

## WEEKLY MARKET UPDATE

2018.05.21-05.25

## GLOBAL MARKET PERFORMANCE

**United States:** The major indexes were flat to slightly higher. Energy shares performed worst within the S&P 500 Index, while utilities stocks recorded solid gains as longer-term bond yields fell, making their relatively high dividend yields more attractive in comparison.

Oil prices reversed course abruptly on Tuesday afternoon following reports that OPEC was planning to increase production as early as June in order to prevent further price increases from destroying demand.

Treasury Secretary provided a boost to sentiment to start the week by remarking that the trade war with China was "on hold" after progress in talks over the weekend. On Tuesday, stocks got another brief lift after China announced a reduction in tariffs on auto imports, but trade sentiment turned sour again on Wednesday after the Commerce Department announced that it was investigating whether auto imports were posing a threat to the U.S. industry.

President Trump's decision to cancel the upcoming summit with North Korea sent stocks sharply lower in early trading Thursday, although the market later regained its footing.

The Federal Reserve's policymakers emphasized the "symmetric objective" of their 2% inflation target, suggesting that a slightly higher rate of inflation would be acceptable.

**Europe:** Geopolitical uncertainty and soft economic data led to European market volatility during the week, as investors wrestled with the ever-changing developments regarding an historic meeting between the U.S. and North Korea, as well as growing concerns about political issues in Italy, Spain, and the UK.

The threat of new tariffs on U.S. auto imports further depressed markets during the week.

The eurozone purchasing managers' index (PMI), a key survey of business activity, fell to its lowest level in more than a year, calling into question the strength of Europe's economic recovery. At the individual country level, France's PMI slipped in May, as new manufacturing orders moderated to a 17-month low, and Germany's PMI was also weak. Inflation was soft in the UK, but retail sales were a bright spot.

**Japan:** Japanese stocks declined for the week. The yen, which strengthened against the U.S. dollar as U.S. Treasury yields declined, traded on Friday at ¥109.25 per dollar.

Japanese automakers registered sharp declines amid reports that the Trump administration was considering tariffs of up to 25% on imported cars. Toyota and Honda were both down about 6% for the week on the Tokyo exchange, while Nissan was off nearly 3%.

**China:** China's benchmark stock indexes posted their biggest weekly drops in a month, capping a week marked by geopolitical volatility after President Trump pulled out of the summit with North Korea's leader and Sino-U.S. trade tensions remained on low boil.

**Source:** Reuters, Troweprice

WORLD INDICES			
Index	Country	Last Price	Change /w/
MSE TOP 20	Mongolia	19,213.17	-0.21% ▼
Dow Jones	USA	24,715.09	-0.47% ▼
S&P 500	USA	2,712.97	-0.54% ▼
Nasdaq	USA	7,354.34	-0.66% ▼
S&P/TSX	Canada	16,162.31	1.27% ▲
FTSE 100	GB	7,778.79	0.70% ▲
S&P/ASX 200	Australia	6,087.40	-0.47% ▼
Nikkei 225	Japan	22,930.36	0.76% ▲
Hang Seng	Hong Kong	31,047.91	-0.24% ▼
MONGOLIA RELATED BONDS			
Issuer	Currency	Coupon	Last Price
Mongol 2024 (Khuraldai)	USD	8.7%	109.63
Mongol 2023 (Gerege)	USD	5.6%	96.73
Mongol 2022 (Chinggis)	USD	5.1%	96.07
Mongol 2021 (Mazalai)	USD	10.8%	112.88
Mongol CNY (Dimsam)	CNY	7.5%	100.16
DBM' 23 (Samurai)	JPY	1.5%	104.51
TDBM' 2020	USD	9.3%	106.29
MARKET RATES			
Rates	Last	Change /w/	
Libor 1M	1.976	0.02	▲
Libor 3M	2.318	-0.01	▼
Libor 6M	2.482	-0.02	▼
Libor 1YR	2.731	-0.03	▼
US 6M Bond	2.064	-0.01	▼
US 2YR Bond	2.476	-0.08	▼
US 3YR Bond	2.608	-0.12	▼
US 5YR Bond	2.765	-0.14	▼
US 10YR Bond	2.931	-0.14	▼
EXCHANGE RATES			
Against MNT	2018.05.25	Change /w/	
USD	2,410.82	0.21%	▲
CNY	377.23	-0.06%	▼
EUR	2,817.77	-0.85%	▼
RUB	39.09	0.64%	▲
KRW	2.23	-	
JPY	22.04	1.61%	▲
COMMODITY PRICE			
Commodity	Last Price	Change /w/	
Gold /spot/	1,302.25	0.71%	▲
Silver /spot/	16.51	0.43%	▲
Copper	307.75	0.46%	▲
Coal	103.15	-0.91%	▼
Crude Oil WTI	67.88	-4.77%	▼
Crude Oil Brent	76.44	-2.64%	▼
Natural Gas	2.94	3.16%	▲
MONGOLIAN MACRO ECONOMIC INDICATORS			
Indicators	Reference	Amount	
Inflation Rate	2018.IV	6.00%	
Policy Rate	2018. IV	10.00%	
Interbank Rate	2018. III	10.07%	
Deposit Interest Rate /MNT/	2018. III	12.80%	
Deposit Interest Rate /Foreign currency/	2018. III	5.20%	
Loan Interest Rate /MNT/	2018. III	19.10%	
Loan Interest Rate /Foreign currency/	2018. III	11.30%	

