

OIH

USD \$25.80

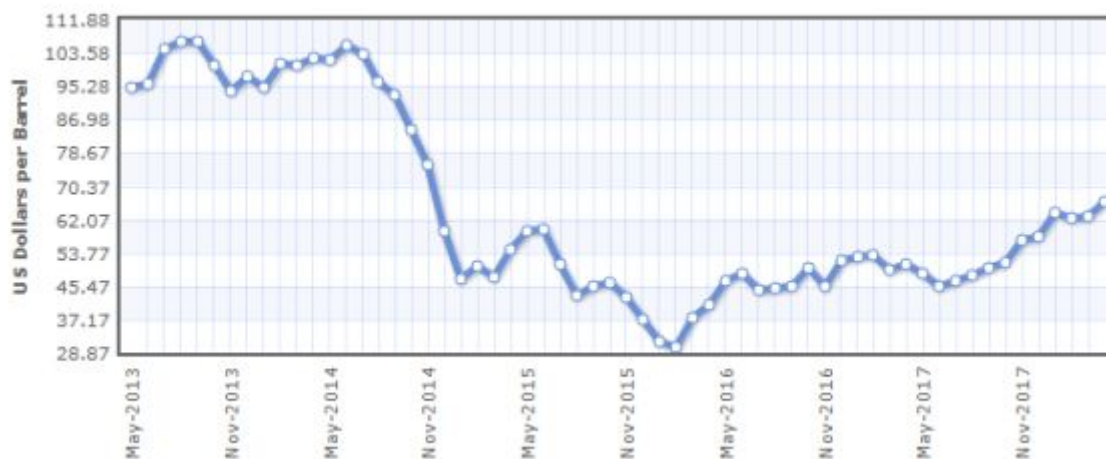
Spec.

HIGH**S**

Moving on

Market Vectors Oil Services ETF has been a disappointment since we introduced the vehicle into the portfolio back in March 2017. We considered the ETF offered diversity in the energy sector with its exposure to the energy services sector. The oil price has made a recovery from its recent lows, with oil producers now enjoying the energy prices renaissance. The same cannot be said of the energy services sector.

Although we have seen a recovery in the oil price which has boosted the value of oil producers especially, and explorers in general, share prices in the energy services sector remain subdued. The following chart shows the oil prices:



Source: Index mundi

We have through our reviews, over the past year, of the energy companies in the Global Mining portfolio determined that capital expenditure by the sector will remain subdued for the foreseeable future.

The service sector, we believe, will face stiff headwinds in the form of competition as the future capital spend is fought over by the service providers. We expect margins in the services sector will remain thin, and therefore be less inclined to support stronger share prices.



We have also been disappointed in the lack of corporate action in the sector that could have added a tailwind to share prices. Given the tardy share responses and the uplift in energy prices, undervalued targets should exist in the sector.

We are however taking advantage of a rally in the current energy prices, on the back of constrained supply to exit the ETF.



We maintain a positive outlook for the energy sector and especially natural gas, and as such hold direct exposure to especially producers. We consider the leverage producers have too energy prices are played out in the increased share prices seen over the past 12-months.

Consequently, we have changed our recommendation for the Market Vectors Oil Services ETF to a Sell. Coverage of the Market Vectors Oil Services ETF will cease immediately.

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Gold Miners ETF, Volkswagen, Walt Disney, Wynn Macau, Wynn Resorts, XTD, Yaskawa Electric, Zillow. These may change without notice and should not be taken as recommendations.

Snapshot OIH

The VanEck Vectors Oil Services ETF seeks to replicate as closely as possible, before fees and expenses, the price and yield performance of the VanEck US Listed Oil Services 25 Index. The Index is intended to track the overall performance of U.S.-listed companies involved in oil services to the upstream oil sector, which include oil equipment, oil services, or oil drilling.

Market Capitalisation:\$1.63b

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