THAILAND REFINERY

Globlex Securities Co., Ltd.
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Downstream plays remain winners on margin uptrends

- Upsides on higher-than-expected GRM and chemical margins in 3Q26-4Q26
- Oil price rangebound and tighter refinery/chemical supplies are key drivers
- Overweight refinery and chemical; top picks TOP, BCP and IVL, IRPC, EPG

Global oil price risk greatly subsides on U.S.-Venezuela deal

Last week, there are two news that we think have significant strategic importance to effectively "control" global crude oil price to move rangebound between USD80-90/bbl. First, on 29 Aug-26, U.S., via a 55%-owned private company, announced a 25-year deal with Venezuela to operate, manage, and control 17 oil fields with the right to buy oil at the cost of U.S. Strategic Petroleum Reserve (SPR). The total amoumt of oil under the deal is over 65b bbls of Venezuelan oil reserve, with a target to ramp up oil production from current sub-1mbpd to 1.5mbpd.

No major private firm participation in the deal

It is interesting and worth highlighting that no major U.S. oil firms participating into the deal with Venezuela. Exxon and ConocoPhillips – two former operators in Venezuela oil fields – were pushed out of the country during Hugo Chavez's 2007 nationalization wave despite winning the international arbitration awards that had not been honored by Venezuela until now. Hence, both Exxon and ConocoPhillips had not received their debts owed by Venezuela. ConocoPhillips alone is still owed USD10-12b. On top of nationalization claims and defaulted bond, Venezuela carries close to USD170b in legacy liabilities that may be the key obstacle for the success of U.S.-Venezuela deal.

Diesel-crude and GRM are heading for higher-for longer outlook in 2H26

Refinery industry is now on the brink of tighter-for-longer in 2H26-1H27. Refinery supply disruptions outside U.S. have worsened, including 1) damaged Russian refinery on Ukraine's drone attacks; 2) China's cuts in refinery exports on lower crude imports; 3) damaged refinery infrastructures in Middle East. Worse, U.S. refinery supply and export in Sep-256 onwards could worsen precipitately as heavy crude supply from Canadian oil sand will drop a fast pace amid 1) U.S.-Canada conflict on the U.S. hiking tariff on Canadian goods; 2) Canada oil sand (4mbpd export to U.S.) is entering a heavy maintenance season, with oil sand production dropping by 0.3mbpd and unlikely to be offset by U.S. storage; and 3) seasonally high demand for U.S. driving season. Even with rising oil shipments from Venezuela to U.S. at 0.786mbpd out of Venezuela exports 1.12mbpd in July, the recent deal could not compensate the heavy oil fall from oil sand. Hence, we think global GRM will stay higher for longer in 2H26 and likely to continue into 1H27 on U.S. tight refinery supply.

Expect GRM to spike in Sep

As of 31 Aug-26, margins of diesel, jet, gasoline (DJG) over crude oil prices remain high at USD63/bbl, USD55/bbl, and USD27/bbl and QTD 3Q26, DJG-crude margins are similarly high at USD67/bbl (vs USD63/bbl in 2Q26), USD61/bbl (vs USD63/bbl), and USD30/bbl (vs USD29/bbl). Hence, we project GRM will spike sharply in Sep by USD4-6/bbl m-m as the costs of crude premium, freight, and insurance will decline substantially to reflect the Jun-26 crude price plunge during a one-month truce.

Downstream over upstream on margin spikes and oil price rangebound

We still prefer downstream refinery and petrochemical plays over upstream PTT/PTTEP, given the relatively stable oil price but spike GRM and chemical margin outlook. From most to less preferred order, in refinery, we prefer TOP, BCP, SPRC while in chemical sector, we prefer IVL, IRPC, EPG, SCC, and PTTGC.

