RONGVIET SECURITIES

DECEMBER

28

MONDAY

"Stocks mixed in the beginning of the week"

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- **Stocks mixed in the beginning of the week**
- **Macro update**
- **The impacts from US's lifting crude exports on global prices: Do not get too worried!**

Stocks mixed in the beginning of the week

Efforts of large cap stocks. Market saw another session with higher number of losers than number of gainers but VNIndex continued to increase slightly. Today, VNIndex closed at 569.9 points (+2.29 points) thanks to increases of MSN, VNM, VIC, MWG, VCB,…. but market breadth biased to losers, with number of losers to gainers at 138:84 in HSX.

Contrast to positive at some large cap stocks, speculative stocks witnessed high selling pressure. Therefore, many of them closed at and nearly at flooring prices, typically: HQC, SHI, DLG, JVC, HAR, VHG, OGC, ITA, HAI,….

Liquidity and foreigners' trading activities showed some signs of positivity. Total order-matching volumes in HSX surged to 100 million shares. Foreigners turned to net buyers on both bourses to the tune of over VND5 billion. Although this is not a massive number, we think net selling pressures from foreign investors have reduced.

Oil&Gas stocks went in red again. Last week, GAS and PVD as well as other stocks in Oil&Gas sector surged strongly thanks to 5% up in oil price. However, profit taking profit after 3 days erased almost gains today when GAS dropped to VND36,000/share and PVD fell back VND26,000/share. It seems that last week recovery of oil was just a technical correction in a downtrend. Observing oil price, we notice the brent oil has decreased for 2 consecutive days but still remained higher than the bottom of USD36.11/barrel on 22/12/2015.

The economy saw the highest recovery in 8 years

According to the 2015 Social and economic situation report from General Statistics office of Vietnam, the economy recorded a 6.68% growth in GDP, with the main drivers being two sectors namely manufacturing and services. In particular, these two sectors contributed to the 3.2 and 2.43 percentage points respectively. From the GDP using's perspective in 2015, final consumption became the highlight of the economy while contributing to the growth of 10.66%, higher than the two remaining sectors including gross capital formation and trade balance (goods and services) with the contribution of 4.64 and -8.62 percentage points respectively. The detailed information relating to the overall economy will be discussed in AD's tomorrow.

Today, in the Government convenes December meeting, the authority made known that the socio-economic development tasks as well as the state budget plan for 2016. In particular, the macro-economic targets in 2016 includes: GDP growth at 6.7%; inflation rate below 5%, total import-export growth about 10%, ...

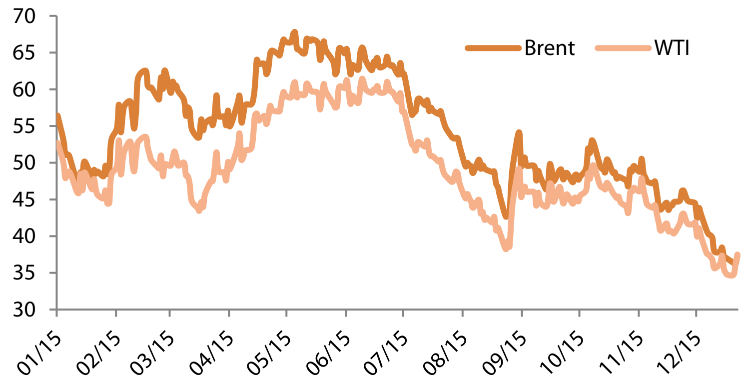
USD/VND exchange rate dropped significantly after the speech by the Governor Nguyen Van Binh of the State Bank of Vietnam (SBV)

In recent days, SBV has usually addressed the newly operating mechanism which is more flexible in USD/VND policies in the upcoming years. Today, this message is reinforced when the Governor made known that the market will play a bigger role in setting exchange rates in order to limit speculation as well as stabilize the market sentiment. As the result, bid-ask currency prices at many commercial banks recorded a sharp correction. Based on recent information, we believe that this might be the first signal from the policy makers for the exchange rate in 2016.

The impacts from US's lifting crude exports on global prices: Do not get too worried!

