18

WEDNESDAY

"Index or portfolio: which one is more important currently?"

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- **Index or portfolio: which one is more important currently?**
- **Prospects for global crude oil market in 2016**

Index or portfolio: which one is more important currently?

It is fair to say the retreat of VNM today (-VND2,000) has no-longer been the solitary downward pressure on VN-Index. In fact, nearly 60% of the 30 largest stocks on HSX finished the day lower than yesterday's after experiencing very strong profit-taking pressure and closed at near or at respective lowest intraday prices (closing price < highest intraday price about 2%). More worryingly, the participating cash flow started to show sign of contracting given today's total trading value only VND2200 billion.

Market saw six consecutive net-selling sessions with today net-selling value of just VND 25 billion, focusing on MSN (VND -24.2 billion) and VNM (VND – 18.5 billion). The top buying of foreigners today was NT2, with value of VND 8.9 billion. So, NT2 increased VND 400 per share. ***NT2 is one of favorite stock in Rongviet Research cover list thanks to leading position in its sector as well as its position in VN30 portfolio***. Accumulating to end of October, NT2's total power output was approximately 4.49 billion kWh, higher 4.5% than its guidance and also reaching 87.3 % our forecast. Under prospect of another year of El Nino effect, meaning hydroelectric plants will continue struggling, the thermal power plants as NT2 will continue taking benefit thanks to: (1) power production expected be mobilized at higher level; (2) Gas prices pegging to market prices low and so further lower than prices in contracts. With the decline in input prices, NT2 could have the advantages when participating in competitive electricity market. NT2's gross margin is expected to continue the improvement. Furthermore, with over VND7,505 billion in charter capital (on 18/11/2015), NT2 is among the group with highest capitalization on HSX and after 12/12, NT2 will meet the requirement to be put in VN30. At the closing price of VND27,400/share on 18/11, NT2 is trading at approximately 10.2% lower in price than our target for 2015

Observing unflavored intraday movements of large cap stocks as well as diminishing capital inflow, we think that investors' sentiment is quite vulnerable at this moment. After 2 consecutive days of flushing capital inflow but VNIndex did not manage to close higher, the reason behind could be either (1) investors are more conservative (or even a little bit bearish) to decide open more long positions or (2) less amount of capital available for new trading activities. Beside, we also take into consideration such large capital, which has been injected in last two days, might be withdrawn from markets as investors failed to seek for short-term profit. All of these signals raise a warning of increasing short-term risks for markets.

Therefore, instead of following VNIndex, which is possibly moving in unclear direction currently, for short-term investment decisions, we believe that investors still have another alternative for safer investment. Investors may think like businessmen, who are always looking forward to a successful year-end. At present, it would be high time for investors to restructure their portfolios: delete risky stocks or stocks that do not have potential growth in next year; lower margin trading activities as much as possible and choose fundamental, "worry-free" stocks to hold for upcoming festivals and new year time.

Prospects for global crude oil market in 2016

Beside those two factors as we mentioned in Advisory Diary 17/11/2015, in 2016, Rongviet Research recognized that there will be several events affected the global supply:

- Iran embargo could be lifted

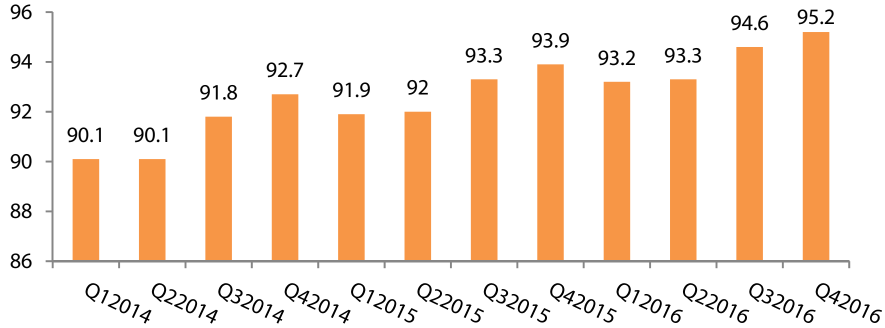
Iran has large crude reserves, abundant output and attracted more and more investors into crude industry. Under such possibility, after the embargo being lifted, Iran could increase the crude production by 500,000 barrels/day after 1 – 2 months and by another 500,000 barrels after 5 – 6 months. Therefore, the global supply could add up by additional 1 million barrels/day from Iran next year. As a result, this even illustrated no sign of supply stagnation.