**Source:** National Statistical Office, Bank of Mongolia, Bloomberg

## MSE TRADING UPDATE

In this week, a total of 53 companies' 5,186,503 shares worth MNT 628.9 million were traded.

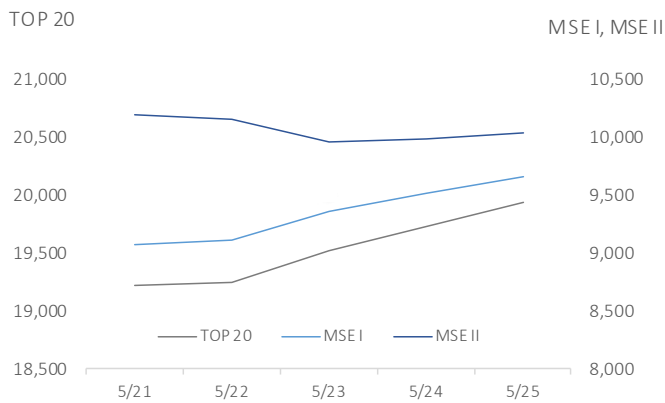
Altain Zam /AZH/ company's share rose 74.83 percent to MNT 1,396, while Mon It Buligar /MBG/ company's share fell 15.00 percent to MNT 85.

No government securities were issued and traded on the primary and secondary market respectively during this week.

No corporate bonds were traded on the secondary market.

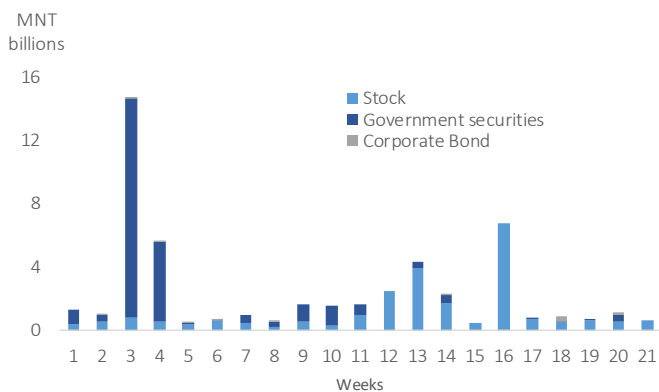
As of May 25, total market capitalization of MSE is MNT 2,495.7 billion. The TOP-20 index increased by 3.77% to stand at 19,937.65 units.

