THAILAND REFINERY

Globlex Securities Co., Ltd.
16 July 2026

Tight Supply, Strong Cracks, Healthy GRM

- We remain constructive on 2H26 refining margins, supported by supply disruptions outweigh the impact of higher refinery runs.
- Tight supply and low inventories keep GRMs elevated despite China recovery.
- We prefer SPRC and BCP.

The Margin Party Isn't Over

The renewed Middle East conflict has reinforced our constructive view on 2H26 refining margins. We expect GRMs to remain elevated through 2H26 as resilient product cracks should more than offset the impact of temporarily higher crude premiums. Although China's refinery throughput is expected to recover gradually from Jul-26, the recovery should remain measured and insufficient to materially ease regional product tightness. Meanwhile, ongoing refinery disruptions in Russia and the Middle East, together with seasonal demand and limited global spare refining capacity, should keep diesel, jet fuel, and gasoline cracks well supported.

Tightness Keeps the Wheel Turning

Although refinery runs are expected to recover during 3Q26, we do not expect a sharp increase in regional product supply, as higher utilisation should be largely offset by persistent supply disruptions. Around 1.6mbd of Russian refining capacity remains disrupted, while approximately 1.0mbd of Middle Eastern refining capacity is expected to remain offline during 3Q26 following recent attacks. In addition, roughly 493kbd of damaged refining capacity is likely to require 5–8 months to return to service, delaying a meaningful recovery in global refining supply. Meanwhile, US refineries continue to operate at exceptionally high utilisation rates of 96–98%, leaving limited spare capacity to absorb further supply disruptions. Seasonal inventory restocking ahead of winter and the US hurricane season should provide additional support to product markets.

China Runs, But Cracks Hold

We expect China's refinery throughput to recover gradually from Jul-26 and continue improving through Aug–Sep, reaching around 2025 operating levels by mid-3Q26. While the relaxation of CPP export restrictions for July and improving refining economics should support higher runs, the recovery is likely to remain measured due to weak domestic fuel demand, elevated product inventories at NOC refineries, and subdued margins for independent teapot refiners. As China remains the key swing supplier in Asia, any acceleration in refinery runs and CPP exports could weigh on regional product cracks, although we expect the impact to be limited in the near term given tight global product balances.

Low Inventories, High Sensitivity

Low global product inventories provide limited downside protection against supply disruptions. With refinery outages and slower capacity recovery keeping refined product balances tight, low middle-distillate stocks leave diesel and jet fuel markets vulnerable to further shocks. Seasonal demand recovery and winter restocking should further support product cracks.

More positive on refineries

We turn more constructive on the refinery sector, as we expect GRMs to remain healthy through 2H26, supported by resilient product cracks and tight global product balances. We prefer SPRC and BCP, which are best positioned to benefit from strong product margins and operational recovery. We expect 2H26 earnings to remain strong, supported by elevated GRMs and improved refinery utilisation.

