



## WEEKLY MARKET UPDATE

2018.07.23-07.27

## GLOBAL MARKET PERFORMANCE

**United States:** The major benchmarks generated mixed performance for the week. Industrials outperformed as trade tensions eased somewhat, and airline stocks rallied on healthy passenger volumes.

One of the week's most notable events was Facebook's dramatic drop in after-hours trading, which eventually resulted in a nearly 19% decline in the stock by the time trading closed on Thursday. As many observers noted, the roughly \$120 billion drop in the company's market value was among the largest such losses in market history. Investors appeared to react primarily to growth in Facebook's revenues in the quarter that was slower than some hoped for (if still in excess of 40% on a y-o-y basis), as well as plateauing growth in daily active users in some key markets. The company also warned that rising expenses, partly to deal with privacy concerns, would reduce profit margins in the coming quarters.

The week brought mixed news on the trade front. On Wednesday, President Donald Trump and European Commission President Jean-Claude Juncker announced plans to negotiate the elimination of tariffs on non-auto industrial goods, as well as a European promise to increase imports of U.S. soybeans.

The Commerce Department reported that second-quarter gross domestic product had expanded by 4.1% versus a year earlier, roughly in line with expectations and the biggest jump in 4 years.

**Europe:** European stocks climbed for the week, fueled by strong corporate earnings results and an apparent thaw in trade-related tensions between the U.S. and the European Union.

The European Central Bank (ECB) kept interest rates on hold.

**Japan:** Japanese stocks were modestly higher for the week. The yen ended the week at ¥111.2 per U.S. dollar, modestly stronger for the week and the year to date, versus ¥112.7 at the end of 2017.

Worries about spreading protectionist policies led Japan and the EU to sign a broad-based, free-trade pact. The deal required a series of significant concessions, which will eventually remove the 10% tariffs on Japanese cars and auto parts sent to the EU. It also eliminates tariffs (of 15% to 30%) on wine, cheese, and other European foods shipped to Japan.

Japan's car and parts manufacturers expect their European sales, which have been losing market share to European competitors, to rebound. However, the Japanese dairy industry is expected to lose market share to European products, as duties on cheese imports decline.

The Bank of Japan has been buying longer-term bonds to keep the 10-year government bond yield near 0%, but the BoJ has gradually reduced its purchases in recent months. Japanese government bond prices fell sharply on Monday, sending the 10-year bond yield to 0.09%, its highest level in about six months. The move came after reports that the BoJ was actively discussing changes to its interest rate targets and stock-buying policies in an effort to make the monetary policy program more sustainable.

**China:** China's yuan posted its seventh weekly loss on Friday in its longest losing streak since 2015 as the deepening trade rift with the U.S. kept downward pressure on the currency.

The Chinese currency's decline occurs as U.S. tariffs on billions of dollars of Chinese goods are set to become effective in August and coincides with a broader economic slowdown as Beijing tries to de-risk the country's financial system. The yuan's weakness—which should make Chinese exports cheaper in world markets—has raised speculation that Beijing is allowing the currency to weaken as a way to soften the economic blow from U.S. tariffs.

**Source:** Reuters, Troweprice

### WORLD INDICES

Index	Country	Last Price	Change /w/
MSE TOP 20	Mongolia	19,345.19	-1.47% ▼
Dow Jones	USA	25,451.06	1.57% ▲
S&P 500	USA	2,818.82	0.61% ▲
Nasdaq	USA	7,737.42	-1.06% ▼
S&P/TSX	Canada	16,393.95	-0.25% ▼
FTSE 100	GB	7,701.31	0.29% ▲
S&P/ASX 200	Australia	6,300.20	0.23% ▲
Nikkei 225	Japan	22,712.75	0.07% ▲
Hang Seng	Hong Kong	28,804.28	2.05% ▲

