). As per EIA, global consumption of petroleum and liquid fuels is forecasted to average at 99.8 mbpd in FY22 (+2.4 mbpd Y/Y) and increase further by 1.9 mbpd Y/Y in FY23.
- Global demand for petroleum and liquid fuels stood at 98.3 mbpd in March, indicating a rise of 2.4 mbpd Y/Y, as per EIA

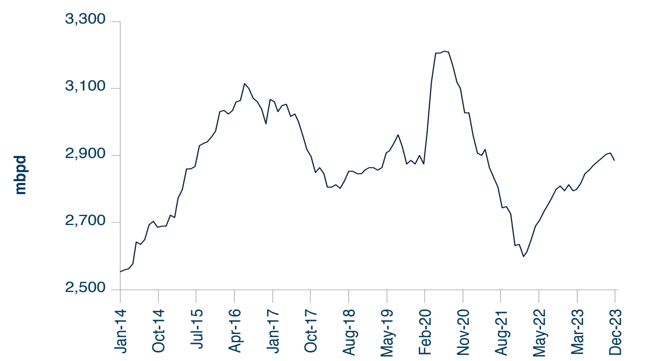
OPEC

- OPEC's crude demand for FY21 was revised up by 0.1 mbpd to 28.1 mbpd, an increase of 5.0 mbpd Y/Y.
- OPEC demand for FY22 is estimated to grow 0.8 mbpd Y/Y to 29.0 mbpd (0.1 mbpd lower than previous estimate).

Inventory

- OECD industry stock fell 42.2 mb to 2,611 mb in February; initial data for March showed that industry stocks increased by 8.8 mb, according to IEA.
- EIA forecasts OECD inventories to stand at 2.79bn barrels by end-FY22 and at 2.89bn by end-FY23.
- Natural gas inventories in the US stood at 1.4tn cu. ft. as of March 2022. EIA estimates inventories to increase to 1.7tn cu. ft. by April 2022 while rising thereafter to 3.5tn cu. ft. by the end of October.

Figure 3: OECD Monthly Oil Inventories



Source: US EIA, AlJazira Capital Research

Price outlook

- Brent spot prices averaged at USD 117 per barrel in March, as per EIA. The prices are forecasted to average at USD 108 per barrel in Q2-22, at USD 102 per barrel in H2-22, and at USD 93 per barrel in FY23.
- Morgan Stanley raised its oil price forecast to USD 130 per barrel (from USD 120) for Q3-22 and to USD 120 per barrel (from USD 110) for Q4-22. The price forecast for FY23 was increased to USD 105 per barrel from USD 100 per barrel.
- EIA expects natural gas prices at Henry Hub to average at USD 5.23/mn Btu in FY22 and at USD 4.01/mn Btu in FY23

Table 4: World Oil Demand and Supply

(mbpd)	FY21				FY22E				FY21	FY22E	FY23E
World Crude Oil & Liq. Fuels Supply	**Q1**	**Q2**	**Q3**	**Q4**	**Q1**	**Q2**	**Q3**	**Q4**			
OPEC Supp.	30.34	30.88	32.28	33.10	33.75	34.03	34.58	34.85	31.66	34.30	34.85
Non-OPEC Suppl.	62.23	63.77	64.31	65.21	65.24	65.45	66.33	66.58	63.89	65.91	67.36
Total World Supply	**92.58**	**94.65**	**96.59**	**98.30**	**98.99**	**99.48**	**100.91**	**101.42**	**95.55**	**100.21**	**102.21**
World Crude Oil & Liq. Fuels Cons.											
OECD Cons.	42.45	44.08	45.82	46.74	45.82	45.49	46.24	46.48	44.79	46.01	46.37
Non-OECD Cons.	51.83	52.25	52.58	53.69	53.13	53.70	53.99	54.30	52.59	53.78	55.35
Total World Cons.	**94.28**	**96.33**	**98.40**	**100.43**	**98.95**	**99.19**	**100.23**	**100.78**	**97.38**	**99.80**	**101.73**
OECD Comm. Inventory (mn barrels)	2,908	2,864	2,745	2,633	2,614	2,710	2,775	2,794	2,633	2,794	2,885
OPEC Surplus Crude Oil Prod. Cap.	2.49	2.12	2.15	2.03	1.98	n/a	n/a	n/a	2.20	n/a	n/a

