

# WEEKLY MARKET UPDATE

2018.05.28-05.31

## GLOBAL MARKET PERFORMANCE

**United States:** The Nasdaq Composite Index outperformed the broad market, reaching record highs. On the negative side, the blue chip Dow Jones Industrial Average declined. Technology shares performed well, while financial stocks struggled as a sharp decrease in longer-term Treasury yields led to investor worries about bank profitability.

A variety of factors affected the week's market action, ranging from European politics to trade worries as the U.S. imposed tariffs on steel and aluminum from the European Union, Canada, and Mexico. Continued volatility in oil prices and month-end positioning activity also played roles.

The price of WTI oil continued to decline following OPEC's decision to increase its output, and news reports about strife among OPEC members contributed to further price declines.

Friday's release of the May employment report showed continuing strength in the labor market and supported stocks. The government report said that the economy added a better-than-expected 223,000 jobs last month. The unemployment rate declined to 3.8%—an 18-year low—from 3.9% in April.

The government also revised its initial estimate of first-quarter gross domestic product growth to 2.2% from an initial estimate of 2.3%.

**Europe:** Evolving political developments in Italy and in Spain were the primary drivers in a volatile week for European equities.

Italy's populist Five Star Movement and far-right League party formed a coalition government, naming an academic and political novice, Giuseppe Conte, as prime minister. It was a week characterized by investor uncertainty amid political deal making and calls for impeaching Italian President Sergio Mattarella by coalition members angry that their plans for a nascent government were being blocked. Investors fled Italian stocks, and bond spreads widened as a result, with much of the concern centered on whether Italy, one of the eurozone's largest economies, would abandon the euro and how the country would handle its vast public debt.

Spain's biggest opposition party, the Socialists, with the backing of eight other parties, ushered in a new government after the ouster of Prime Minister Mariano Rajoy, whose former aides were convicted of running a multimillion-euro corruption scheme.

The EU consumer price index increased to 1.1% from 0.7%. The eurozone manufacturing purchasing managers' index (PMI) came in as expected at 55.5.

**Japan:** Japanese stocks declined for the week. The yen was little changed, closing trading on Friday at ¥109.6 per U.S. dollar, which is about 3.1% stronger than the ¥112.7 level at the end of 2017. The yen initially strengthened on concerns about Italy and Europe and then weakened as those fears subsided.

Bank of Japan Governor Haruhiko Kuroda announced that he has the approval of the government's leading advisory panel to scuttle the time frame it had for achieving its inflation target. Prime Minister Shinzo Abe stated that the central bank is not going to ease its aggressive monetary policies because the inflation target has been pushed back.

**China:** China's leading stock indexes fell for the week as 234 Chinese companies officially joined MSCI's global equity benchmarks.

**Source:** Reuters, Troweprice

WORLD INDICES			
Index	Country	Last Price	Change /w/
MSE TOP 20	Mongolia	20,024.71	0.44% ▲
Dow Jones	USA	24,635.21	-0.48% ▼
S&P 500	USA	2,734.62	0.49% ▲
Nasdaq	USA	7,554.33	1.62% ▲
S&P/TSX	Canada	16,043.54	-0.20% ▼
FTSE 100	GB	7,701.77	-0.37% ▼
S&P/ASX 200	Australia	5,990.40	-0.70% ▼
Nikkei 225	Japan	22,171.35	-1.24% ▼
Hang Seng	Hong Kong	30,492.91	-0.31% ▼
MONGOLIA RELATED BONDS			
Issuer	Currency	Coupon	Last Price
Mongol 2024 (Khuraldai)	USD	8.7%	109.99
Mongol 2023 (Gerege)	USD	5.6%	96.76
Mongol 2022 (Chinggis)	USD	5.1%	96.32
Mongol 2021 (Mazalai)	USD	10.8%	112.78
Mongol CNY (Dimsam)	CNY	7.5%	100.14
DBM' 23 (Samurai)	JPY	1.5%	104.46
TDBM' 2020	USD	9.3%	106.41
MARKET RATES			
Rates		Last	Change /w/
Libor 1M		2.005	0.03 ▲
Libor 3M		2.318	0.00 ▼
Libor 6M		2.474	-0.01 ▼
Libor 1YR		2.724	-0.01 ▼
US 6M Bond		2.084	0.02 ▲
US 2YR Bond		2.488	0.01 ▲
US 3YR Bond		2.622	0.01 ▲
US 5YR Bond		2.764	0.00 ▼
US 10YR Bond		2.915	-0.02 ▼
EXCHANGE RATES			
Against MNT		2018.05.31	Change /w/
USD		2,409.80	-0.04% ▼
CNY		376.40	-0.22% ▼
EUR		2,821.51	0.13% ▲
RUB		38.85	-0.61% ▼
KRW		2.24	0.45% ▲
JPY		22.16	0.54% ▲
COMMODITY PRICE			
Commodity	Last Price	Change /w/	
Gold /spot/	1,293.40	-0.68% ▼	
Silver /spot/	16.41	-0.61% ▼	
Copper	309.15	0.45% ▲	
Coal	107.25	3.97% ▲	
Crude Oil WTI	65.71	-3.20% ▼	
Crude Oil Brent	76.79	0.46% ▲	
Natural Gas	2.98	1.36% ▲	
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 40 companies' 9,302,662 shares worth MNT 2,104.2 million were traded.