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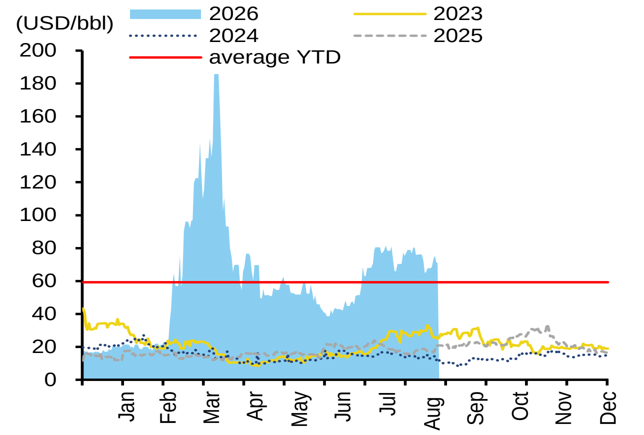
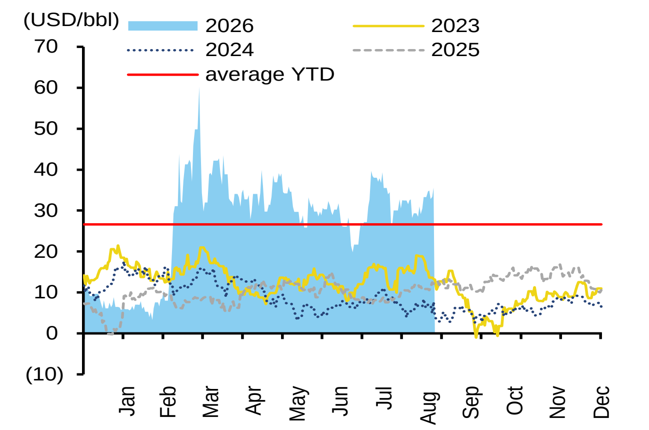
Exhibit 1: Gasoil 0.5% Sulfur fob SG Spot Price - Dubai crude oil price



