

## WEEKLY MARKET UPDATE

2018.06.11-06.15

## GLOBAL MARKET PERFORMANCE

**United States:** The major indexes ended mixed. Within the S&P 500 Index, consumer discretionary and utilities stocks performed best, while energy, financials, materials, and industrials shares recorded steep losses.

The summit between North Korea and the U.S. on Monday seemed to have little impact on markets, perhaps because details of North Korea's promised denuclearization remained to be finalized.

Stocks had a larger reaction to the Federal Reserve's policy meeting on Wednesday. Officials decided to raise the federal funds rate by another quarter point, as expected, but stocks fell after policymakers offered a slightly more hawkish outlook for coming hikes. The Fed's officials expect a total of four rate hikes in 2018, rather than three.

On Tuesday, the Labor Department reported that headline inflation in May had reached 2.8% on a year-over-year basis, its highest level since 2011. The rise in oil prices deserved much of the blame.

Core retail sales rose 0.6% in May. The spending increases have been running ahead of income gains in recent months, causing a pickup in the use of credit and a decline in the savings rate.

On Friday, the Trump administration announced that it was following through with an earlier threat to impose tariffs on imports of \$50 billion worth of goods from China. China quickly promised to respond with its own tariffs on a similar scale.

**Europe:** Most European equities were higher earlier in the week by bank, mining, and energy shares. By the end of the week, most key indexes lost ground as investors' concern about an escalating trade dispute between the U.S. and China intensified.

The ECB intends to reduce asset purchases from €30 billion to €15 billion at the end of September and stop them by the end of December. Conversely, the ECB also vowed to wait until at least the middle of 2019 to begin hiking interest rates. Bank shares sank and the euro fell against the dollar on the ECB's announcements.

**Japan:** Large-cap Japanese stocks posted gains. The yen weakened, closing trading on Friday at ¥110.6 per U.S. dollar, which is about 2.0% stronger than the ¥112.7 level at the end of 2017.

The labor shortage is being noticed in Japan, which is prompting the government to create new five-year work permit categories for foreigners, according to Reuters. The revised rules would allow up to 500,000 foreign workers into Japan to ease the workforce shortage. It is focused on workers in shortage areas, including agriculture, construction, hotels, shipbuilding, and social care.

The Bank of Japan will continue buying Japanese government bonds at a rate of ¥80 trillion per year, maintain its goal of keeping the 10-year bond yield at about zero, and keep short-term interest rates at -0.1% for some current account deposits at the central bank.

**China:** China's benchmark stock index ended at its lowest level since September 2016 on Friday as investors fretted that a widening trade rift with the U.S. would weigh on the country's growth. The declines in China came after the Trump administration announced that it approved tariffs on Chinese goods worth about \$50 billion. Additionally, the U.S. has nearly completed a second list of tariffs on \$100 billion in Chinese goods.

**Source:** Reuters, Troweprice

### WORLD INDICES

Index	Country	Last Price	Change /w/
MSE TOP 20	Mongolia	19,824.22	1.03% ▲
Dow Jones	USA	25,090.48	-0.89% ▼
S&P 500	USA	2,779.66	0.02% ▲
Nasdaq	USA	7,746.38	1.32% ▲
S&P/TSX	Canada	16,314.42	0.69% ▲
FTSE 100	GB	7,633.91	-0.61% ▼
S&P/ASX 200	Australia	6,094.00	0.81% ▲
Nikkei 225	Japan	22,851.75	0.69% ▲
Hang Seng	Hong Kong	30,309.49	-2.10% ▼

### MONGOLIA RELATED BONDS

Issuer	Currency	Coupon	Last Price
Mongol 2024 (Khuraldai)	USD	8.7%	109.40
Mongol 2023 (Gerege)	USD	5.6%	96.23
Mongol 2022 (Chinggis)	USD	5.1%	95.50
Mongol 2021 (Mazalai)	USD	10.8%	112.72
Mongol CNY (Dimsam)	CNY	7.5%	100.07
DBM' 23 (Samurai)	JPY	1.5%	104.57
TDBM' 2020	USD	9.3%	106.13

### MARKET RATES

Rates	Last	Change /w/
Libor 1M	2.085	0.04 ▲
Libor 3M	2.326	0.00 ▼
Libor 6M	2.504	0.02 ▲
Libor 1YR	2.772	0.03 ▲
US 6M Bond	2.056	-0.04 ▼
US 2YR Bond	2.541	0.04 ▲
US 3YR Bond	2.666	0.02 ▲
US 5YR Bond	2.787	0.00 ▼
US 10YR Bond	2.910	-0.04 ▼

