

## WEEKLY MARKET UPDATE

2018.07.09-07.13

## GLOBAL MARKET PERFORMANCE

**United States:** Most of the major benchmarks emerged with gains after a week of substantial volatility. Within the S&P 500 Index, information technology shares performed best, while utilities stocks lagged.

Trading volumes were subdued for most of the week as many investors awaited the rush of second-quarter earnings reports, which began in earnest on Friday, following the release of reports from three major banks.

The impact of ongoing trade disputes was evident in producer prices, which on an annualized basis rose 3.4%, their fastest increase in nearly seven years, according to Reuters. Increased costs for metals used in construction and manufacturing appeared to be behind much of the increase, suggesting that the steel and aluminum tariffs recently put in place by the Trump administration are driving up input costs.

Consumer price inflation remained more contained but also appeared to be inching higher. Consumer prices in June increased 2.9% over a year ago—the highest rate in six years. Indeed, inflation concerns appear to be growing among Americans.

**Europe:** Most European equities ended higher in yet another week punctuated by escalating trade tensions, as well as political uncertainty amid ongoing Brexit negotiations. Despite one of the biggest one-day drops in oil prices in two years, the fallout from such a sharp move was fairly muted in the markets. Market performance may have also been strengthened by expectations of relatively good corporate earnings results.

UK consumer spending on entertainment, barbecues, and televisions, prompted by hopes to win and celebrate soccer's World Cup, rose in June, according to the British Retail Consortium. Total retail sales rose 2.3% in June 2018, compared with the prior June. A rise in retail sales is a welcome boost, as consumer spending accounts for about 80% of the British economy.

**Japan:** Japanese stocks posted their best weekly gain in the past six months. The yen weakened and ended the week at ¥112.5 per U.S. dollar, little changed from ¥112.7 at the end of 2017.

Unless the Japanese government takes more action to improve its finances, the Cabinet Office expects to run a primary balance deficit of ¥2.4 trillion in fiscal 2025, which is well behind its stated goal for a surplus.

Rising oil and coal import costs contributed to wholesale prices rising 2.8% year over year through June, which was the fastest rate increase this year. The climb in prices of goods traded between companies might have the effect of raising inflation, which has stubbornly remained below 2%.

**China:** The trade battle between the U.S. and China deepened after the Trump administration threatened Tuesday to impose 10% tariffs on \$200 billion of Chinese products ranging from clothing to furniture.

**Source:** Reuters, Troweprice

### WORLD INDICES

Index	Country	Last Price	Change /w/
MSE TOP 20	Mongolia	19,873.78	1.68% ▲
Dow Jones	USA	25,019.41	2.30% ▲
S&P 500	USA	2,801.31	1.50% ▲
Nasdaq	USA	7,825.98	1.79% ▲
S&P/TSX	Canada	16,561.12	1.16% ▲
FTSE 100	GB	7,661.87	0.58% ▲
S&P/ASX 200	Australia	6,268.40	-0.06% ▼
Nikkei 225	Japan	22,597.35	3.71% ▲
Hang Seng	Hong Kong	28,525.44	0.74% ▲

### MONGOLIA RELATED BONDS

Issuer	Currency	Coupon	Last Price
Mongol 2024 (Khuraldai)	USD	8.7%	109.48
Mongol 2023 (Gerege)	USD	5.6%	96.34
Mongol 2022 (Chinggis)	USD	5.1%	95.18
Mongol 2021 (Mazalai)	USD	10.8%	112.44
DBM' 23 (Samurai)	JPY	1.5%	104.57
TDBM' 2020	USD	9.3%	105.92

### MARKET RATES

Rates	Last	Change /w/
Libor 1M	2.073	-0.01 ▼
Libor 3M	2.336	0.00 ▲
Libor 6M	2.521	0.01 ▲
Libor 1YR	2.787	0.01 ▲
US 6M Bond	2.154	0.05 ▲
US 2YR Bond	2.578	0.03 ▲
US 3YR Bond	2.652	0.01 ▲
US 5YR Bond	2.725	-0.01 ▼
US 10YR Bond	2.827	-0.01 ▼