MSE Indices



Source: MSE

Trading Value /week by week/



Source: MSE

### STOCK MARKET REVIEW

Review	Total amount /MNT mln/
Total Value	628.9
Market Capitalization	2,495,698.4

### STOCK MARKET INDICES

Index	Last Price	Change /w/
MSE Top 20	19,937.65	3.77% ▲
MSE I Index	9,652.68	6.47% ▲
MSE II Index	10,037.75	-1.50% ▼

### ACTIVELY TRADED SECURITIES

Company	Volume	Turnover /MNT/
LendMN	4,797,182	234,577,351
APU	235,183	142,463,164
Tavan Tolgoi	7,734	75,681,500
Silk net	72,164	52,282,818
Gobi	1,662	36,129,660

### SECURITIES WITH MOST GROWTH

Company	Last Price /MNT/	Change /w/
Altain Zam	1,396.00	74.83% ▲
Usjuulakh	551.01	44.92% ▲
Itools	153.02	30.79% ▲
APU	650.08	15.18% ▲
Binse	402.50	15.00% ▲

### SECURITIES WITH MOST DECLINE

Company	Last Price /MNT/	Change /w/
E-trans logistics	85.00	-15.00% ▼
Genco tour bureau	80.00	-14.89% ▼
Shivee ovoo	2,051.00	-12.98% ▼
Sharyn gol	2,203.00	-11.88% ▼
Makhimpex	2,611.00	-6.75% ▼

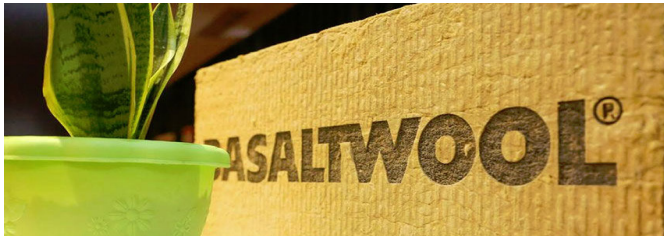
### MOST ACTIVE BROKERAGE FIRMS

Company	Trading amount /MNT/
Mirae Asset Securities Mongolia	291,389,448
Golomt Capital	153,893,768
TDB Capital	125,572,320
BDSec	117,514,196
Euroasia Capital Mongolia	115,865,985

### COMPANIES WITH HIGHEST MARKET CAPITALIZATION

Company	Last Price /MNT/	Market Cap. /MNT mln/
APU	650.08	691,803
Tavan Tolgoi	10,020.00	527,705
Mongolian Mortgage Corporation	10,510.00	217,655
Gobi	22,000.00	171,625
Suu	219.81	75,615

## CAPITAL MARKET NEWS



### The secondary market trading of 'Mongol Basalt' JSC starting from May 28, 2018

Mongol Basalt, the most recent listed company of Mongolian Stock Exchange, is offering 16.9 million shares /30 percent of total shares/ to the public. The offers were received from 14 May 2018 until 23 May 2018.

The total subscription for the stock has totaled 53,562,855 shares, ordered by 3,086 individuals and entities for Mongol Basalt's 30 percent or 16,925,100 shares offered to the public, which was an oversubscription by 3.1 times. According to the letter no. 1/2458 of the Financial Regulatory Commission dated 25 May 2018, the IPO of 'Mongol Basalt' JSC is considered as successful, granting the permission to commence the secondary market trading from 28 May 2018.

**Source:** MSE.mn

### FRC: Dual listing application of 'Erdene Resource Development' approved

According to the FRC's meeting held on 23 May 2018, the application of Toronto-listed 'Erdene Resource Development Corporation' (ERD.TSX) for listing of 4,000,000 shares worth CAD 1.2 million on the Mongolian Stock Exchange was approved.

"Mongolians will be able to buy shares in the first dual-listed company on MSE. The Mongolian stock market has been connected to the global stock market," said CEO of MSE Kh.Altai.

Over the past several years Erdene has discovered a new gold district in southwest Mongolia that includes seven targets, two of which are considered significant prospects for development, which are being advanced toward a global mineral resource estimate in Q3-2018; Bayan Khundii and Altan Nar. Both of projects are wholly-owned by the company. Altan Nar project's Indicated gold equivalent resource increased by 208% and Inferred gold equivalent resource increased by 172%, compared to the Company's March 2015 Altan Nar maiden mineral resource estimate. Erdene Resource commences drill program at Bayan Khundii gold project.

The company increased its cost on exploration by 50 percent to CAD 226.5 thousand. As a result, net loss of the company rose 18% to CAD 701 thousand.

**Source:** MSE.mn, BloombergTv.mn

### General meeting of FRC to be held

'National strategic investment' founded by 'DBM asset management' LLC and 'King Fund' founded by 'Silk road Asset Management' LLC funds' documents have been approved by FRC.

