

(1\$=CNY 6.13)

1. Weekly News Headlines

- Dow Europe GmbH Announces Price Increase for Polyethylene Resins
- BASF Aims to Grow Smartly in Asia Pacific
- France's Air Liquide Wins Gas Contract in China
- Pertamina Signs Polyethylene, Polypropylene Deals with PTT Global Chemical
- Bayer Acquires Majority Interest in Conceptus
- China Approves SK Ethylene Deal

2. Weekly Market Analyses

2.1 Summary

Weekly Summary

Propylene oxide market remains sagging situation and PO suppliers have to decrease the quotations to stimulate buying interests but totally rejected by downstream buyers. Recently PO inventories gradually pile up and market players are negative about later market.

Raw Materials

Both propylene and liquid chlorine prices increase by RMB100-150/ton supported by slightly tight market supply but the increasing trend is unlikely to retain as downstream demands are hopeless.

Table 1: Propylene Oxide Price Comparison between Weeks (RMB/ton/Delivery)

Date	E-China	N-China	North East	USD (CIF China)
2013-6-7	11700-11800	11500-11600	11500-11600	1580-1600
2013-5-31	11900-12100	11850-11900	11800-11900	1580-1600
Fluctuation	-200, -300	-350, -300	-300, -300	n/c, n/c

Notes: ① Shandong belongs to North China and East China mainly refers to Zhejiang, Jiangsu and Shanghai;

② n/c refers to "No Change".

E-China

Propylene oxide suppliers decrease the quotations by RMB200/ton in E-China forced by stagnant demands but downstream buyers are quite indifferent with no intention to replenish.

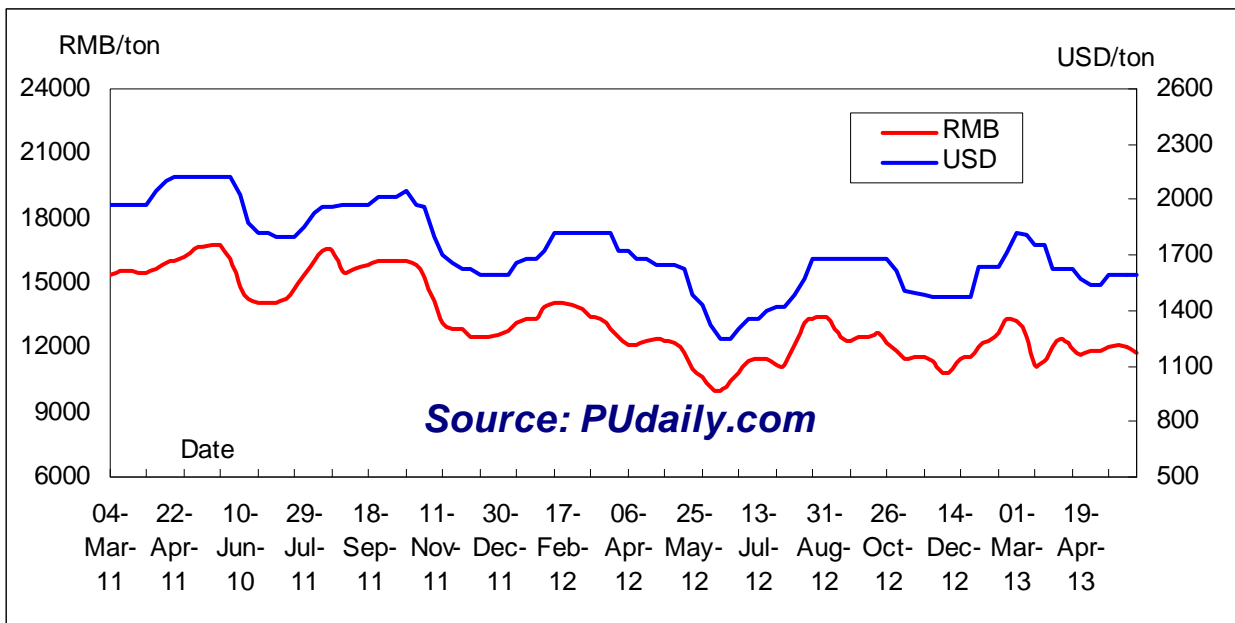
N-China

Propylene transactions move quite slowly and PO inventories increase day by day thus PO suppliers have to reduce running loads and some decrease their quotations largely to stir buying interests but downstream buyers remain cool.

