NOVEMBER

17

TUESDAY

ADVISORY DIARY

- **Prospects for global crude oil market in 2016**
- **DQC update**
- **VN-Index couldn't break 610 level despite increasing liquidity recorded**

"VN-Index couldn't break 610 level despite increasing liquidity recorded"

VN-Index couldn't break 610 level despite increasing liquidity recorded. Market activities lately have been characterised by soft developments in the morning session and active at the second half of the day plus high selling pressure as index approaching 610 mark. It is noticed that today saw a rapid jump in liquidity with total trading volume recording 1.5 times average most recent 20 daily sessions. Despite increase in liquidity, Vn-index closed at the lowest intraday level at 605.05 points. On HSX, the index saw equal gainers vs losers number. VNM (-VND6000/share), FPT (-VND2000/share) and BVH (-VND1000/share) all caused the market to fall today.

Foreigners became net sellers in 5 straight days with total value of VND55 billion (+53%). Noticeably, VNM was on top selling list with more than 260 million shares shorted, equivalent to VND35.4 billion. Foreign investors also turned net sellers in Hanoi to the tune of VND5.5 billion. Total selling from foreigners were recorded at VND60.5 billion.

Capital inflow but remained convergence. Speculative stocks such as HAI, KLF, VHG and FLC took turn of VNM, BVH and FPT to become the most "attractive" stocks in today session. Also, when VNM and FPT corrected, markets saw profit taking occurring in stocks, which have made their gains recently like HAH, MWG, CAV, SVC... The rest of markets was not affected by correction of above large cap stocks.

More money did not bring more momentum to markets. It's not to mention that ready-for-sale stocks might be on markets in tomorrow session. Hence, there is a signal of increasing short forces, which might pull index to lower close. Delving into VNM movement, recent accumulated capital in this stock saw a drop compared to which in the beginning periods of this month. If nothing improves, VNM will possibly lose its momentum in upcoming sessions, which might cause negative effect to index. However, as mentioned in recent Advisory Diaries, we believe that VNIndex would be hard to deeply correct. Otherwise, profit-taking pressure as well as correction in VNM would make market sentiment less bullish. Therefore, to hedge risks, investors can lower stock position in risky stocks and open new positions in other good fundamental stocks that have not yet increased too much.

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Prospects for global crude oil market in 2016

Recently, Rongviet Research analyst has had several meetings and discussion with representatives from oil & gas companies. The outcome pointed out that prospect for oil & gas industry for next year significantly depends on crude oil prices. Under the circumstance, that investment outlook for 2016 receives many attentions from investors; we will provide the assessments for the demand-supply aspect of crude oil with the potential prices for next year.

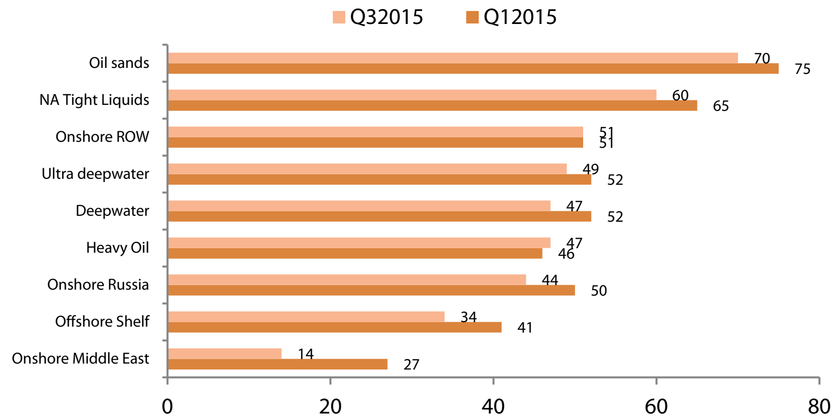
In term of supply side, recent decline of crude prices strongly impacted on the profitability of companies operating in oil exploration segment. However, such decrease has not significantly affected the global oil supplies. Improvement in technology has assisted many companies maintaining the core business activities. In addition, even several countries in Middle East achieve heavily drop in their exploration costs and increase the total supplies in order to capture market share. Meanwhile, the decline in investment could not immediately affect the global supply. Furthermore, several events that can affect crude oil supplies reach the general conclusion that crude oil price will face many difficulties in order to recover the following year.