The 'National strategic investment' fund issues 500,000 shares with a nominal value of MNT 1,000,000 each in the first year. The "King Fund" fund issues 1,000,000 shares with a nominal value of MNT 1,000.

"Mongol Shir" JSC has decided to change its type and become a limited liability company. Accordingly, the 275,360 common shares issued to the public were deducted from the securities listing. Each company's share price was set at MNT 2,714.

**Source:** FRC.mn

### Steppe Gold Ltd. completes USD 25 million IPO

Under the IPO, the Steppe Gold issued 10,569,185 Units at a price of \$2.00 per Unit for gross proceeds of \$21,138,370. Each Unit is comprised of one common share of the Company (a "Common Share") and one common share purchase warrant (a "Warrant"). Each Warrant is exercisable for one Common Share at an exercise price equal to \$2.34 for a period of 24 months after the closing date of the Offering. The distribution of the Units was qualified by way of prospectus dated May 2, 2018 filed with the securities regulatory authorities in each of the provinces and territories of Canada, other than Quebec. The Offering was co-led by Haywood Securities Inc., as sole bookrunner, and PI Financial Corp.

The Common Shares will commence trading on the Toronto Stock Exchange under the symbol "STGO".

The Company has granted the Agents an over-allotment option, exercisable in whole or in part at any time until 30 days following the closing of the Offering, to purchase from the Company up to an additional 1,585,377 Units (being equal to 15% of the Units sold in the Offering) at the Offering Price for additional gross proceeds of \$3,170,755 (if the over-allotment option is exercised in full) solely to cover over- allotments, if any, and for market stabilization purposes.

**Source:** BloombergTv.mn



## COMMODITY MARKET NEWS

### 750-850 heavy trucks transport coal through Shiveekhuren port daily

In April, 1.56 million tons of coal were supplied to China which was the highest number in 26 years. The sxcoal.com site emphasizes that the Ceke port is an important part of the Silk Road's north part. Companies that mine coal on Nariinsukhait deposits export their coal through Shiveekhuren-Ceke port. 1,500 heavy trucks can transport coal through this port every day, however, currently 750-850 trucks are transporting it. The Shiveekhuren port administration reported that a month ago, about 1403trucks were transporting coal daily through the Chinese border.

In the first four months of the year, SouthGobi Sands LLC exported one million tons of coal. The company has built a plant with a capacity to wash 2 million tons of coal. MAK has completed 80 percent of the construction of one million tons of coal washing plant, while "Usukh Zoos" LLC is planning to start its coal washing plant construction in July.

**Source:** BloombergTv.mn



### BI: Coal price tends to increase in Chinese market

According to the Bloomberg Intelligence analysts, the coal price in the Chinese market tends to increase in the next two months. The electricity consumption is expected to increase sharply as the temperature in Hubei, Hunan, Jiangxi, Jijiang and Guangxi provinces is expected to heat up to 35 degrees Celsius in the middle of May. Coal demand for China's six major power plants has risen to a record high since February, while reserves in coal storages have reached the lowest level in three months.

In addition, 5 major accidents occurred in Hainan Mining Industry and Henan Energy Group coal deposits year to date. In connection with that, the Chinese government has tightened its safety and environmental control and shut down several mines since May. This reduces mining production, and further limits the expansion of some companies. In the first four months of the year, Shenhua Energy and China Coal mine fell 6.2 percent and 4.2 percent respectively.

**Source:** BloombergTv.mn

### China: Medium and long-term coal prices will be set at USD 78-89

On May 22, the Chinese government ordered 'Shenhua Energy' and 'China Coal' companies to reduced coal price from USD 93 to USD 89. As a result, the coal price decreased by four percent on the Zhengzhou Commodity Exchange. The Chinese government has made certain arrangements to stabilize medium and long-term coal prices USD 78-89 per ton. For instance, in the first quarter of 2018, inspectors set a limit on coal prices, which led to a price fall for almost 25 percent. After, the Chinese government restricted coal imports. As a result, coal price restored by about 16 percent. The Chinese government is pursuing a policy to stabilize coal price.