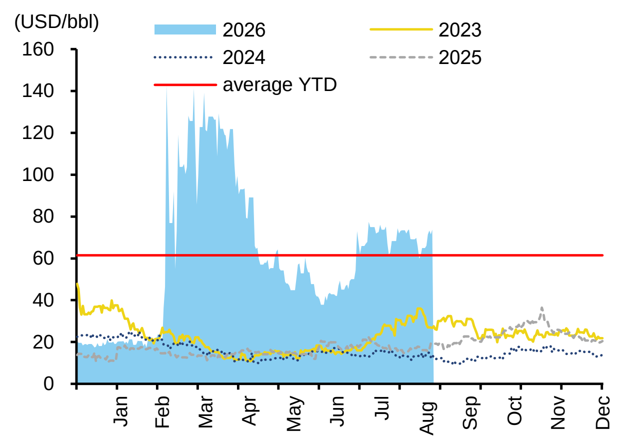
Sources: Bloomberg, Globlex Research

Exhibit 2: 92 Octane Gasoline fob Spot Price - Dubai crude oil price



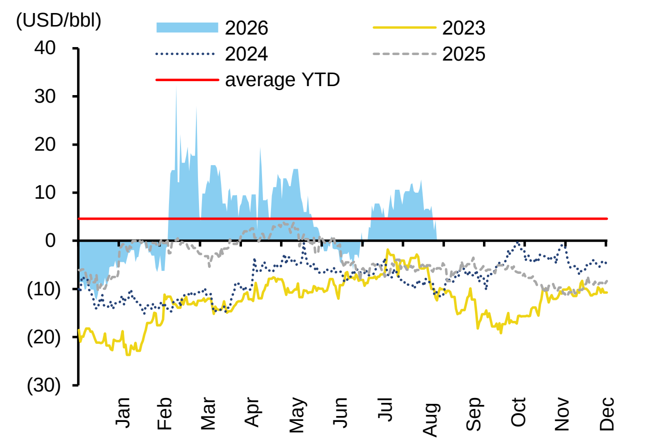
Sources: Bloomberg, Globlex Research

Exhibit 3: Jet Kerosene fob Spot Price - Dubai crude oil price



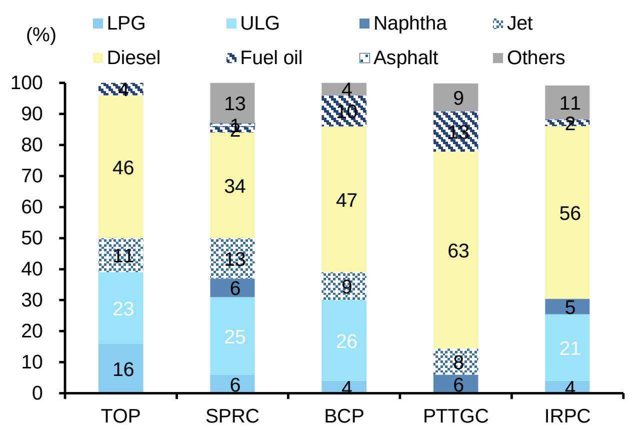
Sources: Bloomberg, Globlex Research

Exhibit 4: High Sulfur fuel Oil Spot fob Singapore - Dubai crude oil price



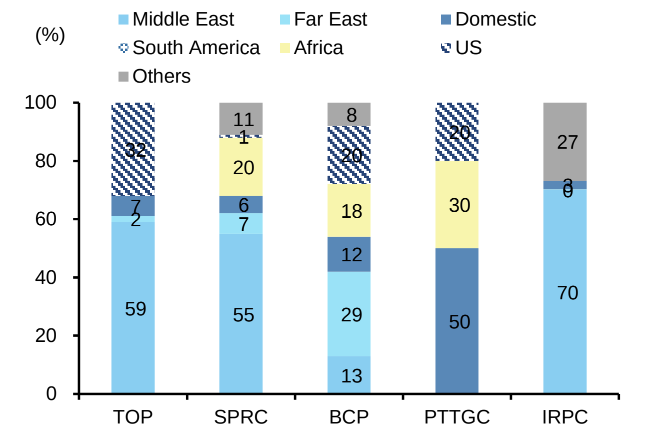
Sources: Bloomberg, Globlex Research

Exhibit 5: Thai refineries - Product yield (2Q26)



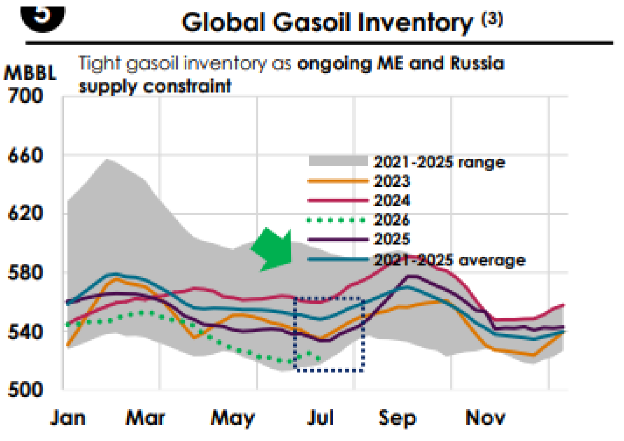
Sources: Companies; Globlex Research

Exhibit 6: Thai refineries – Crude mix (2Q26)