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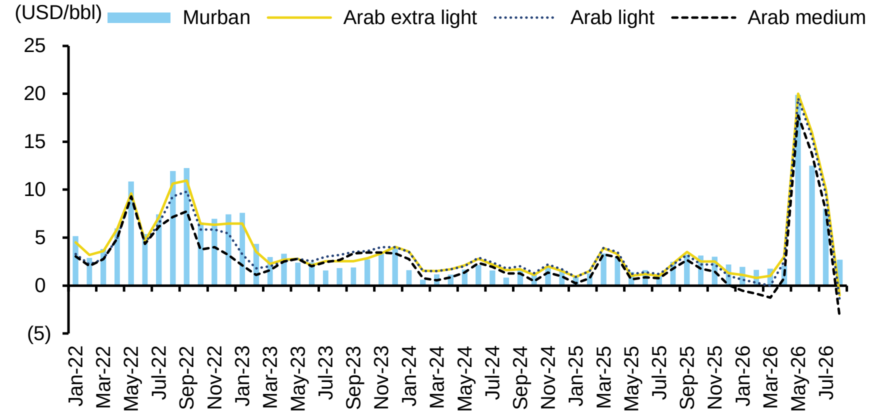
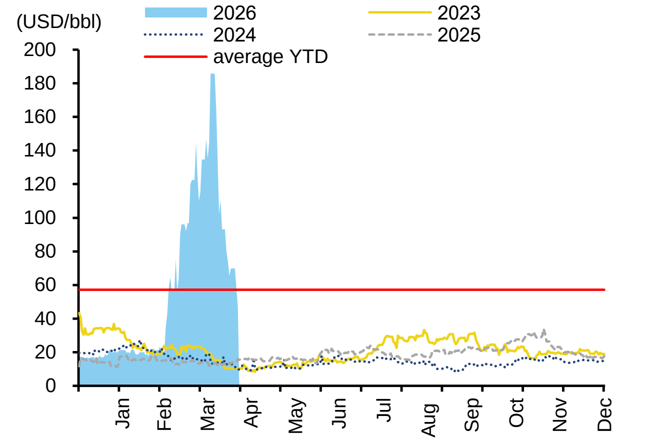
Exhibit 1: Crude premium