The coal price is limited on USD 119. If the coal price exceeds USD 90, the government orders coal companies to increase their supply. Conversely, if coal price falls below USD 78, it will order to decrease coal supply. As a result of these measures, China's coal supply is expected to reach 1 billion tons in 2018. The Bloomberg Intelligence analysts also point out that the coal price will be relatively stable.

**Source:** BloombergTv.mn

### Net profit of the Mongolian Commodity Exchange reached MNT 436.2 million in 2017

The Government has decided to privatize the Mongolian Commodity Exchange (MCE). The government is planning to privatize 49% of MCE. The MCE earned sales income of MNT 1.9 billion which exceeded the projection by 24 percent. As a result, the Mongolian Commodity Exchange earned net profit of MNT 436.2 million in 2017.

According to the Kh.Baatar, CEO of MCE, the company has earned profit for the first time in the last four years. A total of 6.9 thousand tons of cashmere and 10.9 thousand tons of sheep wool worth MNT 572 billion were traded in 2017. In the first five months of 2018, commodities worth MNT 285.8 billion have been traded. As of today, six brokerage companies are engaged in brokerage activities.

**Source:** BloombergTv.mn



## OTHER NEWS

### State-owned companies to be privatized

At its regular meeting on May 23, the Cabinet discussed a draft parliamentary resolution 'Approval of the basic guideline to privatize state properties in 2018-2020' and decided to submit it to the Parliament.

According to the basic guideline, it is planned to privatize 18 state-owned enterprises fully and 19 enterprises partly. The State Bank, Mongolian Stock Exchange, Telecom Mongolia Company, Information and Communication Networking Company, Mongolian Commodity Exchange, Mongolian Securities Clearing House and 20 auto road maintenance companies operating in provinces are included in it. The privatization of the companies will be carried out open and fair.

Moreover, the Cabinet decided to postpone and reconsider the privatization of Thermal Power Plants, which are strategically important and directly relate to citizens' lives.

During the meeting, the Cabinet also approved 'Investment program for 2018-2021', which was formulated based on suggestions and proposals of all ministries and participants of 'Mongolia Economic Forum-2018'.

The program clearly asserts required financing and sources and persons in charge of implementing ready large projects and programs whose feasibility studies have been worked out, such as Oil Refinery, railway and power plants.

**Source:** Montsame.mn

### The budget deficit of 2019 has been approved to be 6.1 percent of GDP

The parliamentary session approved the Bill on 2019 Fiscal Framework Statement and 2020-2021 Budget assumption. The documents indicated that the structural revenue of the consolidated budget would be MNT 8.8 trillion or eight percent growth in gross domestic product in 2019.

Budget expenditure was approved to be MNT 10.9 trillion and budget deficit to be MNT 2.1 trillion. This is MNT 300 billion less than in 2018. The Fiscal Stability Law states that the structural balance of the consolidated fiscal balance should not be more than two per cent of the gross domestic product, but the amendments to the law now made it to six per cent. The Working Group on Evaluation of the Extended Funding Program of the International Monetary Fund concludes that setting up a budget council and the structural adjustment policy is slowing down.

**Source:** BloombergTv.mn

### Bank of Mongolia: Increased direct investment helped to reduce the balance of payments deficit

Mongolia's balance of payments deficit decreased by USD 23 million to USD 42.2 million in March, according to the Bank of Mongolia.

The increase in direct investment in Mongolia has led to a decrease in the balance of payments deficit. In the first quarter of 2018, net foreign direct investment was equal to USD 465.2 million. However, in the long run, foreign direct investment has a deficit of USD 32.6 billion.

**Source:** BloombergTv.mn



### World Economics reports on Sales Managers' Indexes

The business confidence index was at around 30 units in 2016, over 50 units in 2017, and reached 52.8 units in 2018. According to the National Statistics Office, the inflation rate was 6.4 percent in 2017.

In May, Sales Managers' Index of Mongolia rose substantially to 63.4 points, according to World Economics. The index was up for four consecutive months. In the first quarter of 2018, economic growth accelerated to 6.1%. In addition, the business confidence index has been steadily rising since the beginning of 2018, but the inflation rate has risen dramatically in May. According to the National Statistical Office, inflation rate has fallen from the previous month to six percent in April. According to the Bank of Mongolia, inflation is projected to stabilize in this year's target of about eight percent.

**Source:** BloombergTv.mn

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