### EXCHANGE RATES

Against MNT	2018.06.15	Change /w/
USD	2,418.64	0.24% ▲
CNY	377.07	0.18% ▲
EUR	2,803.32	-1.36% ▼
RUB	38.52	0.05% ▲
KRW	2.21	-1.34% ▼
JPY	21.89	-0.77% ▼

### COMMODITY PRICE

Commodity	Last Price	Change /w/
Gold /spot/	1,278.94	-1.56% ▼
Silver /spot/	16.57	-1.19% ▼
Copper	313.60	-4.97% ▼
Coal	110.82	1.16% ▲
Crude Oil WTI	64.38	-1.86% ▼
Crude Oil Brent	73.44	-3.84% ▼
Natural Gas	3.03	3.41% ▲

### 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 46 companies' 5,257,132 shares worth MNT 752.2 million were traded.

Altain Zam /AZH/ company's share rose 100.91 percent to MNT 8,565, while Mongol securities /MSC/ company's share fell 21.21 percent to MNT 650.

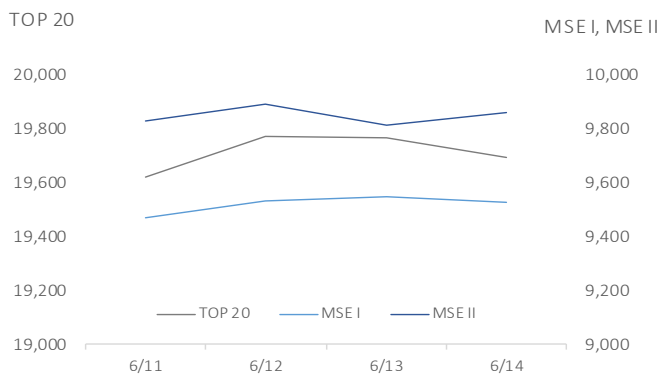
No government securities were issued on the primary market during this week.

On the secondary market of Government securities, 17,220 units of securities were traded for MNT 1,798.2 thousand.

No corporate bonds were traded on the secondary market.

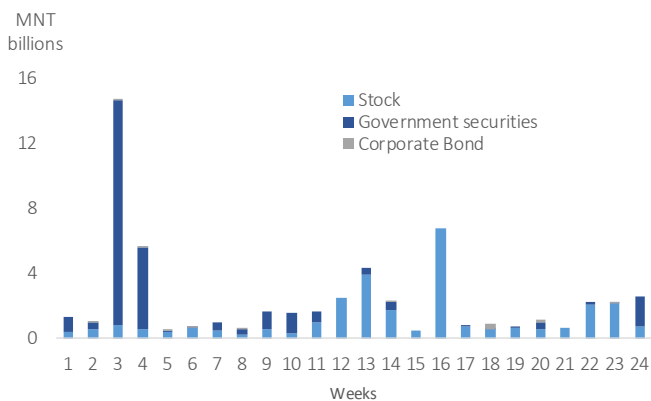
As of June 15, total market capitalization of MSE is MNT 2,464.6 billion. The TOP-20 index increased by 1.03% to stand at 19,824.22 units.

### MSE Indices



Source: MSE

### Trading Value /week by week/



Source: MSE

### STOCK MARKET REVIEW

Review	Total amount /MNT mln/
Total Value	2,696.5
Market Capitalization	2,464,577.7

### STOCK MARKET INDICES

Index	Last Price	Change /w/
MSE Top 20	19,824.22	1.03% ▲
MSE I Index	9,582.09	1.16% ▲
MSE II Index	9,936.84	1.10% ▲

### ACTIVELY TRADED SECURITIES

Company	Volume	Turnover /MNT/
LendMN	4,380,922	251,932,624
Gobi	10,416	243,872,980
Mongol Basalt	388,604	148,296,435
APU	241,542	141,165,001
Tavan Tolgoi	3,775	37,871,300

### SECURITIES WITH MOST GROWTH

Company	Last Price /MNT/	Change /w/
Altain Zam	8,565.00	100.91% ▲
Khuvsgul Altan Duulga	187.12	32.24% ▲
Bayalag Nalaikh	311.00	31.92% ▲
HBOil	65.94	13.69% ▲
Khukh Gan	95.00	11.11% ▲

