

WEEKLY MARKET UPDATE

2018.07.30-08.03

GLOBAL MARKET PERFORMANCE

United States: U.S. stock market benchmarks were generally positive for the week as Apple led the information technology sector out of a brief slump. Stock investors were focused on a slew of second-quarter corporate earnings reports that were released during the week, and an escalation of the trade dispute between the U.S. and China seemed to have minimal impact on U.S. equity markets.

Apple ended the downward trend for the sector with a strong earnings report on Tuesday. The computer and device maker beat market expectations and reported a 40% year-over-year gain in earnings per share. Apple's market capitalization reached \$1 trillion after its stock rallied more than 8%.

The monthly jobs report and a Federal Reserve monetary policy meeting were the highlights of the week's economic calendar. Friday's nonfarm payroll report came in below expectations as employers added 157,000 jobs in July, but totals for May and June were revised up by a combined 59,000 and the unemployment rate ticked down to 3.9%. Average hourly earnings increased 2.7% from the same period last year.

As expected, the Federal Reserve kept its short-term interest rate benchmark in the 1.75% to 2.00% range at the conclusion of its two-day monetary policy meeting on Wednesday.

Europe: European equities ended the week lower as rising trade tensions between the U.S. and China once again weighed on the markets. Investors were apparently nervous about the Trump administration's threat to raise tariffs from 10% to 25% on \$200 billion of Chinese imports and equally concerned that China responded that it would retaliate.

Information technology stocks tracked their U.S. counterparts higher after strong earnings results from Apple. Investors also rotated into bank shares following positive earnings reports.

Eurozone inflation came in higher than expected, but second-quarter gross domestic product missed expectations. Unemployment remained unchanged at 8.3%.

The Bank of England (BoE) raised its key short-term interest rate from 0.50% to 0.75% at the end of the week.

UK households are accumulating billions of pounds of debt via credit cards, overdrafts, and personal loans at record levels in a trend that economists are warning is unsustainable as interest rates rise, according to the Office for National Statistics. Years of weak wage growth and a recent rise in inflation have led consumers to borrow huge amounts of unsecured credit to sustain their normal spending over the past year. Figures from the BoE showed that households borrowed £1.6 billion in unsecured credit in June, taking the amount of borrowing that is outstanding to a record of £213.2 billion.

Japan: Japanese stocks gave back all of July's gains during the week. The yen ended the week at ¥111.6 per U.S. dollar, modestly weaker for the week.

The possibility that the Bank of Japan (BoJ) would make adjustments to its monetary policies at its central bank meeting this week created volatility in 10-year Japanese government bond yields (JGBs). However, the BoJ's policy changes were generally viewed as tweaks that allow the central bank more flexibility (a 0.2 percentage point range) around its 0% target for the 10-year JGB yield.

China: The Chinese yuan posted its eighth weekly loss as trade tensions with the U.S. showed no sign of easing, stoking worries that the deepening rift would weigh on China's slowing economy.

Source: Reuters, Troweprice

WORLD INDICES

Index	Country	Last Price	Change /w/
MSE TOP 20	Mongolia	19,532.68	0.97% ▲
Dow Jones	USA	25,462.58	0.05% ▲
S&P 500	USA	2,840.35	0.76% ▲
Nasdaq	USA	7,812.01	0.96% ▲
S&P/TSX	Canada	16,420.24	0.16% ▲
FTSE 100	GB	7,659.10	-0.55% ▼
S&P/ASX 200	Australia	6,234.80	-1.04% ▼
Nikkei 225	Japan	22,525.18	-0.83% ▼
Hang Seng	Hong Kong	27,676.32	-3.92% ▼

MONGOLIA RELATED BONDS

Issuer	Currency	Coupon	Last Price
Mongol 2024 (Khuraldai)	USD	8.7%	110.64
Mongol 2023 (Gerege)	USD	5.6%	97.69
Mongol 2022 (Chinggis)	USD	5.1%	96.63
Mongol 2021 (Mazalai)	USD	10.8%	113.02
DBM' 23 (Samurai)	JPY	1.5%	104.31
TDBM' 2020	USD	9.3%	106.44

MARKET RATES

Rates	Last	Change /w/
Libor 1M	2.079	0.00 ▲
Libor 3M	2.343	0.00 ▲
Libor 6M	2.525	-0.01 ▼
Libor 1YR	2.827	0.01 ▲
US 6M Bond	2.201	0.03 ▲
US 2YR Bond	2.653	-0.02 ▼
US 3YR Bond	2.744	-0.01 ▼
US 5YR Bond	2.828	-0.02 ▼
US 10YR Bond	2.960	0.00 ▲