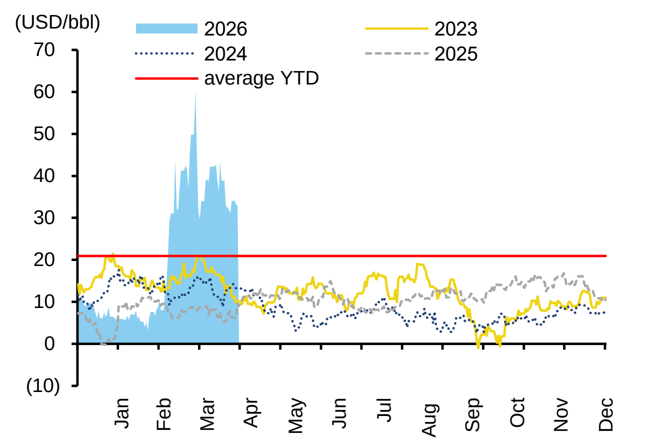
Sources: TOP; Globlex Research

Exhibit 2: Gasoil 0.5% Sulfur fob SG Spot Price - Dubai crude oil price



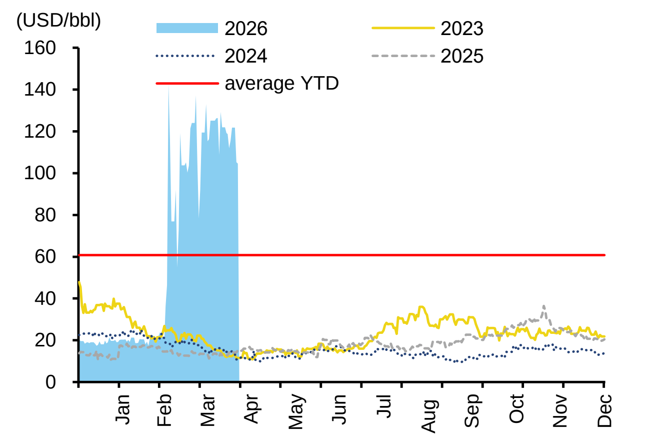
Sources: Bloomberg, Globlex Research

Exhibit 3: 92 Octane Gasoline fob Spot Price - Dubai crude oil price



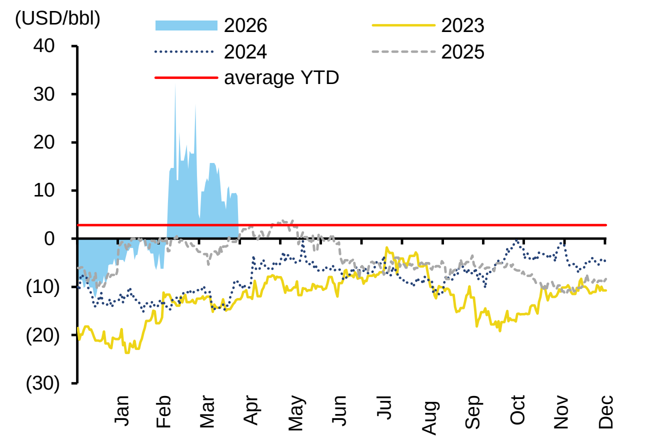
Sources: Bloomberg, Globlex Research

Exhibit 4: Jet Kerosene fob Spot Price - Dubai crude oil price



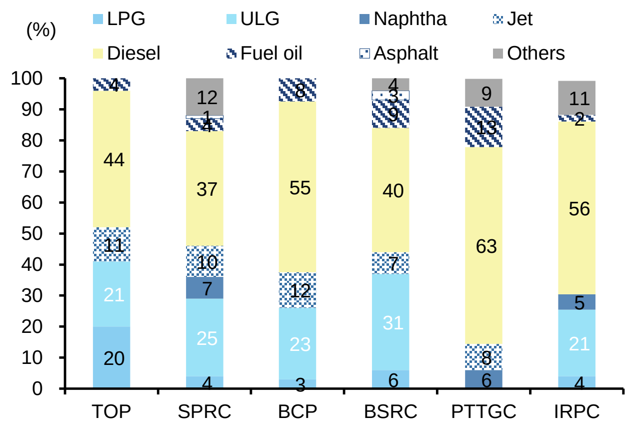
Sources: Bloomberg, Globlex Research

Exhibit 5: High Sulfur fuel Oil Spot fob Singapore - Dubai crude oil price



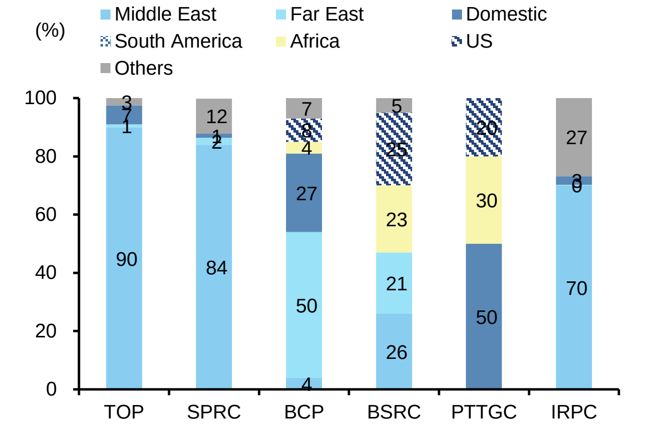
Sources: Bloomberg, Globlex Research

Exhibit 6: Thai refineries - Product yield (2025)



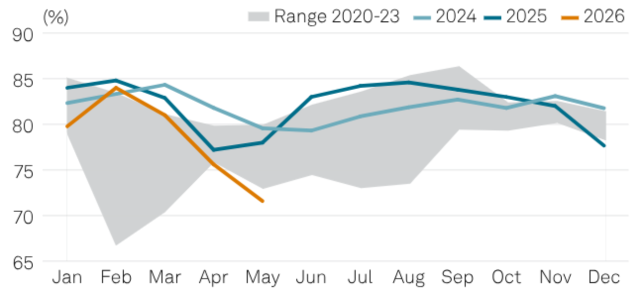
Sources: Companies; Globlex Research

Exhibit 7: Thai refineries – Crude mix (2025)