Altain Zam /AZH/ company's share rose 74.71 percent to MNT 2,439, while Bayan Aldar /VIK/ company's share fell 15.00 percent to MNT 634.95.

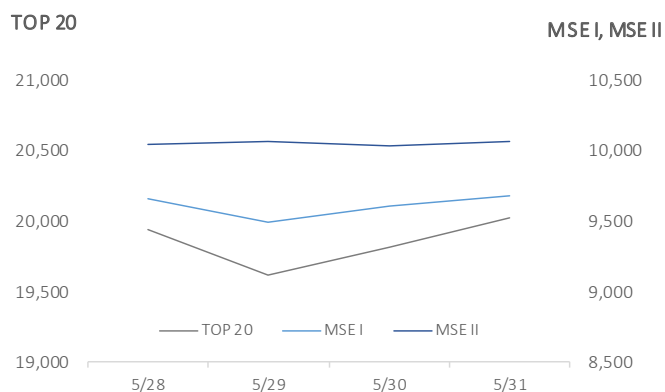
No government securities were issued on the primary market during this week.

On the secondary market of Government securities, 1,096 units of securities were traded for MNT 111.4 million.

No corporate bonds were traded on the secondary market.

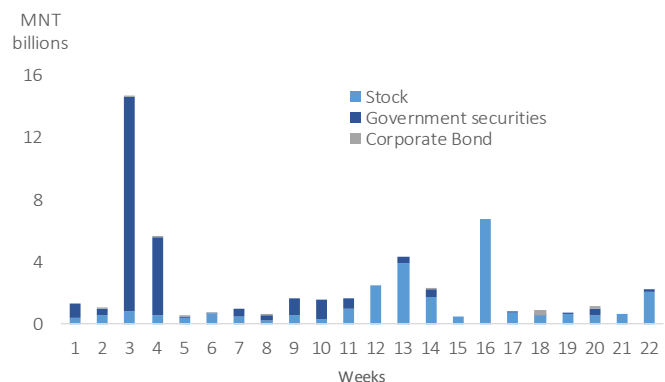
As of May 31, total market capitalization of MSE is MNT 2,487.8 billion. The TOP-20 index increased by 0.44% to stand at 20,024.71 units.

MSE Indices



Source: MSE

Trading Value /week by week/



Source: MSE

### STOCK MARKET REVIEW

Review	Total amount /MNT mln/
Total Value	2,260.4
Market Capitalization	2,487,830.9

### STOCK MARKET INDICES

Index	Last Price	Change /w/
MSE Top 20	20,024.71	0.44% ▲
MSE I Index	9,677.27	0.25% ▲
MSE II Index	10,064.56	0.27% ▲

### ACTIVELY TRADED SECURITIES

Company	Volume	Turnover /MNT/
Mongol Basalt	3,777,486	1,571,389,909
LendMN	5,288,936	274,960,296
Gutal	3,532	77,703,900
Juulchin Duty Free	441	41,670,320
APU	62,987	39,590,941

### SECURITIES WITH MOST GROWTH

Company	Last Price /MNT/	Change /w/
Altain Zam	2,439.00	74.71% ▲
Altan Duulga	123.05	32.24% ▲
Hunnu Menegment	164.05	14.99% ▲
Makh Impex	3,000.00	14.90% ▲
Juulchin Duty Free	100,000.00	11.11% ▲

### SECURITIES WITH MOST DECLINE

Company	Last Price /MNT/	Change /w/
Bayan Aldar	634.95	-15.00% ▼
Silk Net	615.90	-14.99% ▼
Khukh Gan	85.00	-13.27% ▼
Standart Noos	500.00	-13.04% ▼
Itools	136.00	-11.12% ▼