Improved technology in exploration just slightly declined global supply

The reason for significant drop in crude price over the last 2 years came from the explosion of US shale oil. In theory, low oil prices could force many shale companies to drop the exploration and output. However, the reality demonstrated that over the same period, crude output from US even increased by 491,000 barrels/day, equivalent to about 5.56% yoy increase. Meanwhile, OPEC continues with record figure of crude output, reached 32.21 million barrels/day (+3.96% yoy) in October despite current low prices in order to maintain the market share. Overall in 3Q2015, crude output of OPEC remained above the quota with average 31.65 million barrels/day, especially in Saudi and Iraq (two countries with the highest reserves)

Based on our research, majority of oil contractors were struggling to optimize costs to continue exploration and exploitation. Compared to earlier 2015, break-even points for several types of crude have maintained the decline trends. Remarkably, Onshore crude from Middle East declined to USD 14/barrel and Shale oil costs only USD 34 /barrel at this moment. According to Wood Mackenzie's research on 75 million barrels/day, USD 50 for Brent could force 190,000 barrel to have negative cash flow. Moreover, 400,000 barrels could record negative cash flow if Brent drops to below USD 45/barrel. However, such amount of crude barrels only account for 0.2% of total global supply – a modest figure with low impact on demand side if they were excluded. Therefore, oil producers could hardly drop their output while exploration is becoming more and more efficient. According to our estimation, under current oil price level, 60 – 70% of total supply brings profit or at least break-even.

Figure: Average break even prices for several crude type (unit: USD/barrel)

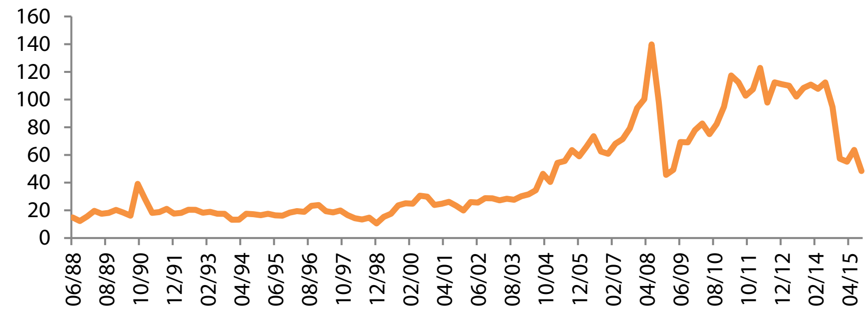


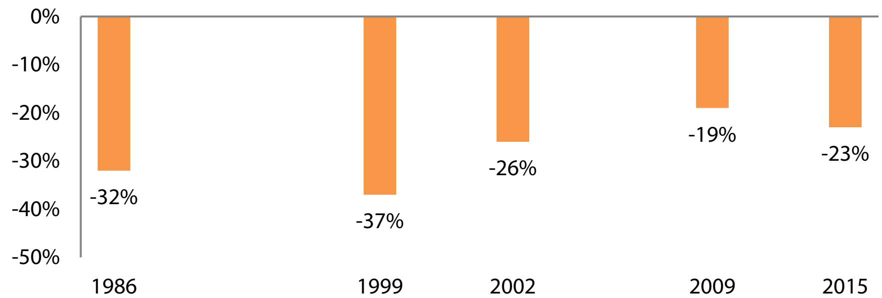
Sources: Morgan Stanley

Investment reduction (CAPEX): the unknown needs several years to affect global supply

In the circumstance of unabated supply, there is a factor could be observed to assess the recovery prospects of crude oil and it is capital expenditure. Lower crude oil usually leads to less motivation for new investment in exploration and exploitation for the future. According to Rongviet Research's statistics, the decline of crude oil price for 1 year could be followed up by significant decline in investment and capital expenditure in oil & gas industry. In 2015, the decline was estimated at 23% compared to last year. Past statistics demonstrated that such drop in CAPEX could affect the crude oil prices after 2 – 3 years in 1999, 2002 and 2009. As a figure below, after deep deterioration in 1999 to USD 10.53 /barrel, the price at the end of 2001 had increased by 88.98%. Same situation occurred for both 2002 and 2009 with the improvement in price level reached 41.17% and 37.79% respectively after 2 years. As a result, reviewing the trend of cutting investment, we expect that the turnaround point for crude could fall into late 2016 and early 2017.