### SECURITIES WITH MOST DECLINE

Company	Last Price /MNT/	Change /w/
Mongol securities	650.00	-21.21% ▼
Noyot Khairkhan	1,125.00	-14.90% ▼
Darkhan Khuvun	12,000.00	-14.29% ▼
Mongolyn Khugjil	5,200.00	-11.86% ▼
Undesnii Tuv		
Remicon	40.12	-4.48% ▼

### MOST ACTIVE BROKERAGE FIRMS

Company	Trading amount /MNT/
Mirae Asset Securities Mongolia	3,903,270,413
BDSec	535,981,467
Standart Investment	144,580,701
Gauli	107,680,560
TDB Capital	107,078,965

### COMPANIES WITH HIGHEST MARKET CAPITALIZATION

Company	Last Price /MNT/	Market Cap. /MNT mln/
APU	594.85	633,028
Tavan Tolgoi	10,000.00	526,652
Mongolian Mortgage Corporation	10,500.00	217,448
Gobi	23,500.00	183,326
Suu	216.15	74,356

## GOVERNMENT SECURITY TRADING

Government securities /secondary market/

Nº	Name	Volume	Turnover /MNT/	Minimum /MNT/	Maximum /MNT/	Weeks	Annual interest rate
1	ZGEB-BD-06/06/19-A0254-15.49	10,820	1,120,356,900	103,090	104,000	104	15.490%
2	ZGEB-BD-20/06/20-A0260-15.14	6,400	677,888,000	104,560	107,280	156	15.140%

## 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	paid on 2018.06.12	MCSD account
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

### “Erdene Resource Development Corporation” IPO oversubscribed by 64 percent

‘Erdene Resources Development Corp’, the first cross listed company on the Mongolian Stock Exchange, has closed the offering of its 2.7 percent or 3,898,900 shares to the public.

The total subscription for the stock has totaled 6,478,146 shares which was an oversubscription by 64 percent, ordered by 1,248 individuals and entities.

Share allotment of “Erdene Resource Development Corporation” was done due to the allocation plan. The company submitted its primary market trading report to FRC within June 14. Now the company is waiting for FRC’s decision about successful primary market trading, which will allow investors to sell or buy shares in the secondary market.

Completed the purchase order of Erdene Resources Development Corporation according to the allocation plan and submitted the report to the Financial Regulatory Commission on 14 June 2018 and the FRC initiated the successful trading of the primary market and started trading of the two markets. When the decision is made, investors will be entitled to withdraw the cash balance of the primary market for the securities.

Also, the company announced that it has closed its non-brokered private placement which was completed in parallel with the launch of an offering of common shares to Mongolian residents. Pursuant to the Private Placement Erdene has sold 10,834,580 units at a price of \$0.38 per unit for gross proceeds of \$4.12 million.

**Source:** Mongolian Stock Exchange



### Attention to the shareholders of “Mongol Basalt” JSC

In accordance with the Board Resolution 180611 dated June 11, 2018 of ‘Mongol Basalt’ JSC, Extraordinary Shareholders’ Meeting will be held on July 27, 2018.

Date and time of Shareholders’ Meeting: 2pm, July 27, 2018

Record date: July 02, 2018

Venue: Conference Hall, Corporate Hotel, 15th khoroo, Khan-Uul District, Ulaanbaatar

Agenda:

1. Approval of Company Charter;
2. Election of members of the Board;
3. Approval of salary and remuneration of Board of Directors.

**Source:** Mongolian Stock Exchange

### “Tavan Tolgoi” stock company has allocated 2017 dividends to its clients’ accounts

“Tavan Tolgoi” JSC has allocated its MNT 2,410 (or MNT 2,169 after tax) dividends to its clients’ accounts on June 12, 2018.

**Source:** Mongolian Central Securities Depository

### MICC: Domestic capital market needs long-term investors

Domestic capital market is in need of long-term investors, according to the Mongolian International Capital Corporation. Financial transparency is crucial for attracting long-term investors.

In Mongolia, 80 percent of buyers of last several IPOs were Mongolian individuals, 20 percent of them were foreign entities. On the international level, 80 percent of respondents tend to be entities or long-term investors.