### MOST ACTIVE BROKERAGE FIRMS

Company	Trading amount /MNT/
Gauli	1,131,412,578
BDSec	606,206,227
Bumbat Altai	605,050,386
Mirae Asset Securities Mongolia	391,705,587
Novel Investment	247,711,002

### COMPANIES WITH HIGHEST MARKET CAPITALIZATION

Company	Last Price /MNT/	Market Cap. /MNT mln/
APU	628.00	668,306
Tavan Tolgoi	10,020.00	527,705
Mongolian Mortgage Corporation	10,510.00	217,448
Gobi	22,900.00	178,646
Suu	224.39	77,190

## GOVERNMENT SECURITY TRADING

Government securities /secondary market/

Nº	Name	Volume	Turnover /MNT/	Minimum /MNT/	Maximum /MNT/	Weeks	Annual interest rate
1	ZGEB-BD-11/04/19-A0230-18	1,000	101,080,000	101,080	101,080	104	18.000%
2	ZGEB-BD-14/02/2019-A0208-18	96	9,600,000	100,000	100,000	104	18.000%

## CORPORATE BOND TRADING

Corporate bond /secondary market/

Nº	Name	Volume	Turnover /MNT/	Minimum /MNT/	Maximum /MNT/	Weeks	Annual interest rate
-	-	-	-	-	-	-	-

## 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	from 2018.05.21	MCSD account
17	MNP	Mongol Post	3.68	366.48	2018.02.13	2018.04.13	from 2018.05.01	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

### Trading of 'Khuvsgul altan duulga' JSC resumes

According to the official notification No.:35 of State Inspector of Financial Regulatory Commission given on 28 May 2018, the securities trading of 'Khusgul Altan Duulga' JSC resumed from 29 May 2018 upon the completion of the listing amendment of a stock split of 100-for-1.

**Source:** MSE.mn

### 'Erdene Resouce Development Corporation' holds roadshow meeting with market professional participants

Newly listed 'Erdene Resource Development Corporation' (TSX:ERD), the first dual listed company in the Mongolian capital market, held roadshow meeting with professional participants of the market on 29 May 2018. The company is offering its 2.7 percent of total outstanding shares or 4,000,000 shares for MNT640.00 per share and aiming to raise MNT2.56 billion. Proceeds of the offering are anticipated to advance the Company's exploration projects.

"BDSec SC" JSC is working as a main underwriter jointly with "Golomt Capital SC" LLC for the offering and roadshow meeting for public will be held on June 6th, 2018 at "Soyombo" ballroom in Best Western Premier Tuushin Hotel.

The orders will be taken until 3 pm June 14th, 2018 through member brokerage companies of Mongolian Stock Exchange.

**Source:** MSE.mn



### 'Steppe Gold' JSC's share price fell 5.1 percent

Shares of 'Steppe Gold' JSC which started its primary market trading on the Toronto Stock Exchange, reached CAD 1.75. For the last nine days, its share price has fallen 5.1 percent.

The primary market subscription of the IPO closed on May 22. The company offered 10.5 million shares at CAD 2 and raised CAD 21.1 million. This was the first minig company's IPO since 2018..

**Source:** BloombergTv.mn

### In the last 10 years, 4 companies launched IPOs within 6 months

Over the last six months, four domestic companies have launched IPOs. In other words, it's the first time when this number of companies successfully launched IPOs within 6 months since 2008.

According to the BDBSec, Bumbat Altai and Mirae Asset Securities Mongolia, following the four successful IPOs other companies are interested in entering the capital market. In addition, the first private exchange opened in 2017 is expected to create competition in the market.

Joint stock companies listed in the Tier II and III on the MSE tend to activate. For instance, 'Bumbat Altai' securities company has signed a Memorandum of Understanding with 'Gan Khiits' JSC listed in the Tier II on MSE.. As a result, this securities company will advise "Gan Khiits" JSC on its projects and will work as its underwriter when the company launches additional shares.

However, the CEO of BDBSec emphasized that "The new products are being financed mostly by domestic investors".

**Source:** BloombergTv.mn

### MSE: Shares of "Mongol Basalt" JSC worth MNT 1.6 billion were traded

Secondary market trading of "Mongol basalt" company, which is classified in the Tier II ion the Mongolian Stock Exchange, has begun. The company offered a total of 16.9 million shares worth MNT 380 each. However, the founder of "Mongol Basalt" company emphasized that the business valuation of a share price is accounted for MNT 639. The company offered its shares 40.5 percent lower than the fair value. The primary market subscription ended last Wednesday. IPO was oversubscribed by 3.2 times, reaching MNT 20.4 billion. "Mongol basalt" company's market share in domestic thermal insulation materials is accounted for 2.5 percent. In terms of installed capacity, the company is able to supply 20-25 percent of the market.