Source: EIA STEO April 2022, AlJazira Capital Research

- The gap between crude consumption and supply is estimated to increase to 0.29 mbpd in Q2-22 (higher supply than consumption) from 0.04 mbpd in Q1-22 (higher supply than consumption).
- OECD's crude inventories are expected to be at 2.71bn barrels in Q2-22, higher than 2.61bn in Q1-22.

Petrochemical sector news

- CMA approved the request submitted by **Rabigh Refining and Petrochemical Co**. to increase its capital through a rights issue worth SAR 8.0bn. Shareholders registered with the Securities Depository Center at the end of the second trading day following the extraordinary general meeting will be eligible for the rights issue. (Source: Argaam)
- Shareholders of **Sahara International Petrochemical Co.** approved the board's recommendation to buy back a maximum of 66.4mn shares. The repurchased shares will be retained as treasury shares as the board of directors deems that the stock market price is less than fair value. The purchase will be financed from the company's own resources, and the board will be authorized to complete the purchase in one or several stages within a period of 12 months. (Source: Argaam)
- **Alujain Holding Corp.** will continue the implementation of its strategic plan aimed at boosting assets and improving business operations. Alujain will increase its ownership in **National Petrochemical Industry Co. (NATPET)** and will study the option of merging NATPET with Alujain to maximize efficiency and bolster synergies to serve the interests of both companies. Alujain is also studying the optimum usage of the company's treasury shares, exceeding 19.8mn shares, in coordination with stakeholders, provided that priority will be given to using them to purchase additional shares in NATPET via swaps to reach a complete merger. (Source: Argaam)
- **Saudi Basic Industries Corp. (SABIC)** announced completing a deal to buy Clariant's 50% stake in specialties company Scientific Design, currently a 50/50 joint venture with SABIC. Scientific Design focuses on delivering high-performance catalysts, technology licenses, and technology services. (Source: Argaam)
- **Saudi Industrial Investment Group (SIIG)** announced that the consideration shares issued to **National Petrochemical Co.'s** entitled shareholders pursuant to the merger were listed. The merger was completed as set out in the shareholder circular issued by SIIG. (Source: Argaam)
- Fitch Ratings affirmed **Saudi Aramco's** long-term foreign and local currency issuer default ratings at 'A' and revised outlook to 'positive' from 'stable.' Fitch said that the company's financial profile benefits from strong pre-dividend free cash flow generation and conservative leverage. (Source: Argaam)
- CMA approved an application from **Saudi Aramco** to increase its capital from SAR 60.0bn to SAR 75.0bn. The capital will be raised by issuing one bonus share for every 10 shares held by shareholders. The increase will be paid by transferring SAR 15.0bn from the company's retained earnings. (Source: Argaam)
- Methanex Corp., the world's largest producer and supplier of Methanol, lowered its Asian contract price for May to USD 520 per ton, a decrease of USD 20 compared with the previous month. (Source: Argaam)

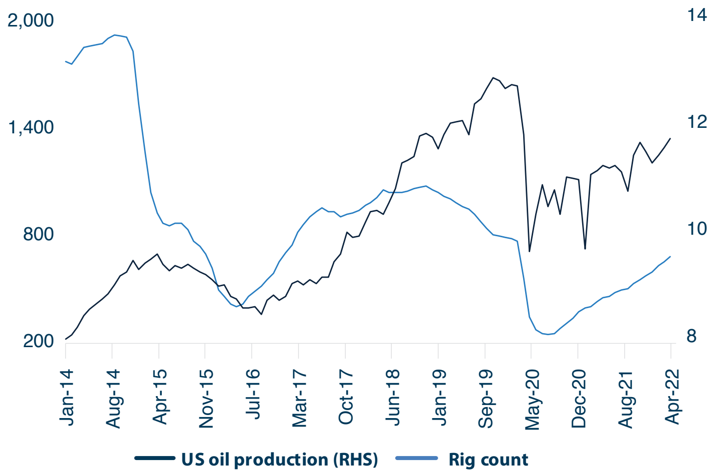
Table 5: KSA Petrochemical Companies Key Metrics