In 12/2015, US president passed the bill to eliminate the crude export barrier that had existed for nearly 40 years. It opens the unlimited opportunities for crude producers in US to find partners and export crude oil in the future. At this moment, crude price in WTI future contract (US light sweet oil) has surpassed Brent price for the first time since 2010. This pointed out the immediate effect from US decision on global price movements. However, we believe that this could not be an alarming issue for crude prospects in short-term.

Exhibit: Crude price movements in several future contracts



Sources: Bloomberg, Rongviet Research compiled

Table: Impacts from US crude exports on global oil industry

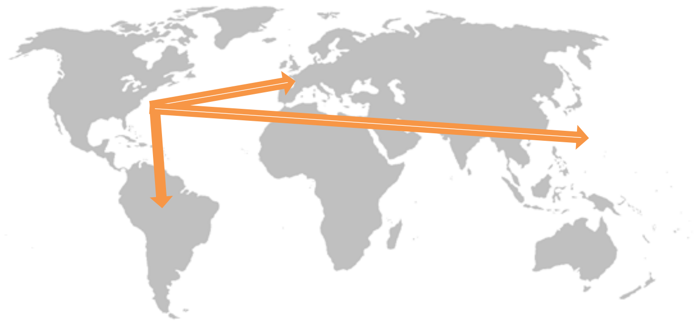
	Short-term	Long-term
Crude prices	No impacts	Decrease
Gasoline prices	No impacts	Decrease
Crude supply	No impacts	Increase
Investment	Increase	Increase

Sources: Rongviet Research

The reasons for such decision to lift crude ban and the effects will be discussed and analyzed below.

The main and foremost reason for crude exports comes from the economic stimulation. According IHS's research, crude export could contribute up to USD86 – 170 billion to yearly GDP for this economy (2016 – 2030), including job opportunities, boosting investment and commercial activities in oil segment. Furthermore, we believe that crude exports could help crude producers to approach the large consumption area like Asia, including developing countries. In addition, this could help US to have political impacts on such countries instead of exporting to Mexico or Canada as before. Finally, in term of technology development in shale oil, increase in production could be likely to happen and need the corresponding source of consumption. Therefore, exporting could answer this question for US in the future.

Exhibit: Potential US crude flow

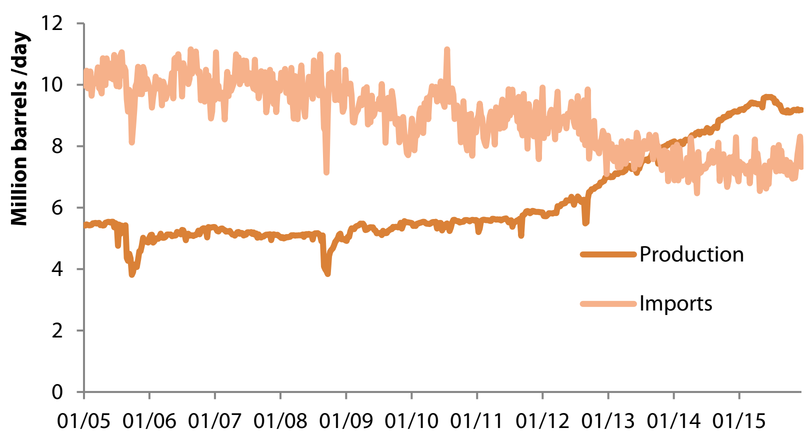


Sources: Center for a New American Security

The impacts from US crude export on global oil market and crude prices.

First of all, we need to have a clearer perspective about production and import situation of US. Even though US has become the leading producers in crude oil (over take Saudi Arabia and Russia), US have to maintain the import condition with large amount. According to the latest statistics from US Energy Information Agency (EIA), in mid-December, US imported 7.33 million barrels/day and produced 9.18 million barrels/day.