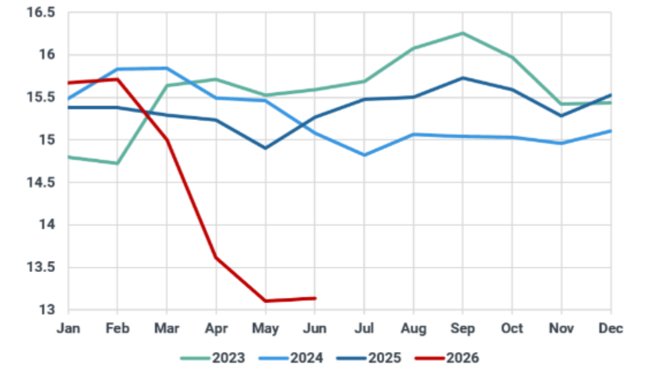
Sources: Companies; Globlex Research

Exhibit 8: China's state-owned refineries run rate (%)



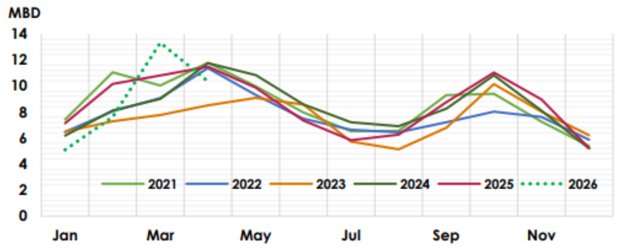
Sources: S&P Global

Exhibit 9: China's state-owned refineries run (mbpd)



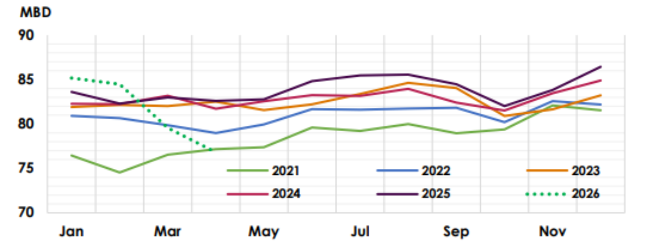
Sources: Kpler

Exhibit 10: Global refinery outage (mbpd)



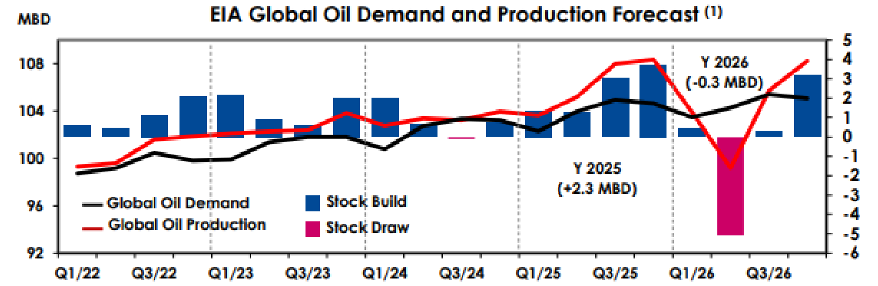
Sources: TOP

Exhibit 11: Global refinery run (mbpd)



