

WEEKLY MARKET UPDATE

2018.06.04-06.08

GLOBAL MARKET PERFORMANCE

United States: Stocks recorded solid gains for the week. On a sector basis, consumer discretionary shares performed best within the S&P 500 Index, while utilities stocks suffered substantial losses as long-term Treasury yields rose, making their relatively high dividend payments less attractive in comparison.

The firm's traders noted that a decline in the U.S. dollar also boosted sentiment—a weak greenback boosts the competitive prospects of U.S. exporters and increases the value of profits earned overseas by U.S. companies in dollar terms.

Uncertainty surrounding the June 12 summit between the U.S. and North Korea in Singapore may have also worried investors.

Europe: European equities finished the week lower as trade tensions once again rattled financial markets on the eve of the G-7 summit. Following President Trump's tweet that accused Canada and the European Union of having unfair trade barriers, most European equities headed lower. European investors remained worried about whether the U.S. would continue to levy tariffs on imported European steel and aluminum.

The FTSE MIB, Italy's primary stock benchmark, underperformed the major European indexes as investors were seemingly cautious about the political ramifications of the newly formed government.

Spain's IBEX 35 was generally flat for the week, as investors reacted positively to new Prime Minister Pedro Sanchez's moves to assemble a pro-European cabinet.

Japan: Japanese stocks rallied, with the Nikkei 225 Stock Average advancing 2.36% for the week and closing at 22,694.50. The yen was little changed, closing trading on Friday at ¥109.4 per U.S. dollar, which is about 2.8% stronger than the ¥112.7 level at the end of 2017.

Revised data from the Cabinet Office, released on Friday, confirmed that gross domestic product (GDP) contracted at a 0.6% pace in the first three months of 2018. The economy was hurt by weak domestic demand and faltering exports. The Japanese economy stalled after posting eight consecutive quarters of expansion—the longest stretch of quarterly growth readings since the 1980s.

Household spending declined for a third consecutive month in April. Consumers cut back on their purchases of domestic travel and leisure, cars, and utilities. Ongoing weakness in consumer spending makes Japan's economy increasingly reliant on export growth, which is in jeopardy given the increasingly protectionist trade policies of the U.S. government.

China: Friday marked the end of the first week of trading for the roughly 200 Chinese companies that joined MSCI's global equity benchmarks on June 1.

Ongoing trade tensions with the U.S. may have contributed to investors' bearish sentiment.

Source: Reuters, Troweprice

WORLD INDICES

Index	Country	Last Price	Change /w/
MSE TOP 20	Mongolia	19,622.29	-2.01% ▼
Dow Jones	USA	25,316.53	2.77% ▲
S&P 500	USA	2,779.03	1.62% ▲
Nasdaq	USA	7,645.51	1.21% ▲
S&P/TSX	Canada	16,202.69	0.99% ▲
FTSE 100	GB	7,681.07	-0.27% ▼
S&P/ASX 200	Australia	6,045.20	0.91% ▲
Nikkei 225	Japan	22,694.50	2.36% ▲
Hang Seng	Hong Kong	30,958.21	1.53% ▲

MONGOLIA RELATED BONDS

Issuer	Currency	Coupon	Last Price
Mongol 2024 (Khuraldai)	USD	8.7%	110.12
Mongol 2023 (Gerege)	USD	5.6%	96.93
Mongol 2022 (Chinggis)	USD	5.1%	96.33
Mongol 2021 (Mazalai)	USD	10.8%	112.94
Mongol CNY (Dimsam)	CNY	7.5%	100.09
DBM' 23 (Samurai)	JPY	1.5%	104.57
TDBM' 2020	USD	9.3%	106.31

MARKET RATES

Rates	Last	Change /w/
Libor 1M	2.046	0.04 ▲
Libor 3M	2.326	0.01 ▲
Libor 6M	2.489	0.01 ▲
Libor 1YR	2.740	0.02 ▲
US 6M Bond	2.100	0.02 ▲
US 2YR Bond	2.504	0.02 ▲
US 3YR Bond	2.641	0.02 ▲
US 5YR Bond	2.792	0.03 ▲
US 10YR Bond	2.953	0.04 ▲