Figure: Change in CAPEX compared to previous year during significant adjustment in crude oil prices (unit: USD/barrel)





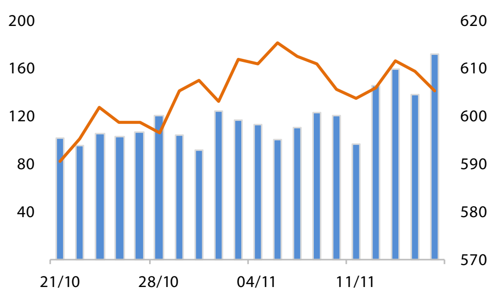
Sources: Bloomberg, Morgan Stanley, Rongviet Research compiled

In the next Advisory Diary on 18/11/2015, we will deliver the impacts from several possible events on 2016 markets and the assessments of global demand in order to reach a general conclusion about 2016 crude oil.

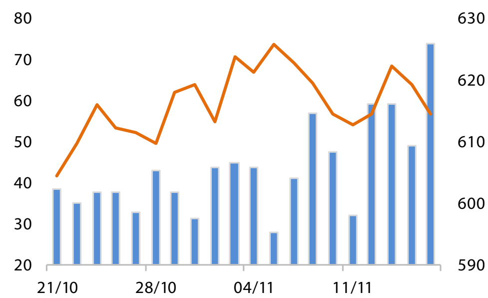
DQC update

Dien Quang JSC (HSX-DQC) continues to witness the second record at the floor price (-13%). It is likely to proceed from investors' disappointment as business result in 3Q2015 was under expectation. Particularly, DQC recorded revenue and NPAT for 3Q2015 VND 288,1 bn (-31.8% y-o-y) and VND 26.3 bn (-73% y-o-y) respectively. Thus, DQC performance in 9M/2015 recorded revenue and NPAT, which are VND 643.2 billion (-37% y.o.y) and VND 126.3 billion (-26.3% y.o.y) respectively. However, if taking out the surge in imports revenue due to inventory, core business in 9M2015 improved by 5% yoy. Therefore, such results could not be relatively negative; especially during the situation that company is facing fierce competition and increase in input prices (according to DQC).