### EXCHANGE RATES

Against MNT	2018.07.10	Change /w/
USD	2,461.66	-0.07% ▼
CNY	372.02	0.45% ▲
EUR	2,891.34	0.30% ▲
RUB	39.43	1.02% ▲
KRW	2.21	0.45% ▲
JPY	22.16	-0.54% ▼

### COMMODITY PRICE

Commodity	Unit	Last Price	Change /w/
Gold /spot/	USD/t oz.	1,242.32	-1.05% ▼
Silver /spot/	USD/t oz.	15.83	-1.37% ▼
Copper	USD/lb.	278.45	-1.40% ▼
Coal	USD/MT	114.38	1.11% ▲
Crude Oil WTI	USD/bbl.	70.75	-4.29% ▼
Crude Oil Brent	USD/bbl.	75.1	-2.61% ▼
Natural Gas	USD/MMBtu	2.77	-2.81% ▼

### MONGOLIAN MACRO ECONOMIC INDICATORS

Indicators	Reference	Amount
Inflation Rate	2018. V	6.10%
Policy Rate	2018. V	10.00%
Interbank Rate	2018. V	10.00%
Deposit Interest Rate /MNT/	2018. V	12.60%
Deposit Interest Rate /Foreign currency/	2018. V	5.20%
Loan Interest Rate /MNT/	2018. V	18.70%
Loan Interest Rate /Foreign currency/	2018. V	10.10%

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

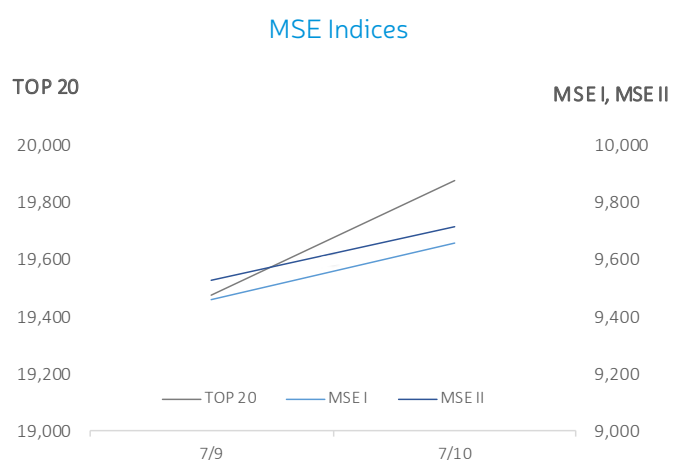
## MSE TRADING UPDATE

In this week, a total of 32 companies' 555,921 shares worth MNT 159 million were traded.

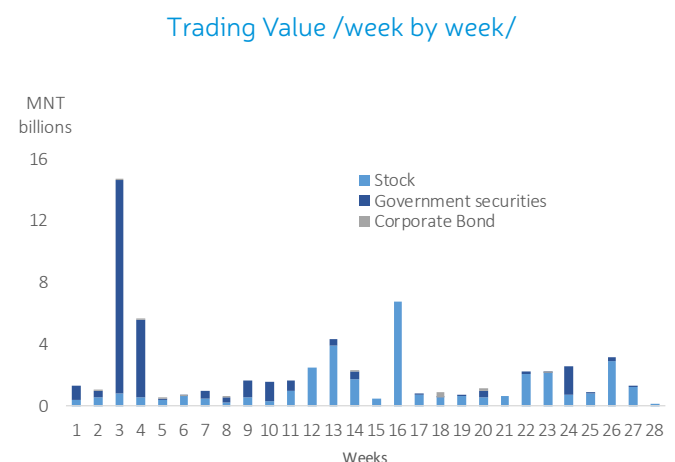
"Moninjbar" /MIB/ company's share rose 15.00 percent to MNT 195.5, while "Erdenet auto zam" /EAZ/ company's share fell 14.72 percent to MNT 840.

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

As of July 10, total market capitalization of MSE is MNT 2,444.8 billion. The TOP-20 index increased by 1.68% to stand at 19,873.78 units.