EXCHANGE RATES

Against MNT	2018.06.08	Change /w/
USD	2,412.80	0.12% ▲
CNY	376.39	0.00% ▼
EUR	2,842.04	0.73% ▲
RUB	38.50	-0.90% ▼
KRW	2.24	-
JPY	22.06	0.45% ▲

COMMODITY PRICE

Commodity	Last Price	Change /w/
Gold /spot/	1,299.15	0.44% ▲
Silver /spot/	16.77	2.19% ▲
Copper	330.00	6.74% ▲
Coal	109.55	2.14% ▲
Crude Oil WTI	65.6	-0.17% ▼
Crude Oil Brent	76.37	-0.55% ▼
Natural Gas	2.93	-1.68% ▼

MONGOLIAN MACRO ECONOMIC INDICATORS

Indicators	Reference	Amount
Inflation Rate	2018.IV	6.00%
Policy Rate	2018. IV	10.00%
Interbank Rate	2018. IV	10.00%
Deposit Interest Rate /MNT/	2018. IV	12.80%
Deposit Interest Rate /Foreign currency/	2018. IV	5.30%
Loan Interest Rate /MNT/	2018. IV	19.30%
Loan Interest Rate /Foreign currency/	2018. IV	10.20%

Source: National Statistical Office, Bank of Mongolia, Bloomberg

MSE TRADING UPDATE

In this week, a total of 47 companies' 5,908,230 shares worth MNT 2,172.7 million were traded.

Altain Zam /AZH/ company's share rose 74.78 percent to MNT 4,263, while E-Trans logistics /ETR/ company's share fell 17.65 percent to MNT 70.

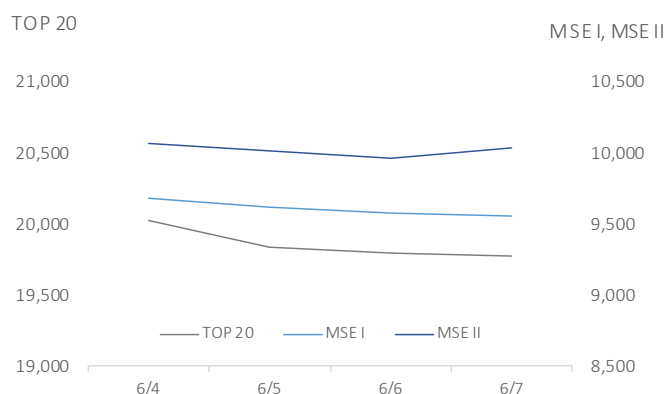
No government securities were issued on the primary market during this week.

On the secondary market of Government securities, 8 units of securities were traded for MNT 837.2 thousand.

During this week, 86 units of corporate bonds were traded for MNT 8.6 million on the secondary market.

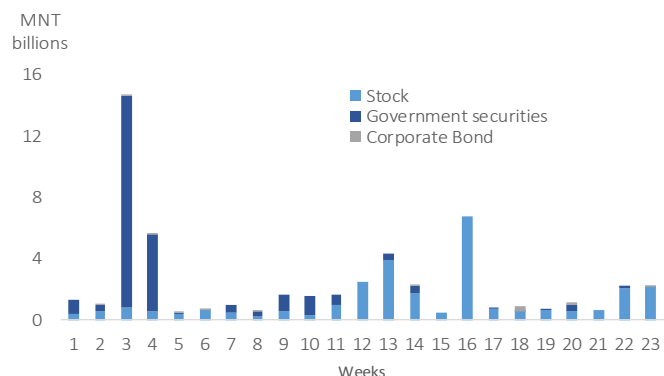
As of June 08, total market capitalization of MSE is MNT 2,427.3 billion. The TOP-20 index decreased by 2.01% to stand at 19,622.29 units.