- OPEC regular meetings in June and December 2016
  We believe that it could be difficult to reach an agreement about decreasing the quota for 13 countries at 30 million barrels/day. Instead, 2016 output could continue to maintain a high level in order to support members in term of (1) compensation for deficit in revenue under low prices and (2) facing huge output from US, maintaining the market share for competitiveness could be the primary goal.
- US could remove export barrier for crude oil
  According to EIA's analysis, completely lifting the export barrier could bring modest impact on global markets. In term of prices, WTI and Brent price gap could be narrowed down. However, the effects to supply and demand-side have not been explicitly quantified.

In term of demand side, according to EIA in 2014, the proportion of crude production for transport sector accounted for 75% of crude output being used. Furthermore, statistics also demonstrated that transport demand, especially freight segment, has significantly improved (for non-OECD countries) and such trend was expected to continue in the future (through promising free trade agreements). In 2016, global output growth reached approximately 3.6%. Specifically, growth rate of emerging markets and developing economies as IMF's assessment could achieve 4.5%, 0.5% higher than 2015.

Overall, such growth rates could be positive for global demand but still a modest figure. We believe that crude oil will face several challenges such as (1) improvement in energy efficiency; (2) the shift toward alternative resources as natural gas, biofuel and electricity; (3) USD appreciation due to FED's rate hike. In 2016, global demand was expected to increase to 94.1 million barrels/day, only +1.4% compared to 92.8 million barrels/day in 2015 according to OPEC's forecasts. The groups with the highest growth still come from emerging markets and developing countries like Asia (+3.22%) and Africa (+3.68%).

Figure: Global demand forecasts from OPEC (unit: million barrels/day)



Sources: OPEC

Table: Crude demand in several regions (unit: million barrels/day)

Khu vực	2015	2016	% y.o.y
Americas	31.34	31.49	0.48
Europe	14.32	14.33	0.07
Asia Oceania	8.16	8.13	0.37
Asia	23.59	24.35	3.22
Middle East	8.16	8.35	2.33
Africa	4.08	4.23	3.68

Sources: IEA

To conclude, improvement in 2016 demand that could significantly boost the recovery of crude prices could possibly not happen. Base scenario pointed out that in 2016, crude price could maintain at the average level of 2015, or even slightly dropped.

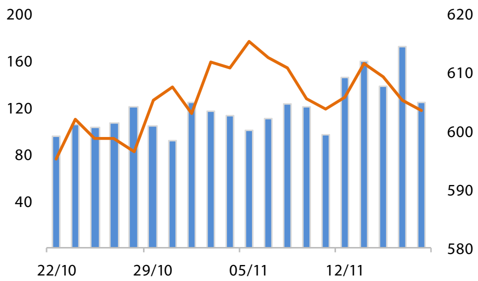
Oil price forecasts from several institutions (unit: USD/barrel)

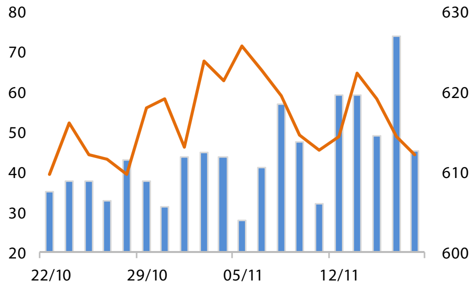
Institutions	2015	2016
World Bank	**52**	**51**
Moody's	**53**	**48**
IMF	**52**	**50**
Goldman Sachs	**-**	**50**
Morgan Stanley	**54**	**53**
BMI	**59**	**61**
EIA	**54**	**56**
Average	**54,00**	**52,71**

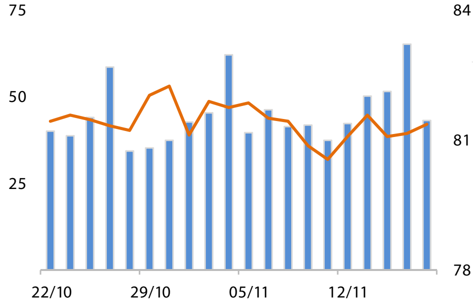
Sources: Rongviet Research compiled

According to HIS Energy, Vietnam is currently among "Energy Equity" countries (with low prices for energy) and far away from "Energy Security" and Environmental Sustainability groups. Focus on balancing energy (balance imports/exports and increase the usage of low-carbon energy sources); room for growth of Vietnam crude industry is plentiful. Furthermore, many unexploited fields with low level of infrastructure for mid-stream could open up many opportunities for companies' expansion in oil & gas industry. However, similar to other countries, lower crude prices could be the obstacle for new investment and exploring/exploiting activities. Therefore, attracting new capital investment could become more and more difficult. As a conclusion, under such assessment and analysis, we believe that 2016 could be a challenging year for Vietnam oil & gas industry.