### MONGOLIA RELATED BONDS

Issuer	Currency	Coupon	Last Price
Mongol 2024 (Khuraldai)	USD	8.7%	110.57
Mongol 2023 (Gerege)	USD	5.6%	97.61
Mongol 2022 (Chinggis)	USD	5.1%	96.51
Mongol 2021 (Mazalai)	USD	10.8%	113.01
DBM' 23 (Samurai)	JPY	1.5%	104.44
TDBM' 2020	USD	9.3%	106.48

### MARKET RATES

Rates	Last	Change /w/
Libor 1M	2.077	0.01 ▲
Libor 3M	2.342	0.00 ▲
Libor 6M	2.530	0.01 ▲
Libor 1YR	2.821	0.02 ▲
US 6M Bond	2.175	0.04 ▲
US 2YR Bond	2.669	0.08 ▲
US 3YR Bond	2.758	0.08 ▲
US 5YR Bond	2.843	0.08 ▲
US 10YR Bond	2.960	0.07 ▲

### EXCHANGE RATES

Against MNT	2018.07.27	Change /w/
USD	2,464.44	0.11% ▲
CNY	361.81	-0.34% ▼
EUR	2,870.21	0.16% ▲
RUB	39.11	0.82% ▲
KRW	2.21	1.84% ▲
JPY	22.20	1.42% ▲

### COMMODITY PRICE

Commodity	Unit	Last Price	Change /w/
Gold /spot/	USD/t oz.	1,222.99	-0.93% ▼
Silver /spot/	USD/t oz.	15.49	-0.32% ▼
Copper	USD/lb.	280.45	1.63% ▲
Coal	USD/MT	115.43	1.84% ▲
Crude Oil WTI	USD/bbl.	68.98	1.14% ▲
Crude Oil Brent	USD/bbl.	74.33	1.71% ▲
Natural Gas	USD/MMBtu	2.79	2.20% ▲

### MONGOLIAN MACRO ECONOMIC INDICATORS

Indicators	Reference	Amount
Inflation Rate	2018.VI	7.20%
Policy Rate	2018.VI	10.00%
Interbank Rate	2018. VI	10.00%
Deposit Interest Rate /MNT/	2018. VI	12.30%
Deposit Interest Rate /Foreign currency/	2018. VI	5.20%
Loan Interest Rate /MNT/	2018. VI	18.00%
Loan Interest Rate /Foreign currency/	2018. VI	10.20%

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

## MSE TRADING UPDATE

In this week, a total of 40 companies' 6,513,364 shares worth MNT 794.1 million were traded.

'LendMN' /LEND/ company's share rose 18.05 percent to MNT 69.06, while 'Uvs Chatsargana' /CHR/ company's share fell 20.59 percent to MNT 675.

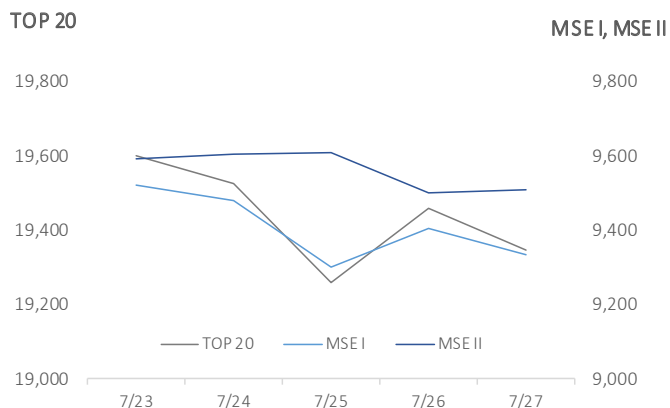
No government securities were issued on the primary market during this week.

On the secondary market of Government securities, 2,320 units of securities were traded for MNT 241.2 million.

No corporate bonds were traded on the primary and secondary market.