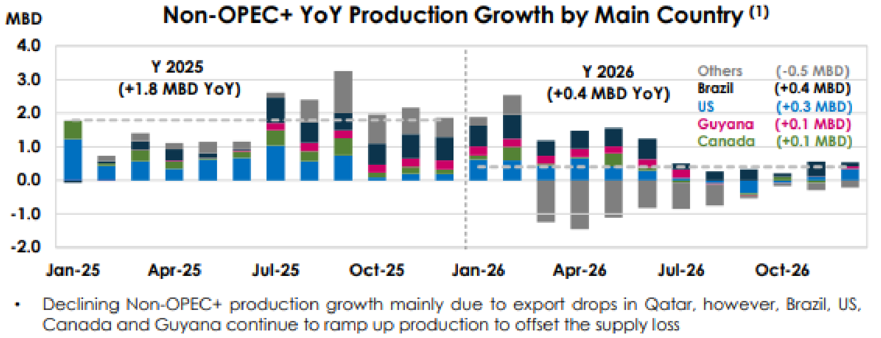
Sources: TOP

Exhibit 12: EIA global oil demand and production forecast



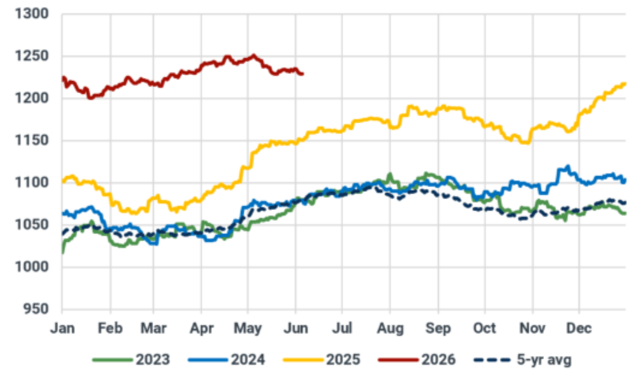
Sources: TOP

Exhibit 13: Non-OPEC+ yoy production growth by main country



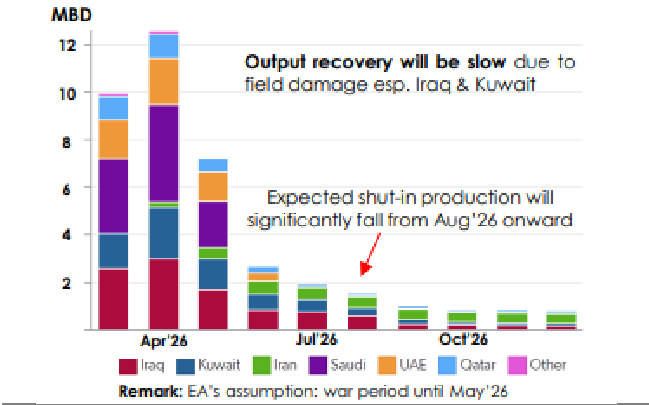
Sources: TOP

Exhibit 14: China onshore crude oil inventories (m bbl)