It is important for long-term investors to have the financial statements of the companies that newly launched IPOs checked by professional companies. In this sense, the Financial Regulatory Commission sets specific criteria for these professional companies.

A rise in stock market capitalization is a quantitative growth, not quality growth, according to the CEO of MICC. Furthermore, the Financial Regulatory Commission believes that the domestic capital market tends to develop.

The main objective of the Mongolian Stock Exchange is to attract long-term investors, said the Director of the Supervisory and Regulation Department of MSE. The Mongolian Stock Exchange emphasized that companies listed on MSE have passive trading, even though their financial indicators are positive and stable.

**Source:** BloombergTv.mn

### MCS D became a member of “Computer Emergency Response Team for Mongolia”

Cyber security and protection of registration and storage of joint stock companies listed on the Mongolian Stock Exchange is crucial.

In this regard, the Mongolian Central Securities Depository officially became a member of “Computer Emergency Response Team for Mongolia” on May 01, 2018, to store shareholders’ information safe and secure.

**Source:** Mongolian Central Securities Depository



## COMMODITY MARKET NEWS

### Petro Matad To Raise Gross USD18.3 Million To Fund New Wells

Petro Matad Ltd said Wednesday it aims to raise USD 18.3 million through shares placing and a subscription.

Net proceeds from the an accelerated bookbuild are expected to be USD 17.0 million. The shares will be issued at a price of 10 pence each.

Petro Matad shares closed down 0.8% at 12.70p.

The Mongolian oil explorer said the proceeds from the placing will be used to fund the drilling of two additional wells in Mongolia and to cover the annual PSC licensing costs.

The bookbuild of which Stockdale Securities Ltd is nominated adviser and joint broker is expected to close on June 14.

**Source:** BloombergTv.mn



### Minerals exports increased by 15 percent

In the first 5 months of 2018, total foreign trade turnover of Mongolia reached USD 5.1 billion, of which USD 2.9 billion were made up by exports and USD 2.2 billion - by imports.

Total foreign trade turnover increased by 26.5%, of which exports by 15.1% and imports by 45.5% respectively compared to the same period of the previous year. Foreign trade surplus reached USD 706.4 million, dropped by 29.9 percent from the same period of previous year.

The increase of USD 379.3 million in exports was due to an increase of USD 371.9 million in mineral products exports, particularly an increase of USD 15.0 million in textile articles exports.

In the first 5 months of 2018, minerals exports reached USD 2.88 billion, increased by 15.1 percent from the same peroid of the previous year. 39 percent or USD 1.1 billion of minerals exports were coal exports.

Coal export volume in the first 5 months was around 14.3 million tonnes, a y-o-y decrease of 5.1%, and revenue increased by 9.8% to USD 1,110 million. In May, coal export rose 11.6% or 413 thousand tons from April to 3,979 million tons.

Coal exports have recovered since March. In May, delegates of main coal exporter, "Erdenes Tavantolgoi" JSC, met with Chalco and increased the coal price by 70 cents. Currently, the company supplies East Tsankhi's coal to Chalco for USD 60 per ton.

In the first 5 months of 2018, copper concentrate export reached 601 thousand tons, staying at the same level. The export revenue is accounted for USD 823.3 million, increasing 30.2 percent. Approximately 100 percent of copper concentrate were exported to China.

"Oyu Tolgoi" LLC is looking for a opportunity to supply its copper concentrate to South Korea and Japan, according to "Rio Tinto". Therefore, Mongolian copper concentrate market is likely to widen.

As of first 5 months of 2018, 5.8 thousand tons of processed pure copper were exported, dropped by 17.1 percent, but the USD 39 million earned was at the same level.

Crude oil exports reached 2.77 million barrels and earned USD 177 million, a y-o-y drop of 10.5% in terms of volume while income rose by 15%.

The 3.4 tonnes of unrefined gold exported and the USD 144.5 million earned marked 3 percent decrease and 1.9 percent increase respectively y-o-y. In the first 5 months of 2018, BoM's gold purchases rose 1.5 percent to 4.95 tons.

Iron ore exports reached 2.77 million tons and earned USD 131.2 million, a y-o-y rise of 24.3% in terms of volume while income fell by 5.7%.

Export of zinc concentrate increased by 8.8% y-o-y and reached 52.3 thousand tons, while the USD 92.8 million revenue was up 28.3%. Zinc concentrate price is likely to fall, according to "Tsairt Mineral" LLC, which exports about 80 thousand tons of zinc concentrate per year.