Company	Net profit (TTM; SAR mn)	P/E	P/B	EV/ EBITDA	DPS (SAR)	Dividend yield	YTD returns
SABIC	23,033.7	17.1x	2.2x	8.2x	4.0	3.1%	12.9%
TASNEE	1,337.8	10.3x	1.5x	High	-	-	3.4%
YANSAB	1,394.0	24.7x	2.4x	12.1x	3.0	4.9%	-11.1%
SABIC Agri-Nutrients	5,228.0	14.8x	5.0x	11.8x	4.3	2.6%	-7.9%
Sipchem	4,259.2	9.8x	2.7x	7.1x	2.3	3.9%	36.4%
Advanced	808.0	21.6x	4.7x	14.2x	2.5	3.7%	-4.7%
KAYAN	2,110.4	13.5x	1.7x	7.2x	-	-	10.9%
SIIG	1,136.3	13.1x	2.0x	-	1.5	4.5%	5.9%
Nama Chemical	50.8	19.2x	2.9x	16.6x	-	-	28.8%
Chemanol	316.8	15.1x	3.2x	6.9x	-	-	35.3%

Source: Bloomberg, Argaam, Aljazira Capital Research

US oil and gas developments

Figure 4: US Oil Production versus Rig Count

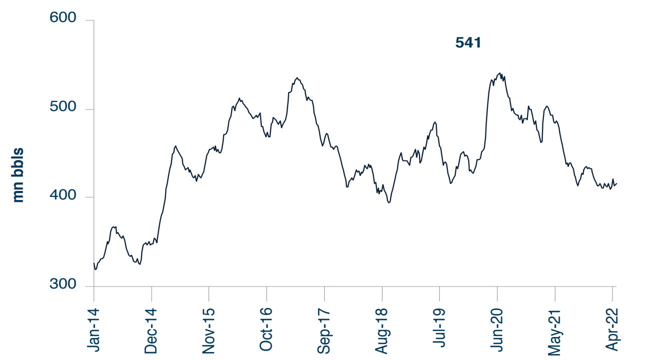


Source: US EIA, AlJazira Capital Research

US oil production averaged 11.83 mbpd in April 2022. Production rose 1.4% M/M from 11.67 mbpd in March while increased 5.3% Y/Y from 11.23 mbpd in April 2021.

In the week ended April 29, the rotary rig count in the US stood at 698 (up 3 W/W). The average number of rigs rose 4.2% M/M in April vis-à-vis a rise of 4.1% in March. The average rig count was up 58.2% Y/Y in April. As on April 29, of the total 698 rigs, 552 (up 3 W/W) were used to drill for oil and 144 (unchanged W/W) for natural gas. Oil exploration surged 61.4% Y/Y in the US, while gas exploration increased 50.0% Y/Y.

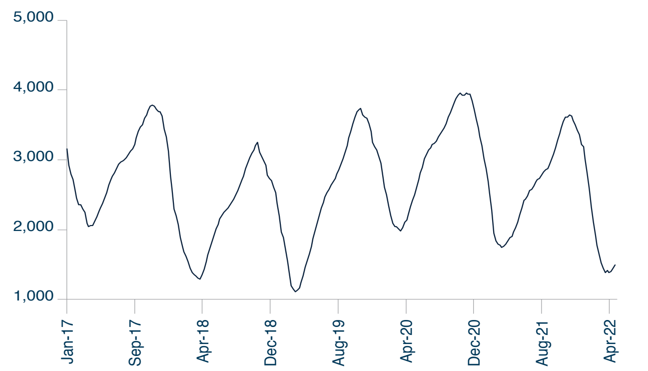
Figure 5: US Weekly Oil Inventories



- US weekly oil inventories rose 0.3% W/W to 415.7mn barrels for the week ended April 29. On M/M basis, inventories were up 1.4%.