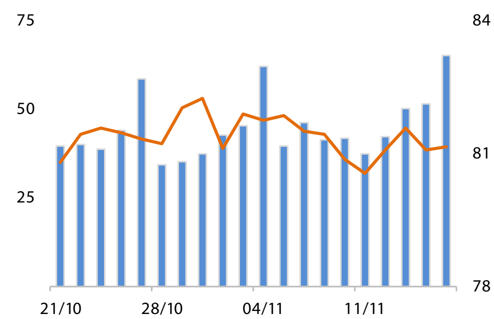
VNINDEX	-0.68%	605.05



VN30	-0.77%	614.39

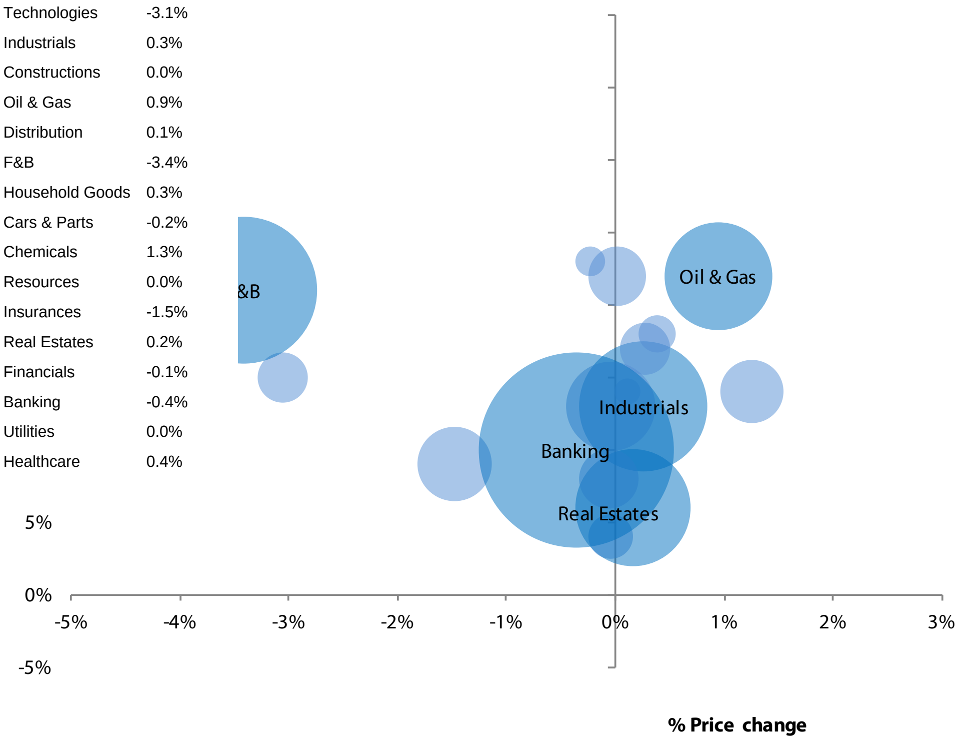


HNXINDEX	0.11%	81.14

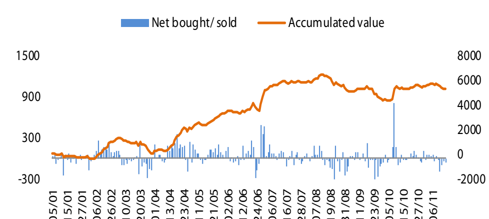


Industry Movement

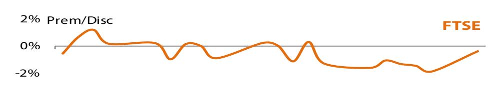
Industry	% change
Technologies	-3.1%
Industrials	0.3%
Constructions	0.0%
Oil & Gas	0.9%
Distribution	0.1%
F&B	-3.4%
Household Goods	0.3%
Cars & Parts	-0.2%
Chemicals	1.3%
Resources	0.0%
Insurances	-1.5%
Real Estates	0.2%
Financials	-0.1%
Banking	-0.4%
Utilities	0.0%
Healthcare	0.4%

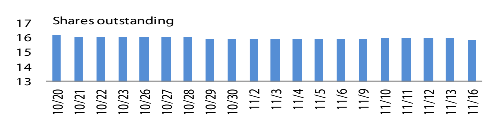


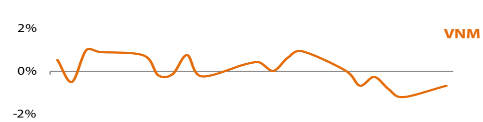
Foreign Investors Trading

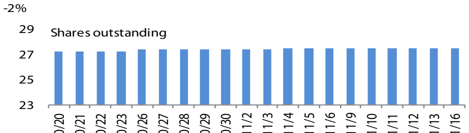


ETF





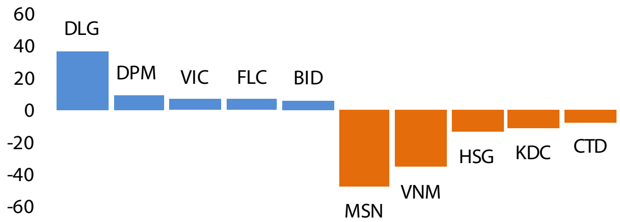




Top net bought/sold by foreigners (VND bn)

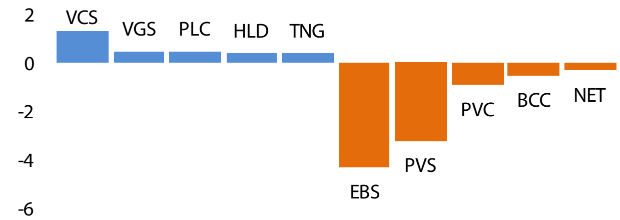
Top Active

HSX



Ticker	Price	Volume	% price change
FLC	8.4	22.49	2.4%
FIT	10.7	12.08	-1.8%
HAI	6.4	10.56	6.7%
CII	21.0	9.73	1.0%
HHS	16.4	9.57	0.6%

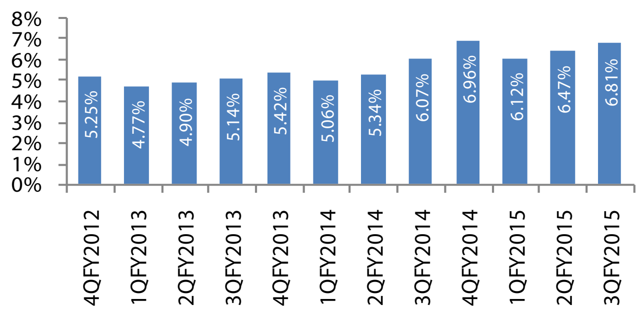
HNX



Ticker	Price	Volume	% price change
KLF	4.8	12.32	9.1%
SCR	8.5	6.65	-1.2%
TIG	11.4	4.19	0.9%
SHB	6.7	2.69	0.0%
VIX	7.4	1.61	-1.3%