Source: Mongolian Stock Exchange



Source: Mongolian Stock Exchange

### STOCK MARKET REVIEW

Review	Total amount /MNT mln/
Total Value	159.0
Market Capitalization	2,444,815.7

### STOCK MARKET INDICES

Index	Last Price	Change /w/
MSE Top 20	19,873.78	1.68% ▲
MSE I Index	9,657.23	1.86% ▲
MSE II Index	9,711.72	0.63% ▲

### ACTIVELY TRADED SECURITIES

Company	Volume	Turnover /MNT/
Mongol Basalt	112,489	43,433,673
Erdene Resource Development Corp.	57,816	37,269,978
APU	59,358	34,543,696
LendMN	278,188	16,129,125
Tavan Tolgoi	478	4,586,140

### SECURITIES WITH MOST GROWTH

Company	Last Price /MNT/	Change /w/
Moninjbar	195.50	15.00% ▲
Bayalag Nalaikh	357.00	14.79% ▲
Binse	400.00	14.29% ▲
Remicon	40.00	10.80% ▲
Gobi	25,500.00	6.34% ▲

### SECURITIES WITH MOST DECLINE

Company	Last Price /MNT/	Change /w/
Erdenet auto zam	840.00	-14.72% ▼
Khishig Uul	810.00	-14.68% ▼
Uvs Chatsargana	850.00	-13.27% ▼
Materialimoex	9,000.00	-5.16% ▼
Juulchin Duty Free	86,800.00	-3.98% ▼

### MOST ACTIVE BROKERAGE FIRMS

Company	Trading amount /MNT/
BDSec	62,978,410
Gauli	45,639,334
Golomt Capital	39,692,059
TDB Capital	28,506,622
Ard Capital Group	27,169,220

### COMPANIES WITH HIGHEST MARKET CAPITALIZATION

Company	Last Price /MNT/	Market Cap. /MNT mln/
APU	595.00	633,188
Tavan Tolgoi	9,700.00	510,852
Mongolian Mortgage Corporation	10,250.00	212,271
Gobi	25,500.00	198,929
Suu	217.74	74,903

## GOVERNMENT SECURITY TRADING

Government securities /primary market/

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

Government securities /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	paid on 2018.06.26	MCSD account
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	BRC	Barilga Corporation	700.00	28.46	2018.02.24	2018.03.16	N/A	N/A
9	AND	And Energy	1.27	99.15	2018.02.24	2018.03.16	N/A	N/A
10	SUL	Juulchin Duty Free	10,000.00	653.62	2018.02.23	2018.04.11	from 2018.05.01	at the company
11	GTL	Gutal	1,270.00	83.01	2018.02.19	2018.03.18	from 2018.07.06	N/A
12	BNG	Bayangol Hotel	355.00	150.19	2018.02.19	2018.04.06	from 2018.09.01	at the company
13	APU	APU	10.00	10,641.82	2018.02.19	2018.03.29	paid on 2018.05.17	MCSD account
14	BTG	Bayanteeg	100.00	25.26	2018.02.19	2018.03.12	within 2018.06.01	MCSD account
15	MIE	Materialimpex	10.00	13.68	2018.02.19	2018.03.26	paid on 2018.04.17	MCSD account
16	HRD	Khurd	497.00	67.23	2018.02.15	2018.02.23	within 2018.06.30	N/A
17	SUU	Suu	3.00	1,032.00	2018.02.14	2018.04.05	paid on 2018.06.04	MCSD account
18	MNP	Mongol Post	3.68	366.48	2018.02.13	2018.04.13	paid on 2018.06.05	MCSD account
19	MMX	Makhimpex	100.00	380.07	2018.02.13	2018.04.05	from 2018.10.01	at the company
20	TCK	Talkh Chikher	170.00	174.03	2018.02.12	2018.04.06	from 2018.07.01	at the company
21	GHC	Gan Khiits	100.00	24.25	2018.02.09	N/A	N/A	N/A
22	ADL	Aduunchuluun	130.00	409.67	2018.02.07	2018.03.01	paid on 2018.06.26	MCSD account
23	TAH	Takhi Ko	108.00	128.52	2018.02.05	2018.03.30	within 2018.05.01	MCSD account
24	UBH	Ulaanbaatar Khivs	100.00	40.48	2018.02.05	2018.02.26	from 2018.05.01	MCSD account
25	GOV	Gobi	220.00	1,716.25	2018.02.02	2018.03.27	paid on 2018.04.24	at the company
26	HRM	Hermes Center	5.00	392.72	2018.01.24	2018.02.15	paid on 2018.04.12	MCSD account