Export volume of fluorspar increased by 37.4% y-o-y to 153.4 thousand tons, and revenue rose 92.5 percent to reach USD 50.6 million.

Lead export reached 7.7 thousand tons, earning USD 19.9 million, 23.8% and 22.5% higher respectively y-o-y.

The 2.3 thousand tons of molybdenum exported was down 8.5% y-o-y, though the USD 18.3 million revenue was 33.2% higher.

Tungsten ore exports reached 127.9 tons and earned USD 1.65 million, a y-o-y rise of 5.1% and 33.8% y-o-y respectively.

**Source:** MongolianMiningJournal.mn, BloombergTv.mn



## OTHER NEWS

### NSO: Mongolia's macroeconomic indicators as of May, 2018

In the first 5 months of 2018, total equilibrated revenue and grants of the General Government Budget reached MNT 3.3 trillion and total expenditure and net lending amounted to MNT 3.3 trillion. In the first 5 months of 2017, the equilibrated balance was a deficit of MNT 412.5 billion, however, it reached the surplus of MNT 45.4 billion in the equilibrated balance in the first 5 months of 2018.

Current and capital account balance totaled to USD348.1 million deficit in the first quarter of 2018 and increased by USD218.4 million compared to the same period last year. Current account had a deficit of USD359.9 million, which was mainly due to deficit amounted USD364.9 million in services account, USD298.1 million in primary account, however, goods account's surplus reached USD248.3 million.

In the first quarter of 2018, capital account had a surplus of USD11.8 million, which is decreased by USD6.6 (36.1%) compared to the same period of the previous year. Financial account had a surplus of USD239.1 million, surplus increased by USD118.6 (98.5%) million compared to the same period of last year. Overall balance of payment deficit was USD42.2 million and decreased by USD121.5 (74.2%) million from the same period of previous year.

In the first 5 months of 2018, Mongolia traded with 131 countries from all over the world and total trade turnover reached USD 5.1 billion, of which USD 2.9 billion were made up by exports and USD 2.2 billion by imports.

Total foreign trade turnover increased by USD 1.1 (26.5%) billion, of which exports by USD 379.3 (15.1%) million and imports by USD 681.1 (45.5%) million compared to the same period of the previous year.

In May 2018, consumer price index at the national level increased by 0.6% from the previous month, by 4.5% from end of the previous year and by 6.1% from the same period of the previous year.

In May 2018, consumer price index increased by 6.1% from the same period of the previous year, which was mainly contributed by increases in the following group of food and non-alcoholic beverages by 7.1% (potato and vegetables by 32.8%, non-alcoholic beverages by 5.2% and milk, dairy products and eggs by 10.1%), alcoholic beverages, tobacco by 8.4%, transport by 4.9%, housing, water, electricity and fuels by 13.8% (electricity, gas and other fuels by 22.2%), and health by 9.7%.

**Source:** National Statistical Office

### The Monetary Policy Committee of the Mongol Bank decided to keep the policy rate at 10 percent

The Monetary Policy Committee of the Bank of Mongolia decided to keep the policy rate at 10 percent.

At the same time, BoM limited the consumer debt-to-income ratio to be less than 70 percent.

Growth of consumer loans accounts for more than 80 percent of the total loan growth. Therefore, limiting the consumer debt-to-income ratio will lower the debt burden on citizens and support business lending.

**Source:** BloombergTv.com



### MNT deposits increased, while foreign currency deposits declined

According to the National Statistical Office, the money supply (M2) reached MNT 17.0 trillion at the end of May 2018, showing an increase of MNT 4.1 trillion (31.2%) from the same period of the previous year.

A 30 percent rise in money is a significant indicator for economic growth, according to the Director of Research and Statistics Department of the Bank of Mongolia.

The money supply increased by MNT 801.6 billion from the previous month as MNT current account increased by MNT 347.6 billion, foreign currency current account - by MNT 310.8 billion and MNT savings - by MNT 205.4 billion respectively.

MNT deposits are increasing and foreign currency deposits are decreasing as tugrug remains stable at the moment. For instance, in April, MNT deposits accounted for MNT 7.7 trillion, up from 7.1 trillion in the end of 2017. In contrast, foreign currency deposits fell to MNT 1.8 trillion in April from MNT 1.9 trillion at the end of 2017.

**Source:** BloombergTv.com

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