On the first day of trading, the share price increased by 7.98 percent and reached MNT 410.32. A total of 1.2 million shares or 7.4 percent of publicly traded shares were circulated. The total turnover reached MNT 509 million on Monday.

This week, 3,777,486 shares of "Mongol basalt" company were traded on the secondary market. On Thursday, the company's shares closed at MNT 413.12.

**Source:** BloombergTv.mn



## COMMODITY MARKET NEWS

### “Basaltwool” is the best green technology

The annual “Green Technology and Energy Saving-2018” exhibition was held at the Grand Hall of the Mongolian National Chamber of Commerce and Industry.

“Darkhan-Selenge tsakhilgaan tugeekh suljee” JSC awarded “Best Energy-Saving Product”, and “Mongol Basalt” JSC named “Best Green Technology Introducing Organization” by its own natural stone glass fiber insulation material. 70% of the electricity supply stations of “Darkhan-Selengiing tsakhilgaan tugeekh suljee” JSC were transferred to the smart energy meter system, allowing customers to monitor their electricity consumption. “Mongol Basalt” JSC produces rockwool on the experience of Denmark, Russia, China and Europe since 2005.

**Source:** Montsame.mn

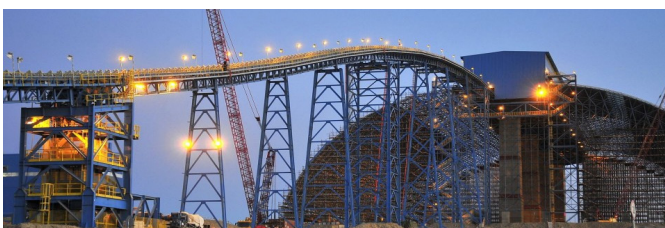
### Arnaud Soirat: World is watching Oyu Tolgoi development

“If Mongolia fulfills its obligations under contractual obligations, such as taxes and royalties, it has all the possibilities to develop by using its natural resources,” said Arnaud Soirat, Copper and Diamonds Director of Rio Tinto Group, during the “Mongolia Economic Forum 2018”. He also noted that “World is watching Oyu Tolgoi development”. “The Oyu Tolgoi project is built on the inviolability of key investment contracts. These contracts are the basis of a USD 12 billion investment decision in Mongolia”, Arnaud Soirat said. Currently, the Government has established four working groups to investigate Oyu Tolgoi’s infrastructure, energy, tax and credit issues. “The working group of Parliament is also working on the implementation of the Oyu Tolgoi Investment Agreement and Underground Mining Development Agreement. Also, General Taxation Department has filed a USD 155 million tax act on “Oyu Tolgoi” LLC. Most of these parties are unlikely to agree, so “Oyu Tolgoi” has requested the Government of Mongolia to solve this problem,” said Turquoise Hill Resources.

In scope of the Oyu Tolgoi project, the company spent around USD 7.5 billion from 2010 until the 1st quarter of 2018. Of which 74 percent were paid to Mongolian companies, 20 percent was paid to the state budget, and the remaining six percent was paid to workers.

In addition, in the first quarter of 2018, the total number of employees was accounted for 14 thousand, of which 94 percent were Mongolians, of which 20.6 percent were residents of Umnogovi aimag. Also, Oyu Tolgoi LLC has reported that it paid USD 1.5 billion in taxes and fees.

**Source:** BloombergTv.mn



### China considers more U.S. coal imports to cut deficit

China is considering a plan to buy more American coal as part of an effort to narrow its trade deficit with the U.S. Chinese officials are currently looking at boosting purchases from West Virginia in particular.

China pledged to increase purchases of U.S. energy and agricultural goods as a way to reduce its USD 200 billion merchandise trade deficit and diffuse an escalating trade war between the world’s biggest economies. In scope of it, China has decreased tariffs on auto cars by 10 percent, according to the global analysts.

As in 2017, US coal worth USD 395 million were exported to China. It’s unsure whether China has plan to increase imports from USA. The average price of coal imported from the USA is accounted for USD 122 per ton. On the other hand, analysts emphasize that US coal exports are growing rapidly. US coal exports rose 61% last year. In particular, coal supplied to Asia has doubled to 32.8 million tons.