Source: US EIA, AlJazira Capital Research

Figure 6: US Weekly Natural Gas Storage

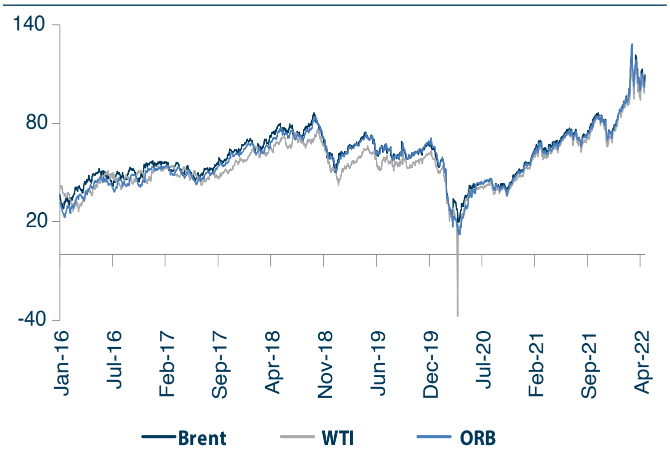


- US weekly natural gas storage increased 2.8% W/W to 1,490 bcf in the week ended April 22. On M/M basis, natural gas storage increased 7.3%.

Source: US EIA, AlJazira Capital Research

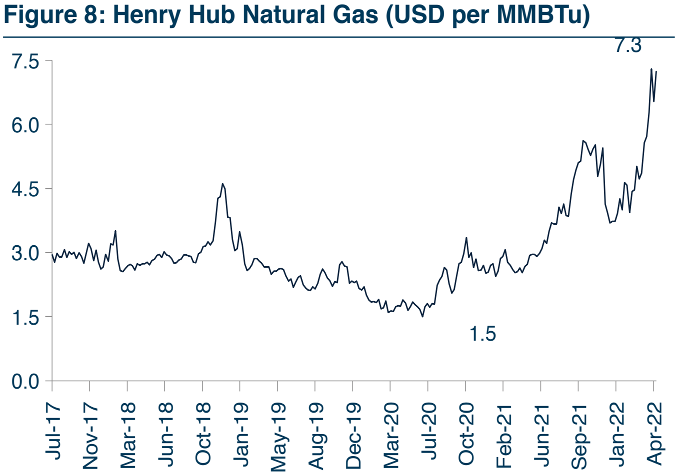
Price Trend: Oil, Natural Gas & Petrochemicals Products

Figure 7: Oil Price Trends (USD per Barrel)



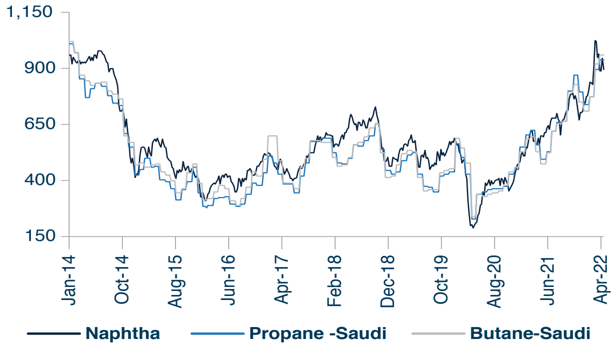
Source: Reuters Eikon, AlJazira Capital Research