MSE Indices



Source: MSE

Trading Value /week by week/



Source: MSE

STOCK MARKET REVIEW

Review	Total amount /MNT mln/
Total Value	2,282.0
Market Capitalization	2,427,288.8

STOCK MARKET INDICES

Index	Last Price	Change /w/
MSE Top 20	19,622.29	-2.01% ▼
MSE I Index	9,471.75	-2.12% ▼
MSE II Index	9,829.04	-2.34% ▼

ACTIVELY TRADED SECURITIES

Company	Volume	Turnover /MNT/
Shivee Ovoo	465,628	954,777,910
Frontier Lend Group	1,822,673	546,801,900
Mongol Basalt	809,262	322,685,128
LendMN	2,552,346	139,386,150
Tavan Tolgoi	9,809	99,131,030

SECURITIES WITH MOST GROWTH

Company	Last Price /MNT/	Change /w/
Altain Zam	4,263.00	74.78% ▲
Khuvsgul Altan Duulga	141.50	14.99% ▲
Berkh Uul	964.00	14.90% ▲
LendMN	55.94	9.24% ▲
Sharyn Gol	2,250.00	2.13% ▲

SECURITIES WITH MOST DECLINE

Company	Last Price /MNT/	Change /w/
E-Trans logistics	70.00	-17.65% ▼
Materialimpex	9,000.00	-17.58% ▼
Frontier Lend Group	300.00	-13.65% ▼
HBOil	58.00	-13.43% ▼
Olloo	60.10	-10.29% ▼

MOST ACTIVE BROKERAGE FIRMS

Company	Trading amount /MNT/
BDSec	3,111,420,049
TDB Capital	218,735,826
Gauli	191,510,296
Mirae Asset Securities Mongolia	185,608,378
Standart Investment	160,544,055

COMPANIES WITH HIGHEST MARKET CAPITALIZATION

Company	Last Price /MNT/	Market Cap. /MNT mln/
APU	587.25	624,641
Tavan Tolgoi	9,900.00	521,385
Mongolian Mortgage Corporation	10,500.00	217,448
Gobi	22,580.00	176,149
Suu	222.23	76,447

GOVERNMENT SECURITY TRADING

Government securities /secondary market/

Nº	Name	Volume	Turnover /MNT/	Minimum /MNT/	Maximum /MNT/	Weeks	Annual interest rate
1	ZGEB-BD-15/08/20-A0295-14.5	8	837,200	104,650	104,650	156	14.500%

CORPORATE BOND TRADING

Corporate bond /secondary market/

Nº	Name	Volume	Turnover /MNT/	Minimum /MNT/	Maximum /MNT/	Weeks	Annual interest rate
1	SUUB-BD-29/06/18-C0006-17.5	76	7,600,000	100,000	100,000	52	17.500%
2	SUUB-BD-29/06/18-C0006-17.5	10	1,000,000	100,000	100,000	52	17.500%