Table 2: China PO Facilities Latest Movement (Unit: KT)

Suppliers	Locations	Capacity	Remarks
CNOOC and Shell Petrochemicals Company Limited (CSPC)	Huizhou	320	90% loads
Wudi Xinyue Chemical Co., Ltd.	Binzhou	300	60% loads
Ningbo ZRCC Lyondell Chemical Co., Ltd.	Ningbo	285	90% loads
Shandong Befar Group Co., Ltd.	Binzhou	195	80% loads
Shandong Jinling Chemical Co., Ltd.	Dongying	160	The new 80ktpa PO facility was unexpected shut down on May 7 and restarted on June 4.
Tianjin Dagu Chemical Co., Ltd.	Tianjin	150	60% loads
Fangda Jinhua Chemical Technology Co., Ltd.	Huludao	120	50% loads
Nanjing KUMHO GPRO Chemical Co., Ltd.	Nanjing	100	80% loads
Shandong Sanyue Chemical Co., Ltd	Binzhou	80	70% loads
Shandong Shida Shenghua Chemical Co., Ltd.	Dongying	70	80% loads
Zibo Yongda Chemical Co., Ltd.	Zibo	50	50% loads
China Eastar Holdings Group Co., Ltd.	Dongying	50	80% loads
Shenyang G-Billow Chemical Co., Ltd.	Shenyang	40	80% loads

Graph 1: RMB Propylene Oxide Weekly Price Trend from 2011 to 2013 (E-China)



Notes: ①RMB Price: East China;
②USD Price: Spot Price

2.2 Quotes from Suppliers

Table 3: Quotes From Domestic Suppliers (RMB/ton)

Producers	Capacity (10KT)	Location	This Week	Four Weeks Ago	Fluctuation
Tianjin Dagu Chemical Co.,Ltd	15	Tianjin	11700	11600	100
Shandong Binhua Chemical Co., Ltd	19.5	Shandong	11600	11700	-100
Fangda Jinhua Chemical Technology Co., Ltd	12	Liaoning	11400	11500	-100
Nanjing KUMHO GPRO Chemical Co., Ltd	10	Nanjing	12200	12000	200
Ningbo ZRCC Lyondell Chemical	28.5	Ningbo	12400	12300	100

Notes: Shandong belongs to North China;

East China mainly refers to Zhejiang, Jiangsu and Shanghai.

--refers to no quotations.

Table 4: Quotes From Oversea Suppliers (CIF PRC, USD/ton/CIF)

Place of Origin	This Week Price	Four Weeks Ago	Fluctuation
Thailand/Singapore/Saudi Arabia	1580-1600	1550-1600	30,n/c

Notes: ① RMB Cost=USD CIF price *(1+17%)*(1+5.5%) *Exchange Rate+ Import Port Charge (Only available for calculating the costs of China PO imports. 17%: VAT rate; 5.5%: Import duty rate but Singapore with zero duty).

②n/c refers to "No Change".