## CAPITAL MARKET NEWS

### Attention to the shareholders of 'Telecom Mongolia' JSC

According to the Resolution No.: 262 of Financial The Government of Mongolia has become the major shareholder of 'Telecom Mongolia' JSC, holding 94.67 percent or 24,491,390 shares of the company since 19 April 2018. The Government of Mongolia is announcing a tender offer to buy the remaining shares from minority shareholders at MNT542.00 per share during the period between 2018.07.09-2018.09.19 in accordance with the Clause.: 57.1 of Company Law of Mongolia, the Clause No.: 22.1.2 of the Securities Markets Law of Mongolia and the respective regulation of the Financial Regulatory Commission.

The proposed number of shares to purchase: 1,378,886  
 The starting date of the offer: 09 July 2018  
 The end date of the offer: 19 September 2018  
 The tender offer price: MNT542.00  
 The payment date: 20 September 2018  
 The tender offer maker: Mongolian Government

**Source:** Mongolian Stock Exchange

### MSE sent an official request to FRC to cooperate on enabling fungibility for cross-listed shares at MSE

One of the most recent advances in the Mongolian capital market is the development of the dual-listing regulation written in cooperation by the FRC and MSE and the first-ever cross-listing of foreign issuer, Erdene Resource Development Corporation, a Toronto-listed company. The shares of Erdene Resource Development Corporation is currently not fungible between the two markets, however there are no restrictions on share fungibility in the Securities Markets Law and the relevant matters can be regulated by rules. Enabling fungibility of cross-listed shares shall have various benefits such as ensuring consistency of the share prices between markets and improving the supply and the liquidity in Mongolian market, therefore MSE sent an official request to FRC to cooperate on producing relevant regulations for enabling share fungibility.

**Source:** Mongolian Stock Exchange

### Fitch Upgrades Mongolia to 'B'

On July 9, the Fitch Ratings has upgraded Mongolia's Long-Term Foreign-Currency Issuer Default Rating (IDR) to 'B' from 'B-'. The Outlook is Stable.

The upgrade of Mongolia's IDR reflects ongoing improvements to fiscal and external metrics and progress in meeting key IMF programme targets.

Fiscal metrics have continued to improve since November 2017 when the agency revised the Outlook to Positive from Stable. General government revenue through May 2018 rose by 26% yoy, due to stronger than budgeted tax receipts associated with robust customs activity and the broader economic recovery. At the same time, expenditure rose by a modest 6%, broadly in line with the 2018 budget target. As a result, Fitch now forecasts a 2018 general government deficit of 3.9% of GDP, below the authorities' approved budget target of 5.9%, and consistent with the gross general government debt (GGGD)/GDP ratio remaining on a downward trajectory. Fitch forecasts GGGD will decline to 75.3% of GDP by end-2018, down from 81.2% in 2017, and well below its 2016 peak of 91.4% following a commodity-price shock, sharp rise in expenditure, and large currency depreciation.

The IMF Executive Board completed its fourth review of Mongolia's three-year Extended Fund Facility in June 2018, citing strong performance under the programme and that all quantitative targets had been met as of end-March 2018.

Foreign reserves rose to USD3.3 billion by end-May 2018, up from about USD1.0 billion in early 2017, supported by donor inflows tied to the IMF programme.

Real GDP growth accelerated to 6.1% in 1Q18, up from 5.2% in 2017, due to rising consumption and a surge in mining-related investment. Export volumes of coal and copper rebounded following an official visit of Mongolian Prime Minister Khurelsukh to China in April 2018, which appears to have resolved a customs dispute at the Chinese border that crippled the passage of cargo vehicles last winter. Fitch forecasts real GDP growth of 5.2% in 2018 and 6.3% in 2019, which balances their expectation of continued strength in private consumption and investment, with a large drag from net exports owing to a sharp rise in consumer and capital goods imports since early 2018.

**Source:** FitchRatings.com

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