DIVIDEND INFORMATION

Nº	Ticker	Company name	Dividend per share /MNT/	Total dividend /MNT mln/	Date of resolution	Record date	Payment date	Distribution
1	ERS	Mongol Alt	150.00	39.88	2018.04.27	2018.04.05	within 2018.12.31	N/A
2	TEE	Teever Darkhan	500.00	81.67	2018.04.27	2018.04.05	within 2018.12.31	N/A
3	TTL	Tavan Tolgoi	2,410.00	126,923.13	2018.04.16	2018.04.03	from 2018.04.27	N/A
4	EER	Arig Gal	21.33	74.21	2018.04.25	2018.04.02	from 2018.09.01	N/A
5	BDL	Mogoin gol	100.00	82.96	2018.04.26	2018.01.18	N/A	N/A
6	DSS	Darkhan Selengiin tsakhilgaan tugeekh suljee	56.60	7.66	2018.03.07	2018.03.27	from 2018.07.02	N/A
7	TAL	Talyn Gal	50.00	34.71	2018.03.05	2018.04.26	within 2018.12.31	N/A
8	AND	And Energy	1.27	99.15	2018.02.24	2018.03.16	N/A	N/A
9	SUL	Juulchin Duty Free	10,000.00	653.62	2018.02.23	2018.04.11	from 2018.05.01	at the company
10	GTL	Gutal	1,270.00	83.01	2018.02.19	2018.03.18	from 2018.07.06	N/A
11	BNG	Bayangol Hotel	355.00	150.19	2018.02.19	2018.04.06	from 2018.09.01	at the company
12	APU	APU	10.00	10,641.82	2018.02.19	2018.03.29	paid on 2018.05.17	MCSD account
13	BTG	Bayanteeg	100.00	25.26	2018.02.19	2018.03.12	within 2018.06.01	MCSD account
14	MIE	Materialimpex	10.00	13.68	2018.02.19	2018.03.26	paid on 2018.04.17	MCSD account
15	HRD	Khurd	497.00	67.23	2018.02.15	2018.02.23	within 2018 .06.30	N/A
16	SUU	Suu	3.00	1,032.00	2018.02.14	2018.04.05	paid on 2018.06.04	MCSD account
17	MNP	Mongol Post	3.68	366.48	2018.02.13	2018.04.13	paid on 2018.06.05	MCSD account
18	MMX	Makhimpex	100.00	380.07	2018.02.13	2018.04.05	from 2018.10.01	at the company
19	TCK	Talkh Chikher	170.00	174.03	2018.02.12	2018.04.06	from 2018.07.01	at the company
20	GHC	Gan Khiits	100.00	24.25	2018.02.09	N/A	N/A	N/A
21	ADL	Aduunchuluun	130.00	409.67	2018.02.07	2018.03.01	N/A	MCSD account
22	TAH	Takhi Ko	108.00	128.52	2018.02.05	2018.03.30	within 2018.05.01	MCSD account
23	UBH	Ulaanbaatar Khivs	100.00	40.48	2018.02.05	2018.02.26	from 2018.05.01	MCSD account
24	GOV	Gobi	220.00	1,716.25	2018.02.02	2018.03.27	paid on 2018.04.24	at the company
25	HRM	Hermes Center	5.00	392.72	2018.01.24	2018.02.15	paid on 2018.04.12	MCSD account

CAPITAL MARKET NEWS

Opening ceremony held for 'Erdene Resource Development Corporation'

On June 4, To honor the occasion of the first dual listing, 'Erdene Resources Development Corporation', on the Mongolian Stock Exchange, D.Sumiyabazar, Minister of Mining and Heavy Industry, S.Davaasuren, Chairperson of Financial Regulatory Commission and Peter Akerley, President and CEO of 'Erdene Resource Development Corporation' have visited Mongolian Stock Exchange and rung the bell to start the 5,736th securities trading of MSE.

'Erdene Resource Development Corporation held roadshow meeting for public on 06 June 2018.

The share price of the company fell approximately 3 percent after its dual-listing on the Mongolian Stock Exchange. The company is offering its 2.7 percent of total outstanding shares or 4,000,000 shares for MNT 640.00 per share and aiming to raise MNT2.56 billion. Proceeds of the offering are anticipated to advance the Company's exploration projects.

The order will be taken until 14 June 2018 at 15:00 through MSE member securities companies.

According to the securities prospectus of the company, every order up to MNT2,500,000 will be fully fulfilled and orders over MNT2,500,000 will be allocated on a pro-rata basis.

Source: MSE.mn, BloombergTv.mn



FRC: Nominal capital of the Mongolian Stock Exchange has been increased to MNT 23 billion

Nominal capital of MSE has been increased by MNT 1.2 billion to MNT 23 billion, according to the Financial Regulatory Commission. Also, it was registered as a security that is available to offer to the public. In 2017, funding by Ministry of Finance from the state budget was added to nominal capital. The Government proposed to make debt-to-equity conversion with the London Stock Exchange. The remaining shares will be traded publicly on the Mongolian Stock Exchange and other foreign stock exchanges. Parliamentary decisions are now pending.

Source: BloombergTv.mn

Attention to the shareholders of "Mongol Shir" JSC

According to the Extraordinary Shareholders meeting dated 28 December, 2017 of MSE listed "Mongol Shir" JSC, the decision to reorganize it to LLC has been made. In accordance with the Company Law of Mongolia, "Mongol Shir" JSC hereby gives a notice that the shareholders who voted against or who did not participate in the voting have become entitled to:

1. demand for redemption to the company at the price of MNT 2,714 by contacting your brokerage firm or "BDSec" LLC or "Mongol Shir" JSC;
2. request to stay as a shareholder of the company, not demanding for redemption to the company;

Record date for entitlement to redemption shares: July 24, 2018.