Exhibit: US crude imports and production

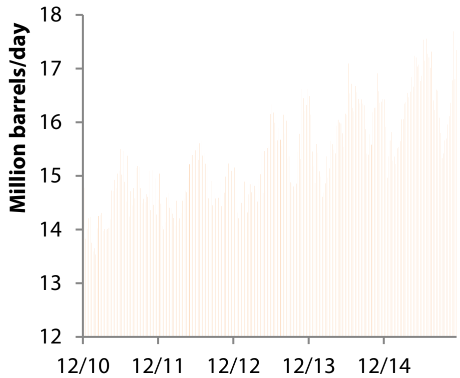


Sources: EIA, Rongviet Research compiled

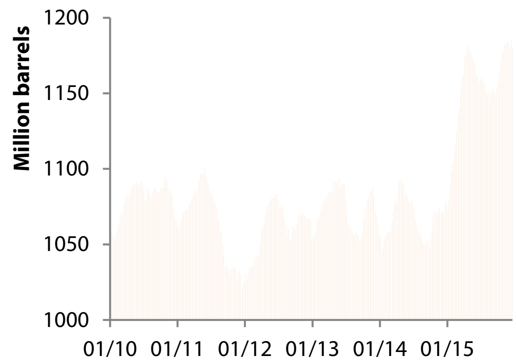
Such aspect seem to be unreasonable, however, there are 2 main reasons leading to the major imports of US. The first reason (1) is that US crude demand has been the highest globally with the figure for 12/2015 achieved 14.64 million barrels/day. Furthermore, (2) shale-oil can only product light sweet oil while the energy infrastructure in US mainly use heavy sour oil from Middle East. However, there is a trend of decline in imports and increase in production, formed by the end of 2012, the year with a leap in shale technology. Based on statistics, US depends on only 30 – 40% of demand from imports compared to the previous 60% in 2005. In addition, crude reserves in US has reached the record level, achieved 1.18 billion barrels in 12/2015. Lifting export ban could help US solve this issue and become a risk for global crude prices in the future.

Exhibit: US crude demand

Exhibit: US crude reserves



Sources: Bloomberg



Sources: EIA

However, we believe that base on the decline trend in domestic production and low crude prices; it could be ineffective for US to boost exports in term of profit. Moreover, while WTI and Brent prices approached each other's, US has to bear other costs such as shipping fees, management fees… leading to the increase in COGS and exports could not be financially viable. In addition, US crude oil needs to find consumers who could use light sweet oil and improve the infrastructure for this type of oil (WTI needs several requirements in term of transportation and more complex refinery process). With the above reasons, we believe 2016 will not witness the impacts from US crude exports.

In **long-term**, such decision could heavily impact on countries that product heavy sour oil such as Russia, Nigeria… or South East Asia region. After completing the development of infrastructure and transportation system, US will be the direct competitors to crude exporting countries. Furthermore, according to the assessment from EIA, the prices of oil products especially gasoline will enter the decline trend in the future. It implies that US exports will decrease the other type of oil prices such as Brent, leading to the decline in input prices for refinery products in long-run. Moreover, when US further develops the refinery infrastructure, the drop in imports will be inevitable and affect the consumption of heavy oil (Brent).

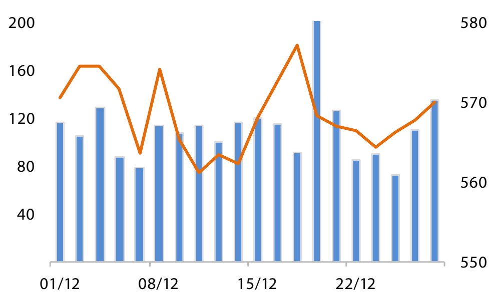
Table: Researches on the impacts of US crude export on gasoline prices

Researches	Gasoline decreases (/gallon)
The Brookings Institute and National Economic Research Associates	USD0.09
Columbia University	USD0.12
Congressional Budget Office	USD0.05 – 0.10
Resources for the Future	USD0.017 – 0.045
U.S. Government Accountability Office	USD0.015 – 0.13
U.S. Energy Information Administration	USD0.00 – 0.01

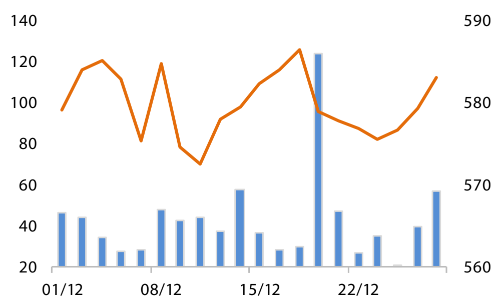
Sources: Rongviet Research compiled

Base on the analysis above, Rongviet Research believes that the impacts US crude exports could be minor at this moment. In long-term, US will be a "powerful" counterbalance exporting countries and directly compete with Russia and OPEC. Therefore, under the competitive pressure, oil prices could maintain at low level and enough for US to cover its production costs.