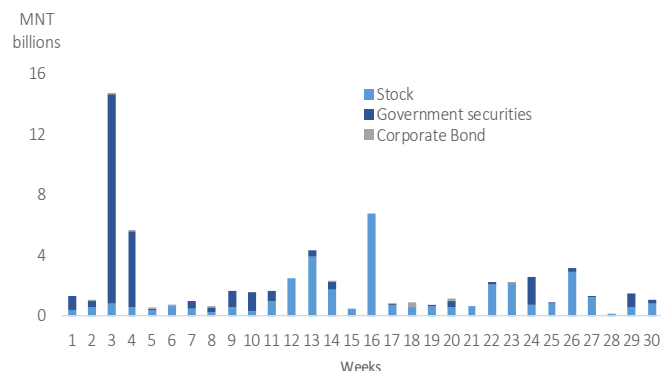
As of July 27, total market capitalization of MSE is MNT 2,361.5 billion. The TOP-20 index decreased by 1.47% to stand at 19,345.19 units.

MSE Indices



Source: Mongolian Stock Exchange

Trading Value /week by week/



Source: Mongolian Stock Exchange

### STOCK MARKET REVIEW

Review	Total amount /MNT mln/
Total Value	1,036.3
Market Capitalization	2,361,517.0

### STOCK MARKET INDICES

Index	Last Price	Change /w/
MSE Top 20	19,345.19	-1.47% ▼
MSE I Index	9,331.27	-2.47% ▼
MSE II Index	9,506.69	-0.68% ▼

### ACTIVELY TRADED SECURITIES

Company	Volume	Turnover /MNT/
LendMN	5,957,718	379,768,598
Tavan Tolgoi	10,881	97,619,300
Mongol Basalt	207,642	77,567,372
APU	113,796	66,062,297
Gobi	2,192	52,995,760

### SECURITIES WITH MOST GROWTH

Company	Last Price /MNT/	Change /w/
LendMN	69.06	18.05% ▲
Khunnu menejment	185.00	12.77% ▲
Ar bayankhangai	900.00	12.50% ▲
Usjuulakh	600.00	12.49% ▲
Khukh gan	110.00	9.90% ▲

### SECURITIES WITH MOST DECLINE

Company	Last Price /MNT/	Change /w/
Uvs chatsargana	675.00	-20.59% ▼
Khishig uul	700.00	-13.58% ▼
Makhimpex	2,601.00	-12.95% ▼
Buunii khudaldaa	410.00	-12.67% ▼
Tavan tolgoi	8,530.00	-12.06% ▼

### MOST ACTIVE BROKERAGE FIRMS

Company	Trading amount /MNT/
Golomt Capital	783,522,969
BDSec	585,759,133
Mirae Asset Securities Mongolia	417,359,009
TDB Capital	148,754,683
Bumbat Altai	132,498,736

### COMPANIES WITH HIGHEST MARKET CAPITALIZATION

Company	Last Price /MNT/	Market Cap. /MNT mln/
APU	580.00	617,225
Tavan Tolgoi	8,500.00	449,234
Mongolian Mortgage Corporation	10,990.00	227,595
Gobi	24,200.00	188,787
Suu	217.19	74,713

## GOVERNMENT SECURITY TRADING

Government securities /primary market/

Nº	Name	Volume	Turnover /MNT/	Minimum /MNT/	Maximum /MNT/	Weeks	Annual interest rate
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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	103,280,000	103,280	103,280	104	18.000%
2	ZGEB-BD-11/04/19-A0230-18	1,320	138,969,600	105,280	105,280	104	18.000%

## 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

### Trading of 'Uujim Khangai' JSC resumed

According to the official notification of State Inspector of Financial Regulatory Commission, the securities trading of 'Uujim Khangai' JSC has been resumed from 25 July 2018 upon the merger with the 'Standard Agriculture Group' LLC in accordance with the Resolution No.76 of 2017 of FRC.