**Source:** BloombergTv.mn



### China’s gas producers ready to boost supply

The government of China is pursuing a policy to increase gas supply to increase energy consumption. However, to increase the profitability of companies that have been operating with losses, gas prices have been increased by 0.35 yuan per cubic meter. Although, in the short term, a rise in a price is likely to make gas suppliers operate with losses, in the long run, the sector will increase profits and attract more businesses to the sector.

China’s government’s goal to reach gas supply to 15% of the total energy will be reachable in 2030. China’s President Xi Jinping’s efforts to increase eco energy have been effective. For instance, last year China’s demand for natural gas increased by 15 percent. That growth has risen to 17 percent in the first quarter of the year. Investing in mineral exploration around the world is increasing. In 2012, the continuing decline in exploration expenditure has been set in 2017, and has intensified in the last quarter.

Research suggests that exploration growth is not only sustainable in 2018 but also tends to grow. On the one hand, exploration work is intensifying worldwide. Large mining companies began to invest large amounts of money in mineral exploration.

**Source:** BloombergTv.mn

## OTHER NEWS

### Economy posts 6.1 percent growth

According to the National Statistical Office preliminary performance report of the first quarter of 2018, MNT 3.2 trillion was in circulation in the economy, which means MNT 188 billion increase compared to same period of last year. Mongolian economic growth increased to 6.1 percent.

The World Bank's forecast on economic growth of Mongolia in 2018 is 3.1 percent. However, the economy is expected to accelerate this year and exceed international forecasts, according to domestic analysts.

Prices of natural resources with significant influence to the economy including copper, gold and coal are relatively high. Increased coal transport passages at border crossing of Mongolia and China allowed 1000-1400 vehicles cross the border daily, intensifying coal exports in the second quarter. On the other hand, increase in foreign investment and expectations of moving megaprojects' forward are showing positive impact on the economy.

Mongolia's economy is dependent on mining product prices. The experts emphasize that the high prices for coal and copper on global market in 2018 have a major impact on economic growth of Mongolia, particularly on mining sector. Mining accounts for 78.8 percent of exports.

Economists agree that if the coal and copper prices stay high on the global market, it will affect positively the country's economy. One of the reasons of relatively positive economy is China's large purchase of coal, analysts explain.

**Source:** Montsame.mn

### GoM: will follow policy to reduce debt in multiple stages

According to the Ministry of Finance, the ratio of government debt as a percentage of GDP is forecasted to be 63.4% in 2018. Economists note that this is highly risky and for countries like Mongolia with low income, a ratio higher than 50% indicates high default risk, sensitive to debt.

In the fiscal framework statement this year's GDP growth is projected to be 8 percent. If this growth is not met, debt to GDP ratio could exceed 63 percent. The ministry of Finance declared that they will follow a policy to reduce debt in multiple stages. Particularly, the ratio is projected to decrease to 55.3% and 41% in 2019 and 2020 respectively.

**Source:** BloombergTv.mn

### FRC: Confidence in financial institutions stable

The financial regulatory commission introduced the report on the people's confidence and expectations in Non-banking financial sector. According to a study by "NRCC" the confidence in financial institutions in the 1st quarter of 2018 is stable compared to the previous year. Particularly, confidence in Non-banking financial institutions (NBFI) increased by 20% and "Don't know" answers decreased by 40%. In terms of gender, males have more confidence in the capital markets than females, and in terms of age, the confidence of people under 35 are 60% more than those over 35.

In terms of interest, 18.8% of the total population were interested in participating in the financial markets, and 51% weren't interested, with 30.1% answering that they do not know. Compared to the previous year where 14% were interested, interest in the financial markets increased by 4.8 percentage points. In terms of education, interests of people with degrees above high school are 40% higher than those without any higher education. Males' interest in participating in trade is 1.7 times more than the interests of females.

**Source:** BloombergTv.mn

### Consumer Confidence Index has risen for five consecutive quarters

Mongolia's consumer confidence index increased by 3.9 percentage points from the previous year and reached 82 in the first quarter of 2018, according to data compiled by NRCC. Consumer confidence index has risen for five consecutive quarters. In the consumer confidence index, the "Current Situation Index" increased by 6.5 percentage points, and "Future expectation index" - by 2.2 points. The research team emphasized that the expectations about business conditions had a major impact on "Current situation people planning to get loans increased by six points from a year ago. In terms of macroeconomic indicators, the capital city residents expect inflation rate to be at 4.2% at the end of the year. The US dollar will strengthen against tugrik in the next six months, according to the citizen.

The report of the Consumer confidence index has been released since 2009 by NRCC LLC and Mongolia-Japan Human Resource Development Center.

**Source:** BloombergTv.mn

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