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



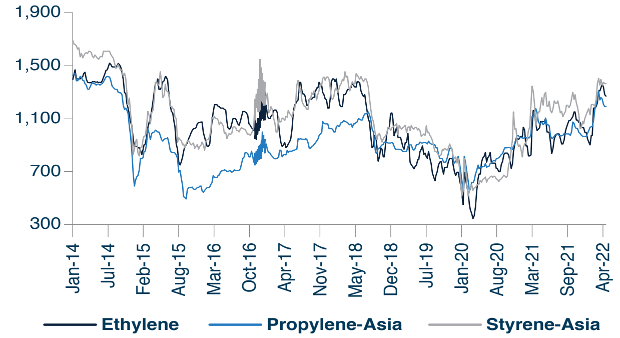
Source: OPEC, AlJazira Capital Research

Figure 9: Feedstock Price Trends (USD per Ton)



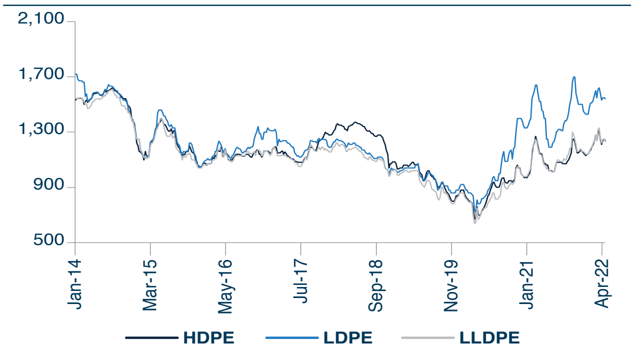
Source: Argaam, AlJazira Capital Research

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



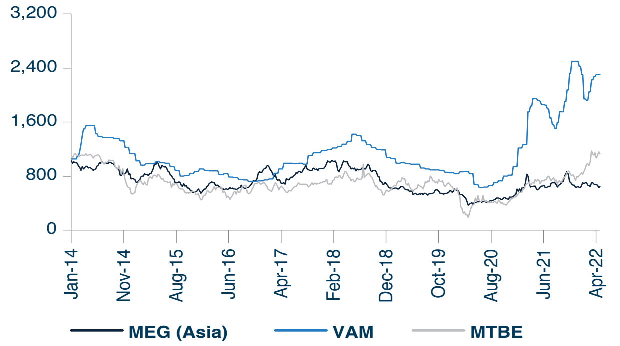
Source: Argaam, AlJazira Capital Research

Figure 11: Polyethylene Price Trends (USD per Ton)



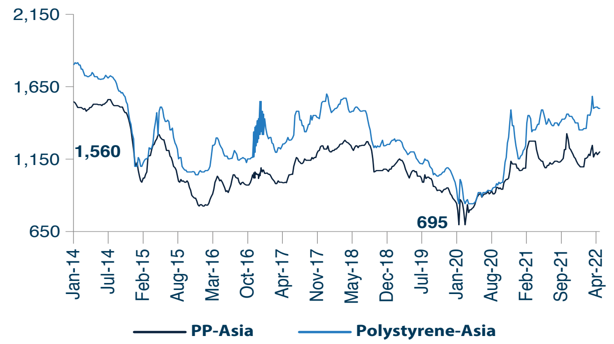
Source: Argaam, AlJazira Capital Research

Figure 12: Intermediates Price Trends (USD per Ton)



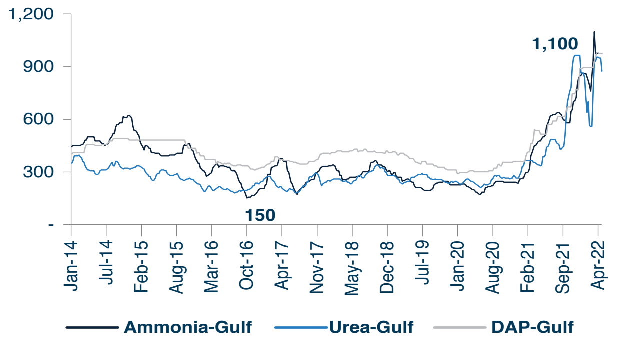
Source: Argaam, AlJazira Capital Research