Source: MSE.mn

"Suu" and "Mongol Post" stock companies have allocated 2017 dividends to its clients' accounts

In 2017, "Suu" and "Mongol Post" joint stock companies distributed MNT 2.70 and MNT 3.21 dividends per share respectively.

The companies have allocated these dividends to its clients' accounts on June 04 and June 05 respectively.

Source: SCHCD.mn

MCS D: 15 percent of newly opened 4,395 securities account were from "Bumbat Altai" LLC

In May 2018, the Central Securities Depository opened 4,395 new accounts. About 15 percent of them were opened by the securities company "Bumbat Altai" LLC.

In May, Bumbat Altai was the underwriter of "Mongol Basalt" company when it launched its IPO. In addition, the company said that it is preparing to release other products this year. According to the securities market research, small shareholders own more than 15 percent of 58 companies from 315 listed companies. In particular, 8,225 shareholders hold 25-40 percent of the four companies registered on the stock exchange for the last year. In addition, 21 out of 315 companies are 100% owned by the government.

Source: BloombergTv.mn



COMMODITY MARKET NEWS

“Xanadu Mines” company’s update for the new Zaraa porphyry copper and gold discovery

Xanadu Mines, which is listed on the Australian Stock Exchange, has recently provided a drilling update for the new Zaraa porphyry copper and gold discovery at its flagship Kharmagtai project located in the South Gobi region of Mongolia. The company discovered 6.6 g of gold at the basement surface 9 meters below the land surface, and 0.18% concentrated copper at the depth of 24 meters below the surface. Also, the company discovered 2.42 g of gold and 0.07% concentrated copper at the depth of 4 meters below the surface.

Xanadu’s Managing Director & Chief Executive Officer, Dr Andrew Stewart, said “We are extremely pleased with the rapid progress at the new Zaraa discovery.

The Xanadu Mines share price had not fluctuated from AUS 0.19 on Tuesday.

Source: BloombergTv.mn

The government approved the “Policy for the Development of the Oil Sector until 2027”

At the meeting of the Cabinet of Ministers, the government approved the “Policy for the Development of the Oil Sector until 2027”. This means that the human capital and labor force of the oil sector will be improved, and the number of foreign workers will decrease. In addition, it is expected to increase investment and reduce capital flows, it also believes that many state-owned companies will be established. Mongolia established an oil refinery getting loan of USD 1 billion from the Government of India. In this regard, industry analysts conclude that it is necessary to build the capacity of employees.

Currently, 21 companies have signed a production sharing agreement for 275 oil fields. As a result of exploration, 333 million tons of certified reserves were installed in three areas of exploration. As a result, Mongolia ranks 33rd in the world’s oil reserves, according to a report by the Ministry of Mining and Heavy Industry. On average, Mongolia produces 2,742 tons of crude oil and exports 2,803 tons of crude oil.

Source: BloombergTv.mn

China’s policy of limiting the growth in the price of coal does not yield results

The policy of the Chinese Government to limit the growth in the price of coal does not yield any results. The Chinese government believes that the price of coal in Qinghuangda port is the most acceptable and amounts to 89 US dollars or 570 yuan. However, at the current level, the price of coal is more by 100 yuan. The spot price for coal rose 4.2 percent to 667 yuan in the Chinese port of Qinhuangdao. This is the highest level since March. Demand for coal continues to grow in May, as coal reserves fell to historic lows.

Source: BloombergTv.mn

Bank of Mongolia launches gold campaign

The Bank of Mongolia (BoM) has launched a five-month campaign ‘National Gold to the Fund of Treasures’ under the ‘GOLD-2’ national program. The campaign is being co-organized by the BoM, its local branches and divisions, commercial banks, the Ministry of Mining and Heavy Industry, Mineral Resources and Petroleum Agency, Mongolian Agency for Standard and Metrology, government organizations and NGOs.