3. Weekly Analysis of Upstream Feedstock and Relevant Products

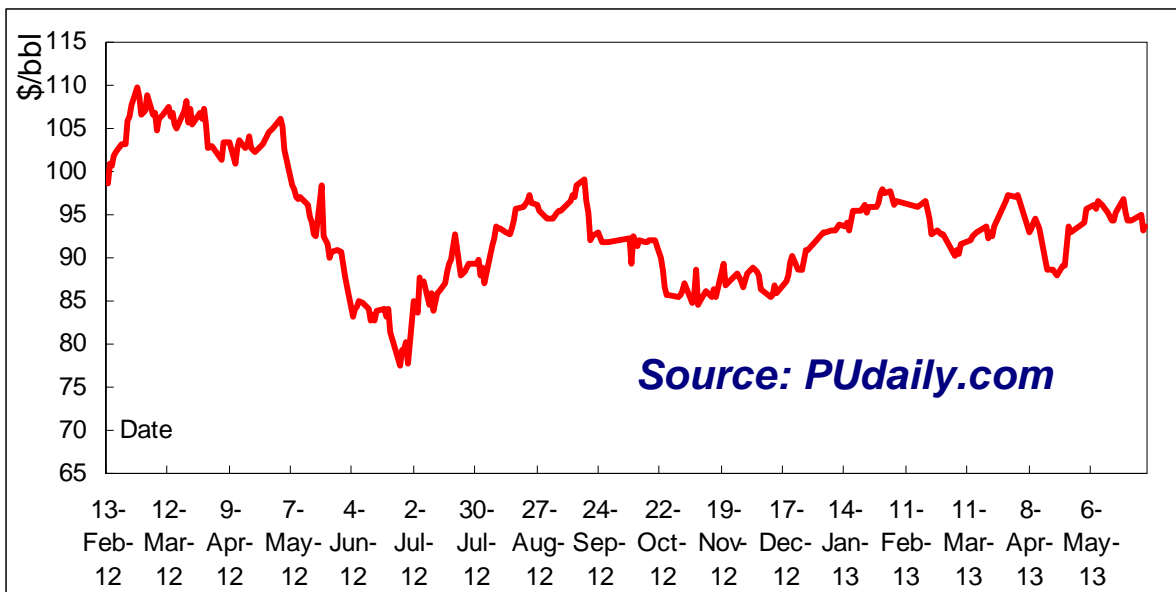
3.1 Crude Oil

Table 5: Weekly Crude Oil Pricing (\$/bbl)

Date	Nymex WTI	IPE Brent	OPEC Basket
2013-6-7	94.76	103.61	101.09
2013-5-31	93.61	102.19	--
Fluctuation	1.15	1.42	--

Notes: prices for future contract

Graph 2: WTI Crude Oil Price Trend from 2012 to 2013



3.2 Propylene

Table 6: Weekly Propylene Pricing Comparison

Date	Shandong (RMB/ton)	CFR PRC (USD/ton)
2013-6-7	9750-9800	1359-1361
2013-5-31	9600-9700	1354-1356
Fluctuation	150,100	5, 5

3.3 Liquid Chlorine

Table 7: Liquid Chlorine Pricing in Shandong (RMB/ton)

Date	Shandong
2013-6-7	700-800
2013-5-31	600-700
Fluctuation	100, 100

① n/c refers to "No Change".

4. PO Import and Export Analysis

Table 8: China PO Import Data in April 2013 (Tons)

Month	Imports
201301	30668
201302	22845
201303	33248
201304	36239

Table 9: Korea PO Import Data in April 2013 (Tons)

Month	Singapore	Netherlands	Japan	Thai	Saudi Arabia	U.S.A	Total in 2013	Total in 2012	Growth Rate
201301	3920	--	10845	2002	--	2098	18865	14096	34%
201302	1029	--	12099	--	--	--	13127	14050	-7%
201303	3416		10689	1989			16094	18893	15%
201304	2559	90	13991	2000			18641	22717	-18%

Table 10: Japan PO Export Data in April 2013 (Tons)

Month	S KOREA	CHINA	TAIWAN	NETHLDS	THAILND	Total in 2013	Total in 2012	Growth Rate
201301	8801	--	--	--	--	8801	14400	-38.9%
201302	4498	3999	--	--	--	8497	7999	6.2%
201303	8997	6998				15995	14498	10.3%
201304	17996					17998	2000	799.9%

4. Market Forecast

Most market players are negative about later market and downstream demands are unlikely to improve in dull season. But PO suppliers are unwilling to decrease the quotations largely as their profits have been squeezed even to the cost line along with propylene and liquid chlorine prices' increment. Therefore, it is speculated that propylene oxide prices might decrease with limited range next week.

Notes:

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