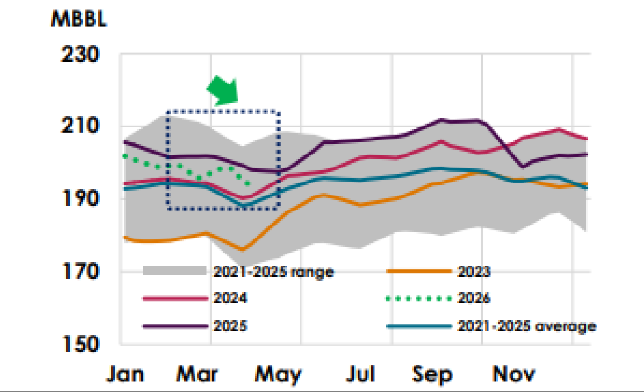
Sources: Kpler

Exhibit 15: ME production shut-in by country



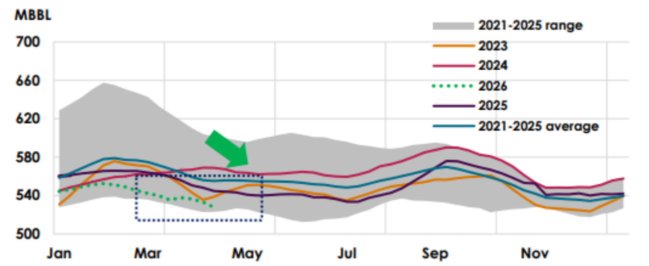
Sources: TOP

Exhibit 16: Global jet inventory



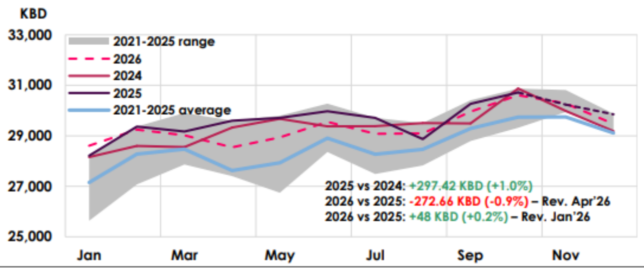
Sources: TOP

Exhibit 17: Global gasoil inventory



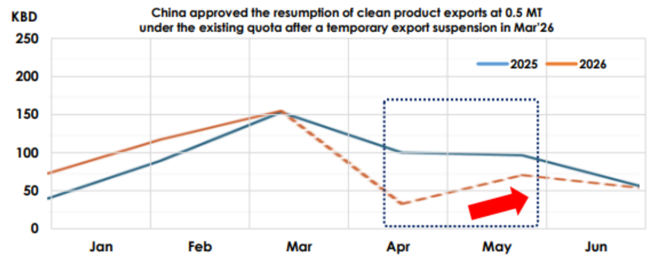
Sources: TOP

Exhibit 18: Global gasoil demand



Sources: TOP

Exhibit 19: Chinese gasoil export



Sources: TOP

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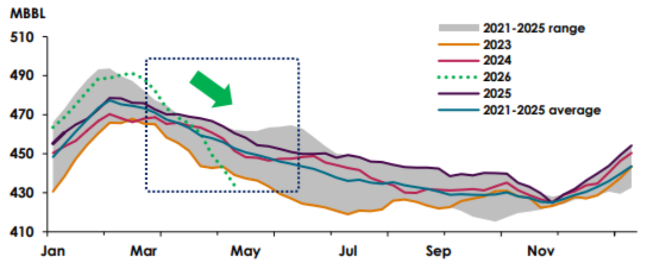
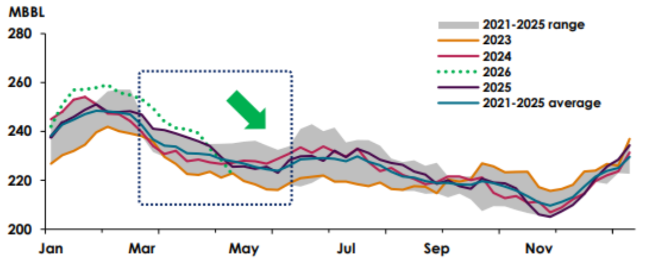
Exhibit 20: Global gasoline inventory



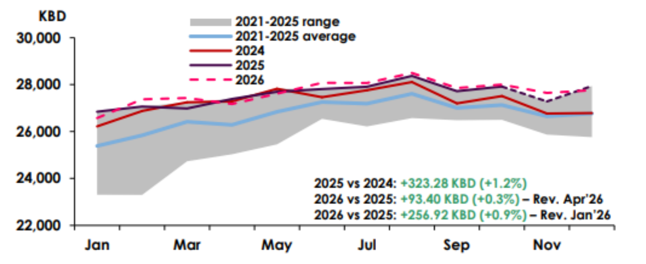
Sources: TOP

Exhibit 21: US gasoline inventory



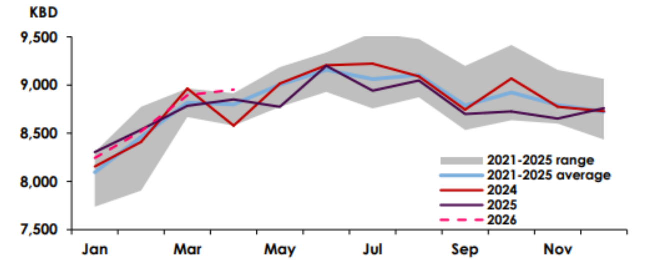
Sources: TOP

Exhibit 22: Global gasoline demand



Sources: TOP

Exhibit 23: US gasoline demand



Sources: TOP

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Analyst Certification

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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.