The purpose of this campaign is to encourage business entities to sell their gold to the Bank of Mongolia and to commercial banks, increase the gold reserves, intensify training and promotion on the process of gold purchase among the public and introduce relevant laws and regulations.

BoM officials also believe that it’s necessary to reduce the custom clearance of unlicensed gold, support responsible mining, promote their activities to the public, introduce the BoM’s gold purchase price and other information to the public and organizations. As a result of the campaign, the gold purchase of BoM and Mongolia’s foreign currency reserves will be increased, and coherence between governmental and non-governmental organizations will be improved.

The campaign targeted to gold miners and producers, relevant central and local organizations and individuals will run until October 30.

Source: Montsame.mn



The Board of Directors of “Oyu Tolgoi” LLC on the decision to finance the power plant

The general director of “Oyu Tolgoi” LLC noted that it is urgently required to take a decision on the long-term supply of electricity to the company. Therefore, on Wednesday a meeting of the Board of Directors was held, which discussed the financing of the power plant project worth USD 1 billion. It In February, the agreement signed between the Government and Oyu Tolgoi in 2014 was recalled. As a result of the investment agreement, “Oyu Tolgoi” has been trying to solve the problem of providing a 100% supply of electricity in four years. The Mongolian side proposed to implement the project “Tavan Tolgoi Power Plant”.

In addition, “It is expected that the final decision on the construction of the power plant will be adopted by, “said Turquoise Hill Resources.

Source: BloombergTv.mn

OTHER NEWS

CGA: In the first 5 months of 2018, export and import increased by 14.6%, 45.5% respectively

In the first 5 months of 2018, Mongolian foreign trade increased by 26% compared to previous year to USD 5.06 billion. The Customs General Administration stated that export and import increased by 14.6%, 45.5% respectively. It has been 2 years since the Economic partnership agreement with Japan came into effect. Within the EPA, from Mongolia 5700 types of goods in 97 groups, 5300 types of goods in 97 groups from Japan were exempt or gradually decreased in 10 years from import taxes. MNNCCI stated that about 80% of exports to Japan from Mongolia is wool and cashmere products and the remaining products include gastroenteritis, cat or dogfood, and processed aluminum.

Gobi JSC's export to Japan increased after opening a branch store in "Hanadu" airport in 2017. Gobi JSC chief sales officer L.Ariun noted that tariff discounts are helping the products compete with low cost wool and cashmere from China.

On the other hand, Tavan Bogd LLC which imported 414 new cars about 50% of the total in the first quarter is benefitting from discounts in import tariffs.

Source: BloombergTv.mn

3 pro-investment provisions in the tax law package

The ministry of finance stated that reductions in taxes will not put pressure on the budget. On the contrary, tax revenue will increase by 13-14 percent in the midterm due to pro-investment provisions included in the tax package. For example, building depreciation year was reduced to 25 years. Also, loss transfer period will be changed to 5 years regardless of industry enabling investors to transfer losses to later years. In order to support capital markets, taxes on gains from stocks, debentures, and interest income made from stock exchanges are to be reduced from 20% to 5%. The ministry of finance stated that any taxes already paid in different jurisdictions will be deducted from taxes in Mongolia. The tax law package has been submitted to the parliament and is expected to be discussed and approved in the spring assembly.

Source: BloombergTv.mn



Bank of Mongolia: Mongolia-Russia trade turnover in first four months increases 50 percent

Trade turnover between Mongolia and Russia in the first four months rose by 50 percent year on year, Mongolia's central bank said in a statement on Friday.

According to the statement, Mongolia-Russia trade turnover reached 503 million U.S. dollars in this period.

"Exports from Mongolia account for less than 5 percent of the bilateral trade turnover. Mongolia is hosting an event entitled the 'Mongolia-Russia Initiative 2018,' in its capital Ulan Bator these days within the scope of efforts to increase the trade turnover, especially to increase Mongolia's exports to Russia," the statement said.

Bilateral trade turnover between Mongolia and Russia reached 1.4 billion dollars in 2017. The two nations have set a 2-billion-dollar target for bilateral trade in the coming years.

Source: Xinhuanet.com

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