EXCHANGE RATES

Against MNT	2018.08.03	Change /w/
USD	2,457.53	-0.28% ▼
CNY	356.55	-1.45% ▼
EUR	2,841.64	-1.00% ▼
RUB	38.70	-1.05% ▼
KRW	2.18	-1.36% ▼
JPY	21.98	-0.99% ▼

COMMODITY PRICE

Commodity	Unit	Last Price	Change /w/
Gold /spot/	USD/t oz.	1,214.90	-0.66% ▼
Silver /spot/	USD/t oz.	15.42	-0.45% ▼
Copper	USD/lb.	276.35	-1.46% ▼
Coal	USD/MT	106.35	-7.87% ▼
Crude Oil WTI	USD/bbl.	68.49	-0.71% ▼
Crude Oil Brent	USD/bbl.	73.21	-1.51% ▼
Natural Gas	USD/MMBtu	2.85	2.15% ▲

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 49 companies' 3,125,929 shares worth MNT 508.2 million were traded.

'Bayalag Nalaikh' /BNB/ company's share rose 14.99 percent to MNT 410.5 while 'Noyot Khaikhan' /NIE/ company's share fell 20.00 percent to MNT 900.

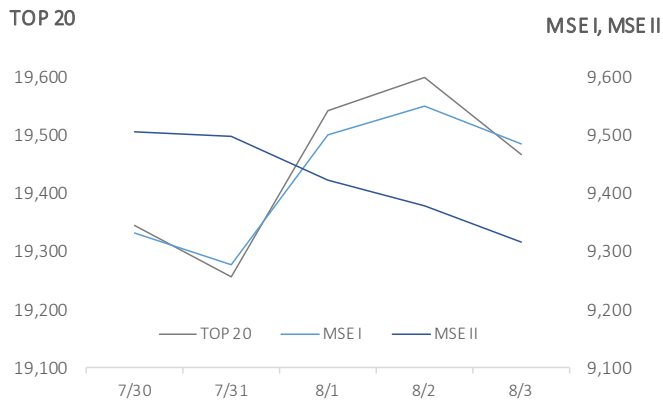
No government securities were issued on the primary market during this week.

On the secondary market of Government securities, 456 units of securities were traded for MNT 46.6 million.

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

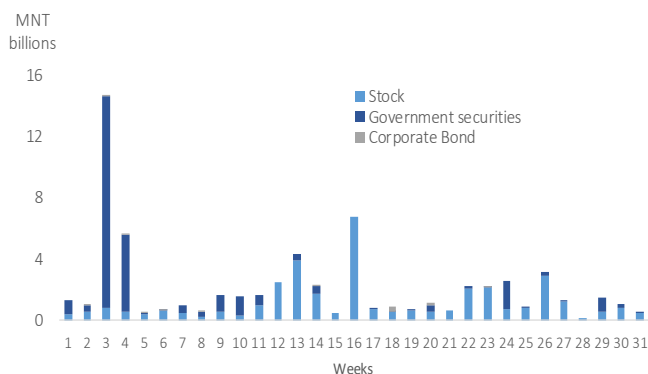
As of August 3, total market capitalization of MSE is MNT 2,386.8 billion. The TOP-20 index increased by 0.97% to stand at 19,532.68 units.

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	554.8
Market Capitalization	2,386,780.6

STOCK MARKET INDICES

Index	Last Price	Change /w/
MSE Top 20	19,532.68	0.97% ▲
MSE I Index	9,518.88	2.01% ▲
MSE II Index	9,284.34	-2.34% ▼

ACTIVELY TRADED SECURITIES

Company	Volume	Turnover /MNT/
LendMN	2,688,980	195,582,755
APU	216,048	129,914,469
Tavan Tolgoi	6,108	51,769,875
Mongol Basalt	93,984	34,648,014
Gobi	1,228	30,366,460

SECURITIES WITH MOST GROWTH

Company	Last Price /MNT/	Change /w/
Bayalag Nalaikh	410.50	14.99% ▲
HBOil	61.50	11.82% ▲
Jinst Uvs	1,500.00	4.90% ▲
Ulsyn Ikh Delguur	500.00	4.14% ▲
APU	602.81	3.93% ▲

SECURITIES WITH MOST DECLINE

Company	Last Price /MNT/	Change /w/
Noyot Khaikhan	900.00	-20.00% ▼
Khukh Gan	89.94	-18.24% ▼
Technic Import	19,000.00	-13.64% ▼
Ar Bayankhangai	800.00	-11.11% ▼
Standart Noos	450.00	-10.00% ▼