VNINDEX	-0.28%	603.34	VN30	-0.35%	612.25	HNXINDEX	0.27%	81.36

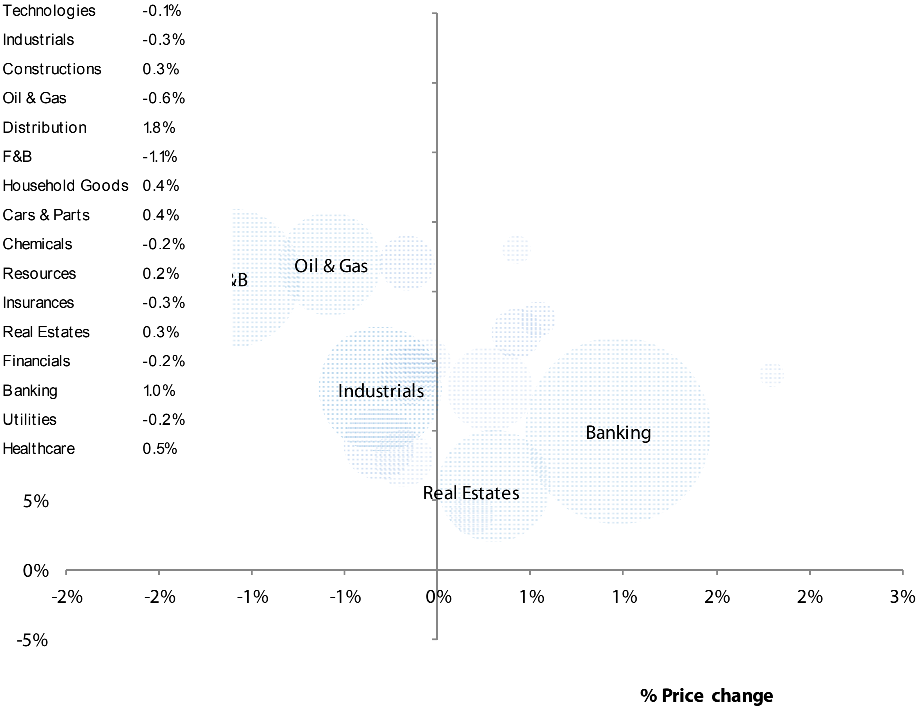




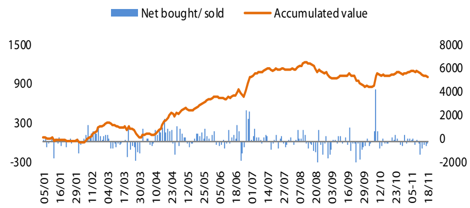


Industry Movement

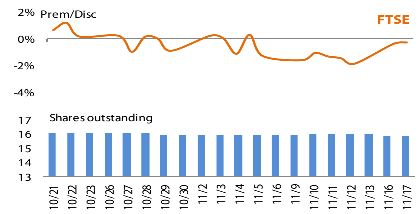
Industry	%change
Technologies	-0.1%
Industrials	-0.3%
Constructions	0.3%
Oil & Gas	-0.6%
Distribution	1.8%
F&B	-1.1%
Household Goods	0.4%
Cars & Parts	0.4%
Chemicals	-0.2%
Resources	0.2%
Insurances	-0.3%
Real Estates	0.3%
Financials	-0.2%
Banking	1.0%
Utilities	-0.2%
Healthcare	0.5%

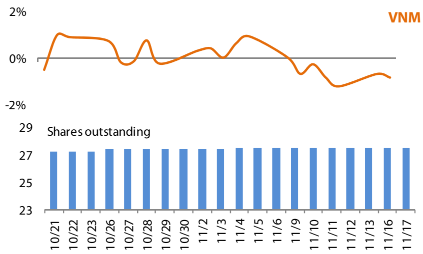


Foreign Investors Trading



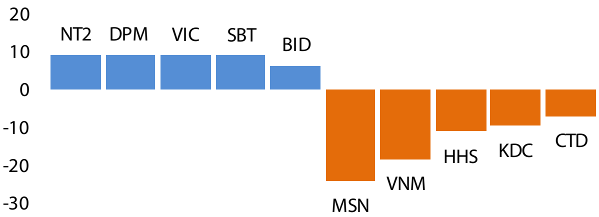
ETF



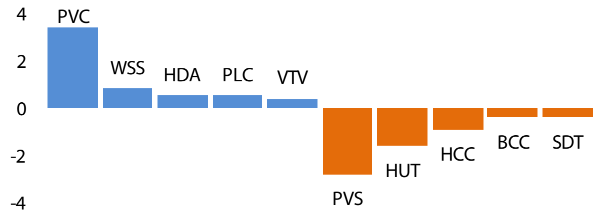


Top net bought/sold by foreigners (VND bn)