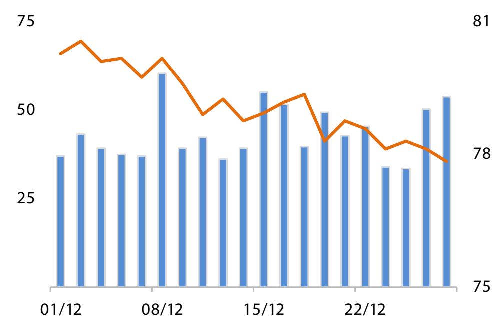
VNINDEX 0.39% **569.90**



VN30 0.66% **583.16**



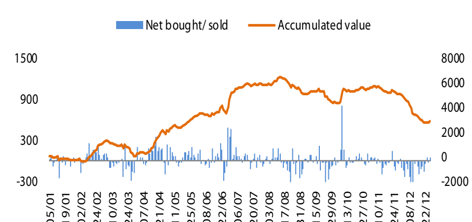
HNXINDEX -0.35% **77.82**



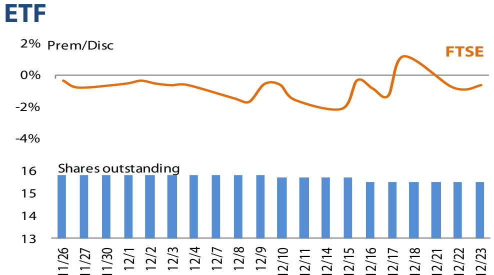
Industry Movement

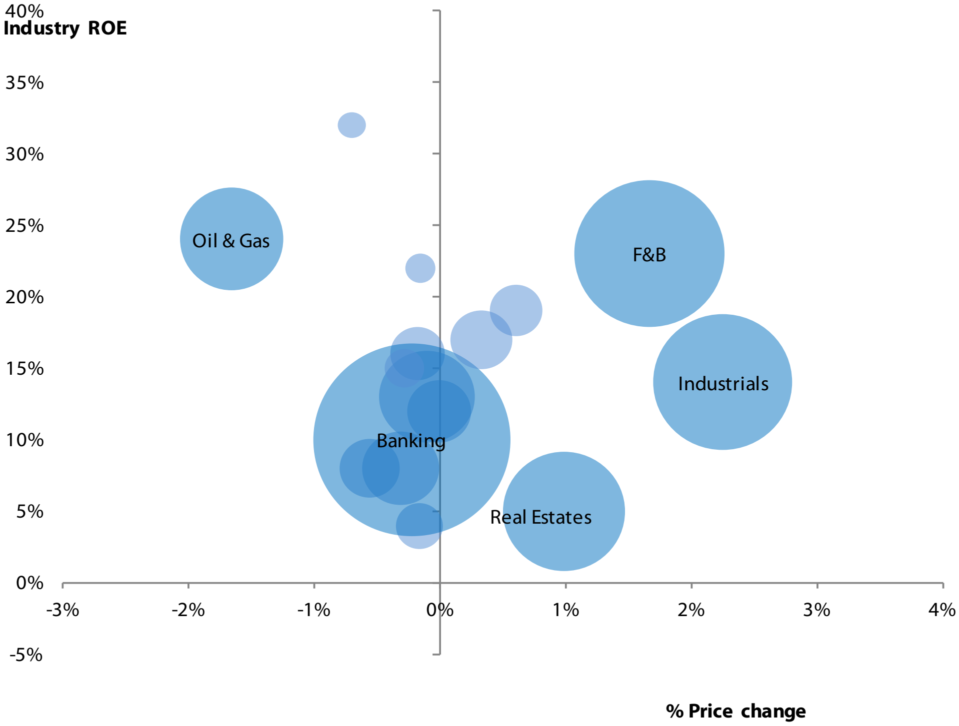
Industry	% change
Technologies	0.6%
Industrials	2.3%
Constructions	-0.1%
Oil & Gas	-1.7%
Distribution	-0.7%
F&B	1.7%
Household Goods	-0.2%
Cars & Parts	-0.2%
Chemicals	0.0%
Resources	-0.2%
Insurances	-0.3%
Real Estates	1.0%
Financials	-0.6%
Banking	-0.2%
Utilities	0.3%
Healthcare	-0.3%