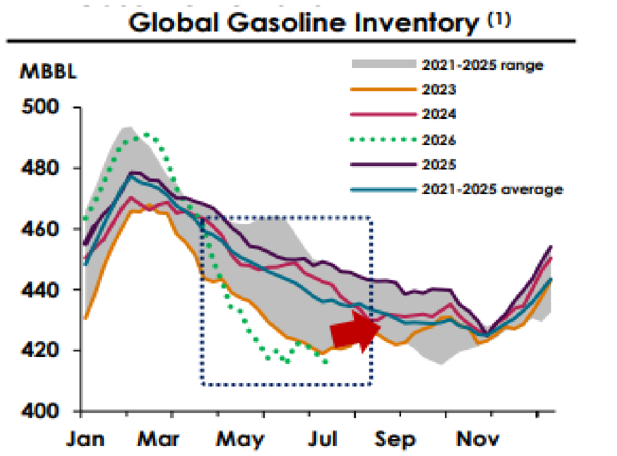
Sources: Companies; Globlex Research

Exhibit 7: Global gas oil inventory



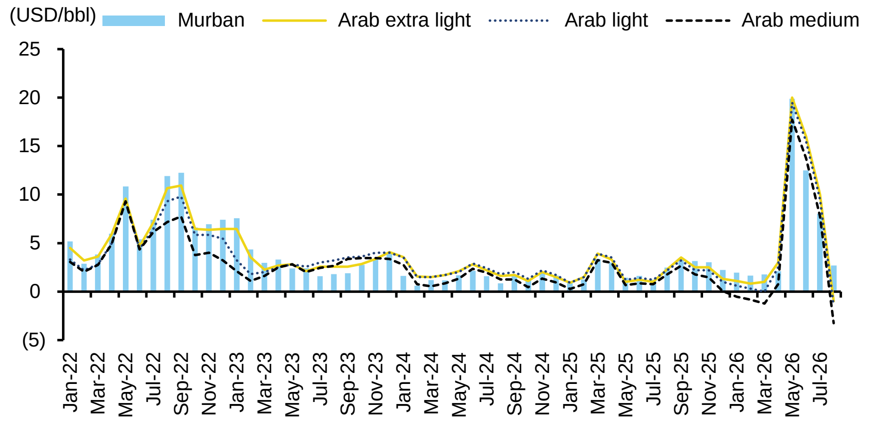
Sources: TOP

Exhibit 8: Global gasoline inventory



Sources: TOP

Exhibit 9: Crude premium



Sources: TOP

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RECOMMENDATION STRUCTURE

Stock Recommendations

Stock ratings are based on absolute upside or downside, which we define as (target price* - current price) / current price.

BUY: Expected return of 10% or more over the next 12 months.
HOLD: Expected return between -10% and 10% over the next 12 months.
REDUCE: Expected return of -10% or worse over the next 12 months.

Unless otherwise specified, these recommendations are set with a 12-month horizon. Thus, it is possible that future price volatility may cause temporary mismatch between upside/downside for a stock based on market price and the formal recommendation.
* In most cases, the target price will equal the analyst's assessment of the current fair value of the stock. However, if the analyst doesn't think the market will reassess the stock over the specified time horizon due to a lack of events or catalysts, then the target price may differ from fair value. In most cases, therefore, our recommendation is an assessment of the mismatch between current market price and our assessment of current fair value.

Sector Recommendations

Overweight:	The industry is expected to outperform the relevant primary market index over the next 12 months.
Neutral:	The industry is expected to perform in line with the relevant primary market index over the next 12 months.
Underweight:	The industry is expected to underperform the relevant primary market index over the next 12 months.

Country (Strategy) Recommendations

Overweight: Over the next 12 months, the analyst expects the market to score positively on two or more of the criteria used to determine market recommendations: index returns relative to the regional benchmark, index sharpe ratio relative to the regional benchmark and index returns relative to the market cost of equity.

Neutral: Over the next 12 months, the analyst expects the market to score positively on one of the criteria used to determine market recommendations: index returns relative to the regional benchmark, index sharpe ratio relative to the regional benchmark and index returns relative to the market cost of equity.

Underweight: Over the next 12 months, the analyst does not expect the market to score positively on any of the criteria used to determine market recommendations: index returns relative to the regional benchmark, index sharpe ratio relative to the regional benchmark and index returns relative to the market cost of equity.