HSX



HNX



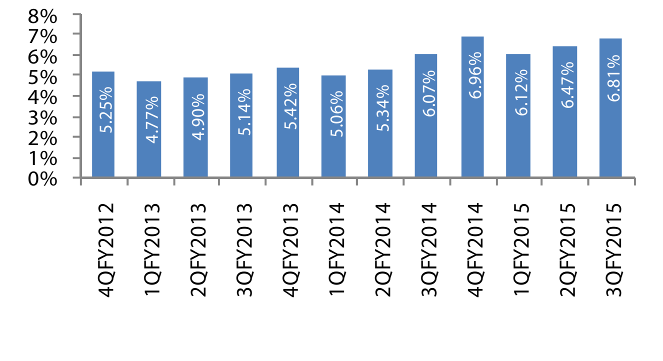
Top Active

Ticker	Price	Volume	% price change
FLC	8.3	12.04	-1.2%
OGC	3.3	9.74	6.5%
FIT	10.5	7.17	-1.9%
HHS	16.7	6.04	1.8%
SBT	17.9	5.69	3.5%

Ticker	Price	Volume	% price change
KLF	4.7	4.29	-2.1%
SCR	8.5	4.25	0.0%
TIG	11.3	2.46	-0.9%
SHN	13.4	2.05	6.3%
SHA	13.4	1.18	8.9%

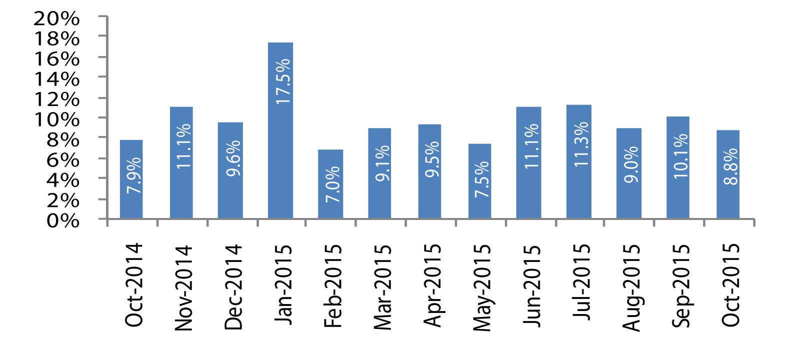
MACRO WATCH

Graph 1: GDP Growth



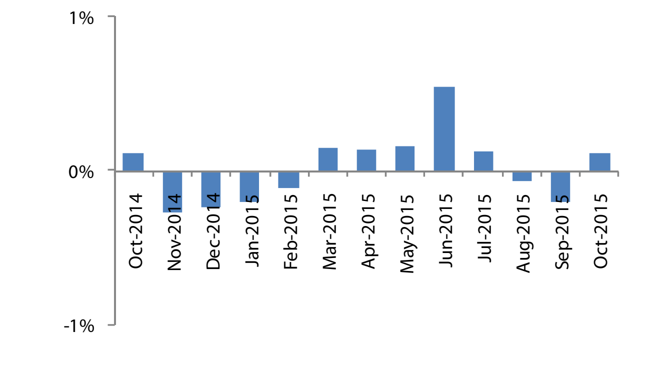
Sources: GSO. Rongviet Securities database
(*) Comparision price in 1994

Graph 2: IIP



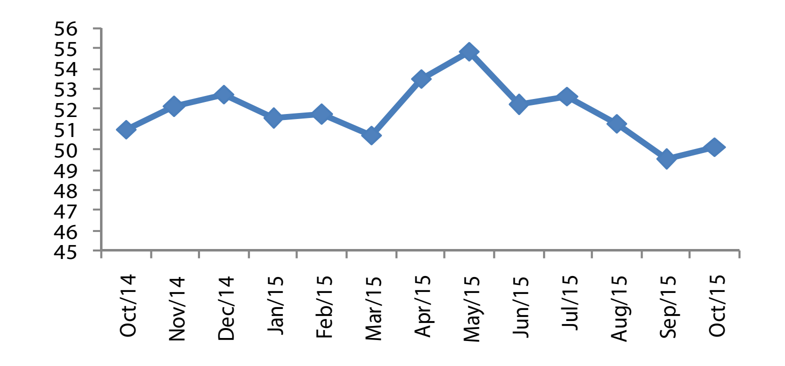
Sources: GSO. Rongviet Securities database

