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Subject: China Gas Holdings (384.HK) - consider tactical long-equity position [C]
Date: Wed, 16 Apr 2014 15:46:31 +0000
Inline-Images: unnamed; unnamed(1); unnamed(2); unnamed(3); unnamed(4); unnamed(5); unnamed(6); unnamed(7)

Classification: Confidential

Jeffrey -

Have you looked at China Gas (384.HK)? Consider tactical position - long equity - on potential for a Russia/China nat gas agreement.

Gazprom (GAZP.RX, ruble denominated shares) is likely the more common implementation (both charts below). Would argue that the new pipeline diverts existing supply for Gazprom, where it is incremental earnings growth for the likes of China Gas.

http://www.reuters.com/article/2014/04/09/russia-china-gas-idUSL6N0N11XM20140409

The original call is on The 3rd Plenum's commitment to environmental reform (specifically reduction of carbon emissions by increasing nat gas usage). The near-term catalyst stems from this week's developments in the Ukranian-Russian crisis. Not surprisingly, with the chill from the Western world threatening demand for Russia's commodity, Putin's accelerated conversations to the east. Market chatter suggests that negotiations on a Russia-China pipeline could divert 38bn cubic meters of gas per year over to China, and that Putin has sped up negotiations with the intent of turning his presently scheduled May 20 visit to China, into a signing ceremony for an export contract.

The stock is a hedge fund name. The DB analyst has been less fond (latest rating is hold with a 9 HKD target). I think this is a tactical, geopolitically-driven entry point on a name that's also a compelling long-term growth investment. Right now it's trading close to 25x 2015 EPS ests of 0.50 HKD, bull case is meaningful upside potential in earnings on an uptake of nat gas in China.

China Gas (384 HK is fairly liquid - ~5mm share avg daily volume over the last month)

Tazia

China Gas 1yr Price History

Gazprom 1yr Price History

----- Forwarded by Tazia Smith/db/dbcom on 04/16/2014 09:16 AM -----

From: [redacted]
To: [redacted], [redacted],
Date: 04/16/2014 05:55 AM
Subject: European Oil [I]

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In a "sector rotating" market in favour of value large cap names , Oil could be a relative bet to take, as the sector is:

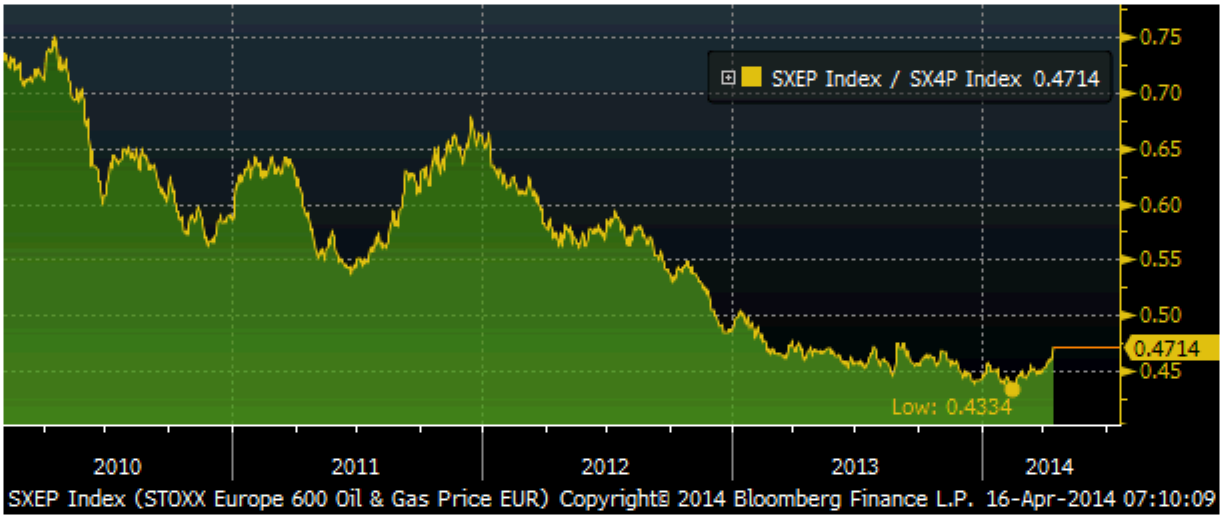
1) not expensive in terms of valuations
2) favoured by the upper trending of WTI and Brent prices
3) impacted by better capital discipline (capex) expectations

Lucas Herrmann, DB research on ROE trend is starting to be more optimistic as well:
"Central to the deterioration in return on capital at the integrated oils has been the balance sheet build of non-productive capital. At the super-majors alone, the addition over a decade of c.$250bn of work in progress and exploration assets has proven a material drag on sector profitability clipping an estimated 3-4% from reported RoCE. Yet, with 2013 registering the first decline in non-productive capital for a decade are there now signs that yet another source of returns drag across the oil sector may be at a tipping point? We think so with our analysis suggesting scope for a 10% uplift to reported returns over the next five years".
Interestingly, today also the Lex Column in "Oil Change, please" is mentioning the need to improve capital returns to fill the valuation gap (ENI the company mentioned in the article, also for the new management)

Short term it could make sense to play the momentum via relative spread and with outperformance calls SXEP vs cyclical sector like chemical SX4P

WTI:

SXEP vs SX4P (Chemicals)



Kind regards,
Pierluigi Amicarella

Pierluigi Amicarella

Deutsche Bank (Suisse) SA
Key Client Partner
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