

## Foundation Alert

### Chemicals: PVC-Ethylene margins fall to 13 month low

#### Event

- PVC-Ethylene margin has fallen to US\$707/ton on February 14, 2022, down by 17% MoM.

#### Impact

- Ethylene price has risen to US\$1,215/ton on February 14, 2022, up by 25% MoM, due to a South Korean Naphtha Cracking plant with 470KT of ethylene capacity declaring force majeure following an explosion on February 11, 2022.
- The already tight ethylene supply is expected to get even tighter amid bullish upstream crude oil and naphtha values given persistent constrained product availability and stronger downstream polyethylene pricing trends.
- Whereas PVC price has declined by a modest 1% MoM to US\$1,320/ton.
- Resultantly, PVC-Ethylene margin has fallen to US\$707/ton, down 17% MoM.

#### Outlook

- PVC-Ethylene margin is below last 1/3-yr average of US\$949/789 per ton with expectation that the margin would decline further from these levels as (1) ethylene price is expected to remain elevated amid higher crude oil prices and demand from other ethylene derivatives and (2) PVC global supply shortage eases going forward which bodes negatively for EPCL profitability.

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If	
Expected return >+10%	Outperform.
Expected return from -10% to +10%	Neutral.
Expected return <-10%	Underperform.