**Source:** Mongolian Stock Exchange



### "Mongol Basalt" JSC semiannual report

Rock wool manufacturer "Mongol basalt" JSC went public with an IPO in May this year and was listed on the Tier 2 board of the MSE. This week the company introduced its semiannual financial report to the public and held an extraordinary shareholder meeting.

The company's revenue were MNT 639.5 million and cost of sales reached MNT 281 million resulting in a Gross income of MNT 358.3 million. Looking at the financials, the company paid all of its long-term debt from the IPO proceedings in June, and made no equipment purchases resulting in interest income of MNT 42.6 million. Sales and marketing costs increased greatly due to MNT 423.8 million associated with IPO listing costs noted CEO of "Mongol Basalt" Mr.Ariunbold. All in all, the reporting period had a net loss of MNT 190.7 million.

Inventory reached MNT 979.1 million by the first half of 2018. According to the company, the rock wool industry demand increases significantly in the second half of the year, and thus inventory needs to be stocked in the first half.

"Mongol basalt" JSC claims that they've already signed two sales agreements amounting to MNT 1.2 billion, and another two sales agreements amount to MNT 1.2 billion has been made but not signed. Furthermore sales contracts amounting to MNT 2.3 billion is being discussed and the company indicated that many tender offers have become available.

The company will focus on marketing and will increase marketing costs. "Mongol basalt" JSC is planning to open a showroom for customers from September to October at "Misheel expo" center. The company also plans to participate in "International Basalt Forum 2018" in Russia in October, and "TIM Expo Shanghai" In China in November. The company plans to open branches in Darkhan and Erdenet cities in the future.

**Source:** TDB Capital SC



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

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:	MNT 542.00
The payment date:	20 September 2018
The tender offer maker:	Mongolian Government

**Source:** Mongolian Stock Exchange



### 'BDSec' JSC published its semiannual financial and operational reports

'BDSec' JSC, established in 1991, added 1,636 new clients in the first half of 2018. As a result, the company has a total of 200,000 clients. As of April 5, German investor and D.Dayanbilguun, the CEO of the company, holds 23.78 percent and 19.26 percent of total shares respectively.

In the first half of 2018, 'BDSec' JSC's operational income has reached MNT 4.3 billion due to a rise in underwriting service income that accounted for MNT 3.9 billion. Operating costs of the company increased by MNT 1.9 billion y-o-y to MNT 2.6 billion. Therefore, net profit of the company has reached MNT 2.7 billion in the first half of 2018, which is 86.6 percent or MNT 1.3 billion higher than in the same period of the previous year.

Total assets of 'BDSec'JSC reached MNT 20.5 billion due to a rise in financial assets. Short-term debt and shareholder's equity of the company are accounted for MNT 2.1 billion and MNT 18.4 billion respectively.

As of first half of 2018, 'BDSec' JSC executed a total trade of MNT 20.8 billion. Currently, the company signed two consulting agreements and two underwriting agreements. The company worked as an underwriter of 'Erden Resource Development Corporation' company, the first dual-listed company on the Mongolian Stock Exchange, and helped to attract MNT 2.56 billion.

Also, the company signed 5 consulting agreements on provision of services such as training, organizing shareholder's meetings and restructuring the company.

**Source:** TDB Capital SC

## COMMODITY MARKET NEWS



### Copper market has a surplus of 50 thousand tons

Copper supply exceeded demand and created a surplus of 50 thousand tons according to the International Copper Study Group (ICSG). World copper mine production is estimated to have increased by 6.1% in the first four months of 2018. Production in Chile, the world's biggest copper mine producing country increased by 15.5% mainly because production in February/March 2017 was constrained by a strike at Escondida (the world's biggest copper mine) but also due to an improvement in Codelco's production levels.

Indonesian output increased by 50% because comparative output in 2017 was negatively affected by a temporary ban on concentrate exports started in January and ended in April.