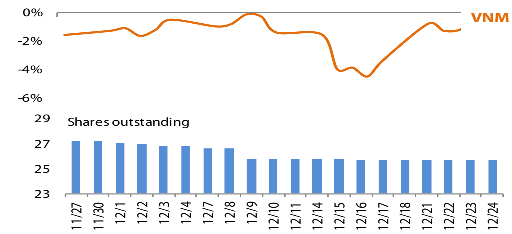
Foreign Investors Trading



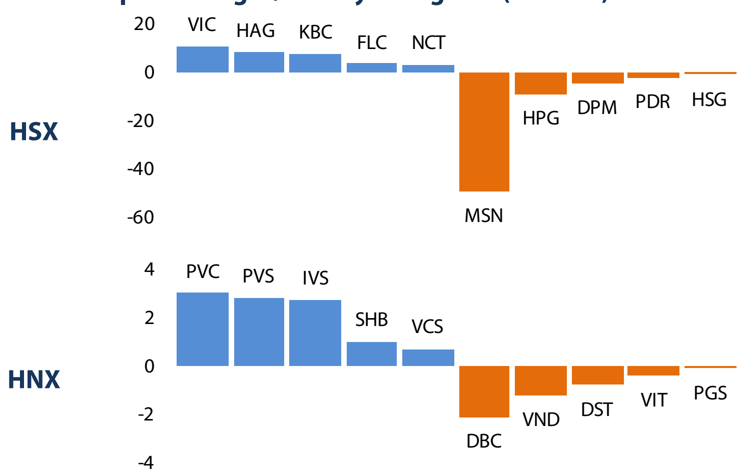
ETF







Top net bought/sold by foreigners (VND bn)



Top Active

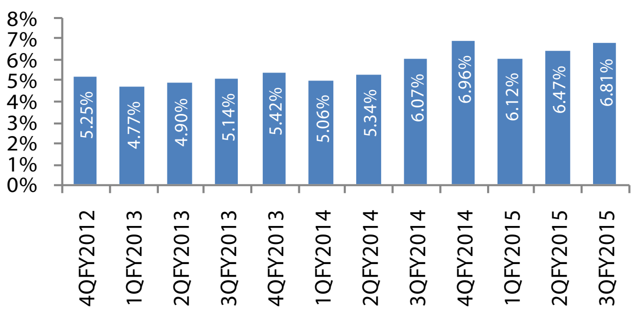
Ticker	Price	Volume	% price change
OGC	4.2	9.91	-4.5%
HAG	10.6	6.27	-2.8%
FLC	7.8	5.64	-1.3%
DHM	5.8	4.32	-6.5%
HAR	4.8	4.00	-5.9%

Ticker	Price	Volume	% price change
TIG	11.0	2.45	-4.3%
KLF	4.3	2.20	0.0%
PVX	3.1	1.74	0.0%
SCR	8.3	1.74	0.0%
SHB	6.1	1.65	0.0%