Figure 13: Polypropylene & Polystyrene



Source: Argaam, AlJazira Capital Research

Figure 14: Ammonia, Urea & DAP

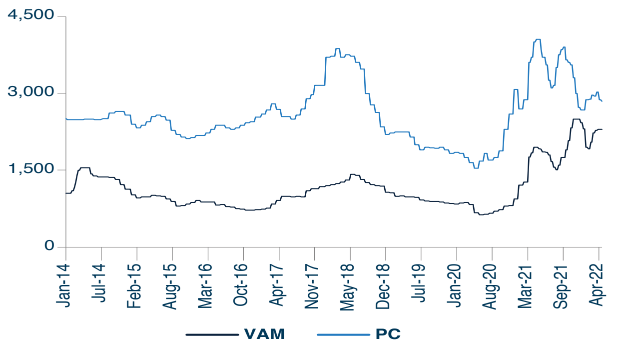


Source: Argaam, AlJazira Capital Research

Figure 15: Methanol-China (USD per Ton)

Source: Argaam, AlJazira Capital Research

Figure 16: PC-VAM

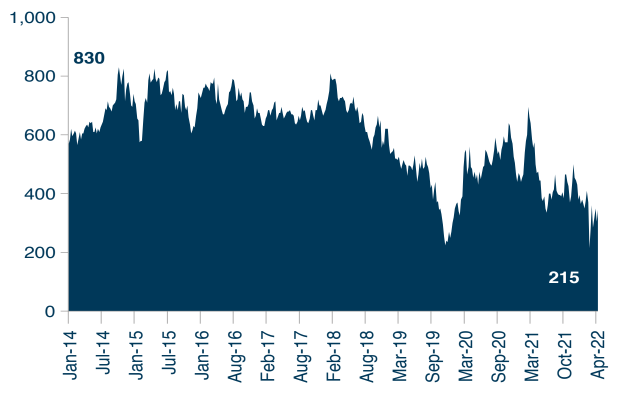


Source: Argaam, AlJazira Capital Research

Petchem Spreads Trend

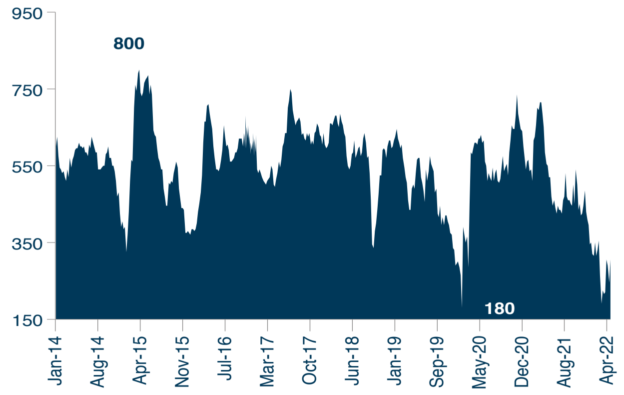
- Naphtha prices averaged at USD 905 per ton in April, down from USD 990 per ton in March.
- Polypropylene average prices inched down to USD 1,191 per ton in April from 1,203 per ton in March.
- The HDPE-naphtha spread increased to USD 330 per ton in April as against USD 285 per ton in March.
- The PP-naphtha spread expanded to USD 286 per ton from USD 213 per ton during the previous month.
- The PP-propane spread fell to USD 251 per ton in April from USD 308 per ton in March.
- The PVC-EDC spread rose to USD 753 per ton in April from USD 671 per ton in March.
- The polystyrene-benzene spread increased to USD 360 per ton in April from USD 346 per ton in March.
- The HDPE-ethylene spread plunged and stood at -USD 78 per ton in April compared to -USD 18 per ton in March.
- PP-butane spread declined to USD 231 per ton in April from USD 283 per ton in March.
- LDPE-naphtha spread gained 6.3% M/M to USD 638 per ton, while LDPE-ethylene fell 22.7% to USD 230 per ton in April.
- LLDPE-naphtha spread rose 11.8% M/M to USD 333 per ton, while LLDPE-ethylene spread was up -USD 75 per ton in April versus -USD 5 per ton in March.