Graph 3: Monthly CPI



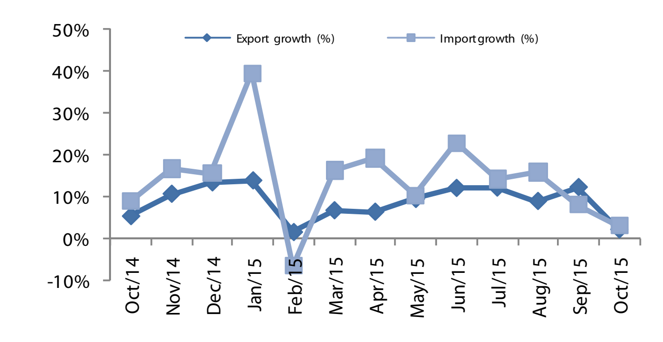
Sources: GSO. Rongviet Securities database

Graph 4: HSBC - PMI



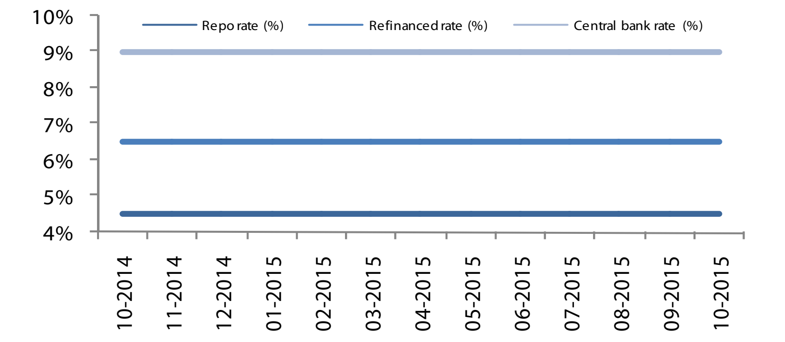
Sources: GSO. Rongviet Securities database

Graph 5: Trade Growth



Sources: GSO. Rongviet Securities database

Graph 6: Interest



Sources: SBV. Rongviet Securities database

RONG VIET NEWS

COMPANY REPORTS	Issued Date	Recommend	Target Price
DRC - Expecting on replacement segment.	November 13th, 2015	Accumulate – Long term	52,000
NKG- Capital ravels to be untangled	November 6th, 2015	Neutral – Intermediate term	17,400
DMC - Restructuring sparks positive changes	October 30th, 2015	Accumulate – Intermediate term	49,000
HSG - New investments: The engine of growth	October 29th, 2015	Accumulate – Long term	52,500
KSB - Rock-solid foothold in the construction stone	October 28th, 2015	Buy – Intermediate term	38,400

Please find more information at [*http://www.vdsc.com.vn/en/companyReport.rv?categoryId=302*](http://www.vdsc.com.vn/en/companyReport.rv?categoryId=302)

FUND CERTIFICATION INFORMATION

Fund name	Trading Day	Subscription Fee (% of trading value)	Redemption Fee (% of trading value)	NAV per unit at valuation date	NAV per unit last valuation date	Change in NAV
VFF	03/11/2015	0% - 0.75%	0% - 2.5%	12,058	12,047	0.09%
VEOF	03/11/2015	0% - 0.75%	0% - 2.5%	10,674	10,488	1.77%
VF1	11/11/2015	0.2% - 1%	0.5%-1.5%	24,055	24,092	-0.15%
VF4	11/11/2015	0.2% - 1%	0%-1.5%	10,886	10,869	-0.02%
VFA	05/11/2015	0.2% - 1%	0%-1.5%	7,517	7,461	0.76%
VFB	05/11/2015	0.3% - 0.6%	0%-1%	12,490	12,409	0.66%
ENF	06/11/2015	0% - 3%	0%	12,233	12,170	0.52%
MBVF	05/11/2015	1%	0%-1%	10,974	10,991	-0.15%
MBBF	04/11/2015	0%-0.5%	0%-1%	12,489	12,438	0.41%

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