MACRO WATCH

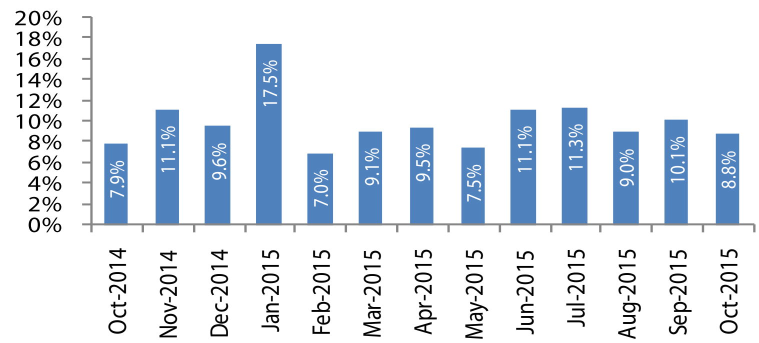
Graph 1: GDP Growth



Sources: GSO. Rongviet Securities database

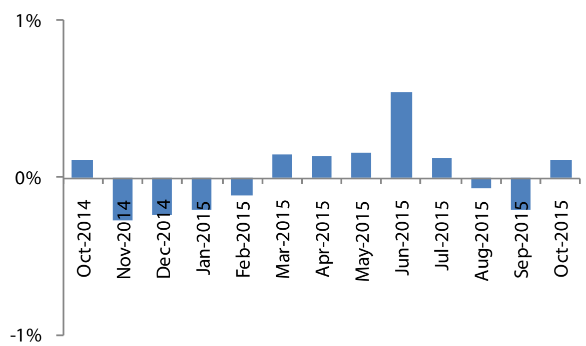
(*) Comparision price in 1994

Graph 2: IIP



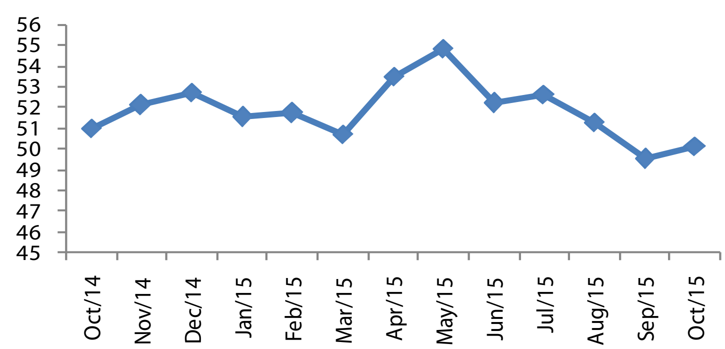
Sources: GSO. Rongviet Securities database

Graph 3: Monthly CPI



Sources: GSO. Rongviet Securities database

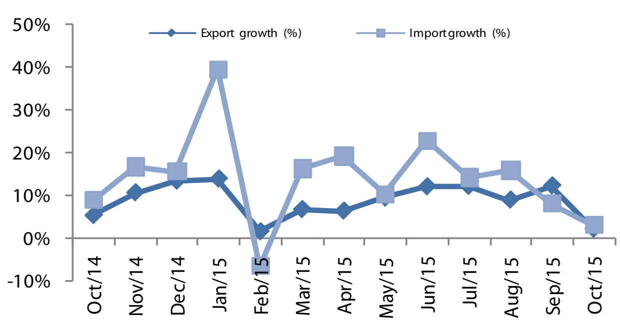
Graph 4: HSBC - PMI



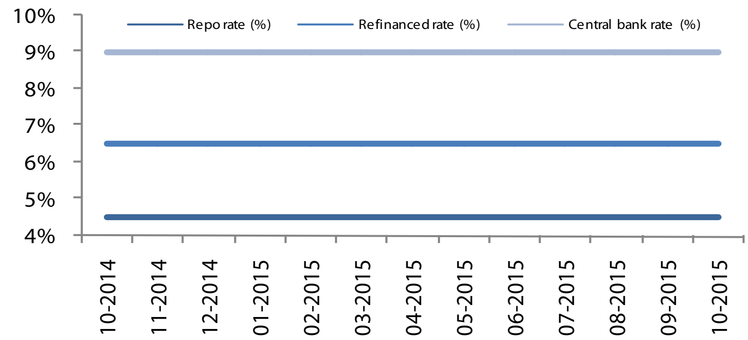
Sources: GSO. Rongviet Securities database

Graph 5: Trade Growth

Graph 6: Interest



Sources: GSO. Rongviet Securities database



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

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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