Figure 17: Naphtha- HDPE



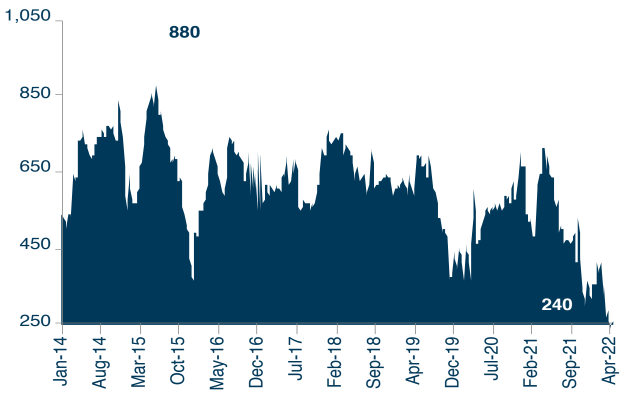
Source: Argaam, AlJazira Capital Research

Figure 18: Naphtha- PP



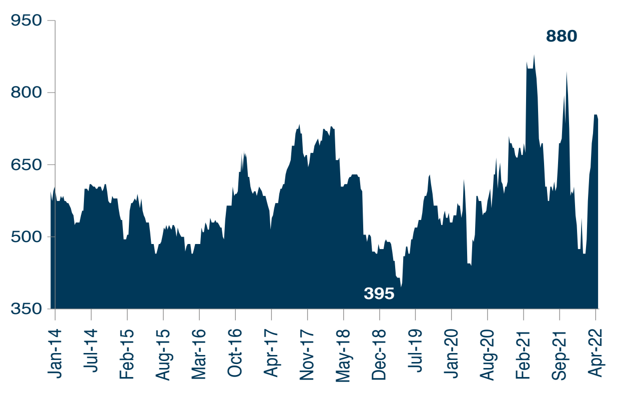
Source: Argaam, AlJazira Capital Research

Figure 19: Propane (Saudi)- PP



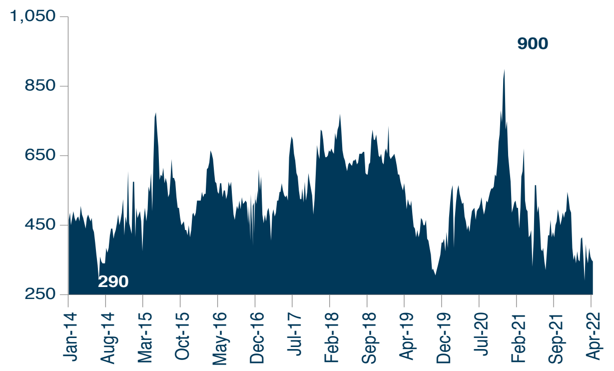
Source: Argaam, AlJazira Capital Research

Figure 20: EDC- PVC



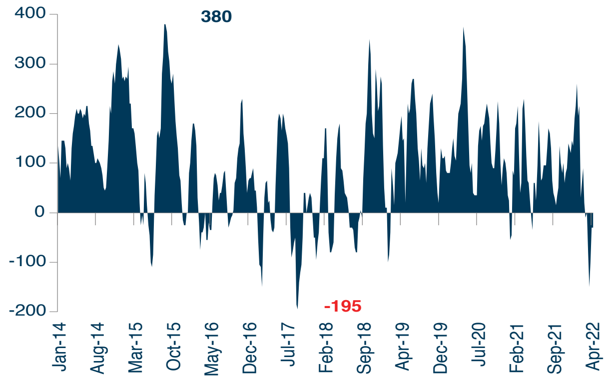
Source: Argaam, AlJazira Capital Research

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, polystyrene, 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 (TiO2)
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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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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