A 11.5% increase in production in the Democratic Republic of Congo (DRC) and a 16% rise in Zambian mine output due to the restart of temporarily closed capacity. Overshadowed by the trade disagreements between the US and China, copper price reached its 52 week lowest point last month and market surplus can further drop prices.

Trade disputes are likely to continue to get worse, which could affect the demand increase of China and the US negatively. This puts further pressure on copper prices. Analysts noted another risk factor that decreases copper price, which is the depreciating Chinese Yuan (CNY) at its 52 week lowest point. The CNY and copper prices always have been highly correlated. For example, 3 years ago when the Yuan depreciated by 2 percentage points, the price of copper decreased by USD 400. Price of one ton copper decreased from USD 5,050 to USD 4,650.

ING calculated the New York Comex 10 day prices were 90% related to movements in the CNY. In this market that supplies about 40% of the world's total market the biggest participants and buyers are affected a lot by movements in the CNY. Since July the CNY depreciated against the dollar by 5%, The Yuan has depreciated against other currencies as well. On Monday the Chinese central bank supplied CNY 502 billion (USD 74 billion) to the banking system. This further depreciated the Yuan against the US dollar by 0.6% reaching its lowest point since June of last year. Copper price could land anywhere following the freefall of the CNY.

**Source:** zgm.mn

## OTHER NEWS

### Mongolia's central bank buys 8.3 tons of gold

The Bank of Mongolia said Tuesday that it had purchased 8.3 tons of gold from legal entities and individuals by July 20 this year, up 14 percent year on year. As of Monday, the central bank's average gold purchase price was 97.09 tugrik (4 U.S. cents) per gram, corresponding to a low rate on London Metal Exchange, according to experts from the Apex bank. To encourage gold miners and individuals to sell gold to it and commercial banks, the central bank has carried out a number of measures, including a five-month campaign, "National Gold to the Fund of Treasures", started in May.

The bank's gold purchase is expected to grow as the three-month peak season for gold mining starts in August. Gold miners submitted 20.01 tons to the central bank in 2017, worth over 800 million U.S. dollars. The annual gold production has remained below 21 tons since 2005, when Mongolia reached its record high at 25 tons.

**Source:** Montsame.mn

### The equilibrated balance reached the surplus of MNT 12.9 billion

In the first half of 2018, total equilibrated revenue and grants of the General Government Budget reached MNT 4.1 trillion and total expenditure and net lending amounted to MNT 4.1 trillion. In the first half of 2017, the equilibrated balance was a deficit of MNT 676.5 billion, however, it reached the surplus of MNT 12.9 billion in the equilibrated balance in the first half of 2018.

Tax revenue reached MNT 3.7 trillion, increased by MNT 842.6 billion or 29.9% compared with the same period of the previous year. This growth was mainly affected by an increase of MNT 240.3 billion or 33.7% in value added tax, MNT 219.6 billion or 31.2% in income tax, MNT 132.8 billion or 63.7% in excise taxes, MNT 92.7 billion or 15.1% in social security income, MNT 89.9 billion or 41.9% in revenue of foreign activities and MNT 53.4 billion or 18.3% in other taxes. However, the revenue of special purposes decreased by MNT 0.4 billion or 6.9% compared with the same period of the previous year.

The General Government revenue accounted for 80.4% of tax revenue, 10.5% of non-tax revenue, 6.8% of the future heritage fund and 2.3% of stabilization fund.

In the first half of 2018, total expenditure and net lending of the General Government Budget amounted to MNT 4.1 trillion, increased by MNT 172.2 billion or 4.4% compared with the same period of the previous year. This growth was affected by an increase of MNT 196.7 billion or 5.9% in current expenditure, MNT 95.9 billion or 2.1 times in net lending, a decrease of MNT 120.4 billion or 23.4% in capital expenditure however, there was compared with the same period of the previous year.

The General Government expenditure and net lending accounted for 86.0% of current expenditure, 9.6% of capital expenditure and 4.4% of net lending.

**Source:** Montsame.mn

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