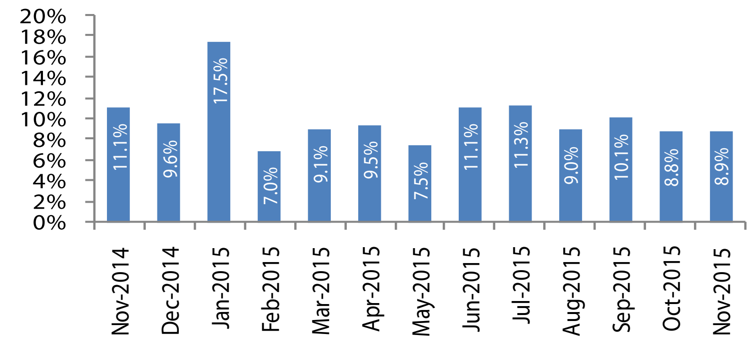
MACRO WATCH

Graph 1: GDP Growth

Graph 2: IIP

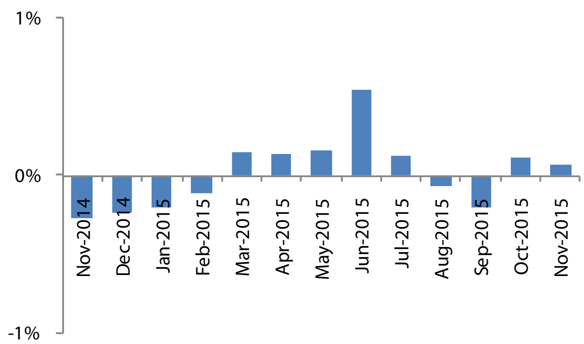


Sources: GSO. Rongviet Securities database
(*) Comparision price in 1994



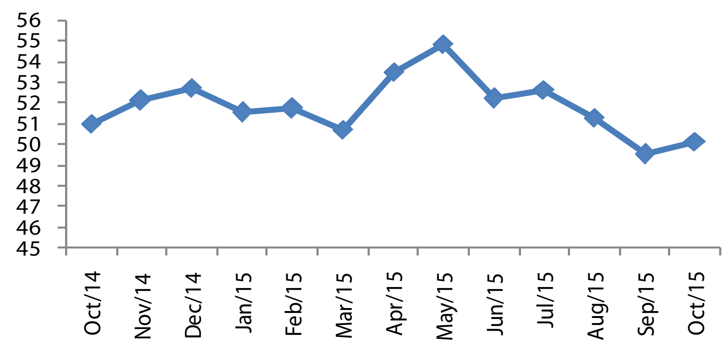
Sources: GSO. Rongviet Securities database

Graph 3: Monthly CPI



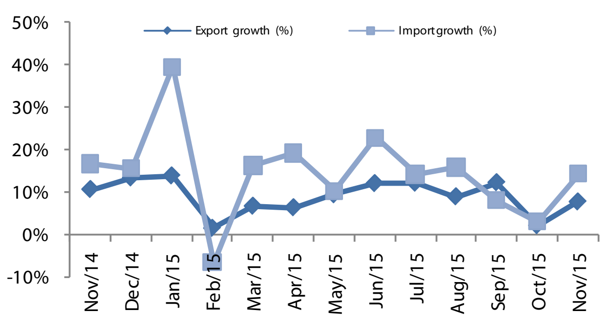
Sources: GSO. Rongviet Securities database

Graph 4: HSBC - PMI



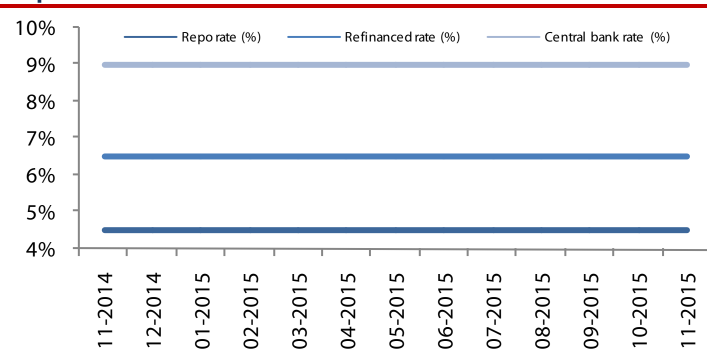
Sources: GSO. Rongviet Securities database

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
ELC- A new growth cycle	December 3rd , 2015	Buy – Long term	33,000
PPC- Positive core business	December 2nd, 2015	Neutral –Long term	21,100
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

Please find more information at 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
VF1	17/12/2015	0.2% - 1%	0.5%-1.5%	23,829	23,685	0.61%
VF4	17/12/2015	0.2% - 1%	0%-1.5%	10,840	10,763	0.72%
VFA	17/12/2015	0.2% - 1%	0%-1.5%	7,230	7,173	0.8%
VFB	17/12/2015	0.3% - 0.6%	0%-1%	12,611	12,611	0%
ENF	11/12/2015	0% - 3%	0%	11,938	12,029	-0.76%
MBVF	10/12/2015	1%	0%-1%	10,883	10,839	0.41%
MBBF	09/12/2015	0%-0.5%	0%-1%	12,523	12,507	0.13%
VF1	17/12/2015	0.2% - 1%	0.5%-1.5%	23,829	23,685	0.61%
VF4	17/12/2015	0.2% - 1%	0%-1.5%	10,840	10,763	0.72%

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