MOST ACTIVE BROKERAGE FIRMS

Company	Trading amount /MNT/
Golomt Capital	400,545,009.19
Mirae Asset Securities Mongolia	149,373,716.57
Bumbat Altai	103,275,050.21
TDB Capital	100,922,699.20
Gauli	92,451,759.98

COMPANIES WITH HIGHEST MARKET CAPITALIZATION

Company	Last Price /MNT/	Market Cap. /MNT mln/
APU	602.81	641,499
Tavan Tolgoi	8,630.00	454,501
Mongolian Mortgage Corporation	11,000.00	227,803
Gobi	24,840.00	193,780
Suu	241.80	73,891

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	40	4,152,000	103,800	103,800	104	18.000%
2	ZGEB-BD-11/04/19-A0230-18	416	42,481,920	102,120	102,120	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

'Khuvsgul Altan Duulga' JSC to hold roadshow meeting for public

'Khuvsgul Altan Duulga' JSC, a Tier 3 listed company, will hold a roadshow meeting for public on August 6, 2018 at the Blue Sky Hotel at 4 pm.

The company is offering its 28 percent to public and strategic investors and the proceeds will be used to purchase agricultural and mill house equipment, reduce loan balance and finance current assets.

The primary market orders will be received from 8 August to 1pm, 16 August 2018.

Source: Mongolian Stock Exchange



'Itools' JSC introduced its operational and financial reports of the first half of 2018

On July 30, 2018, 'Itools' JSC met with brokers and experts of securities companies and introduced its operational report of the first half of 2018.

The number of customers of 'Itools' JSC was 4,300 in 2016 and 4,900 in 2017. Currently, the company supplies more than 30 types of products to foreign and domestic markets and has about 6,000 customers. As a result, sales income of the company reached MNT 404.9 million, total profits reached MNT 332.3 million, while net profit reached MNT 62.4 million.

In 2017, 'Itools' JSC launched an IPO and raised MNT 1.3 billion to built modular data center in Darkhan. This decision was based on the rule of Bank of Mongolia approved on 29th of June, 2017, "Banking Informational Technology Criteria", stated that data centers must be located at least 200 km from the main data center. The provisions of this regulation would be in force in 2018, but by the order of March 1, 2018 of the Governor of the Bank of Mongolia changed the provisions of this regulation to be in force in 2021. As a result, the company has no need to hurry the process of Data Center construction, instead, the company is implementing a new "Financial Data Center" project to recover their profits.

The "Financial Data Center" project is scheduled to commence in September and the construction progress of the project is 70 percent. Within the framework of this project, "Itools" JSC is to place financial data of the state-owned financial institutions such as the Bank of Mongolia, 'Mongol Post' JSC, 'Telecom Mongolia' JSC using fiber cables around the Sukhbaatar square. From June this year, the project is being jointly implemented with IBM, the world's leading IT company.

Currently, the company is working on projects such as UBEX trading platform that based on blockchain technology, Zeel.mn, Trade.mn, claudmining. The company also signed a Memorandum of Understanding with the National Data Center and started introducing the "State Information System" to its operations.

Source: TDB Capital SC

'Mongol Post' JSC published its operational and financial reports of the first half of 2018

"Mongol Post" JSC operates with 39 branches in the capital and rural areas.

In the first half of 2018, sales revenue grew by 32.1 percent to MNT 7.8 trillion and cost of goods sold increased by 29 percent to MNT 6.7 trillion. About 70 percent of total sales revenue is generated by logistics services. In total, the company transported 8,100 tons of freight in route Zamiin-Uud - Ulaanbaatar - Altanbulag and earned MNT 1.2 billion, which is 6.2 times higher than in the previous year. The transit revenue between China and Russia was planned to be MNT 455.8 million, but the solid organization of transit earned a total of MNT 1.8, exceeding plans by 410%. As a result, total profit increased by 55.1 percent to MNT 1.1 billion.

In the first half of this year, the general and management expenses decreased by 46.3 percent or MNT 148.1 million and the net profit of "Mongol Post" JSC increased by 50.2 percent to MNT 906.7 million.

Source: TDB Capital SC

'Mongolian Mortgage Corporation' JSC published its operational and financial reports of the first half of 2018

'Mongolian Mortgage Corporation' JSC, which issues asset-backed securities and sells it in the domestic and foreign markets, published its financial statements Ltd.,.

As of June 30, 2018, 80.6% of the company is owned by business entities, 19.3% is owned by state-owned enterprises and the remaining 0.1% is owned by the citizens.

MIK HFC LLC, a subsidiary of Mongolian Mortgage Corporation, has established new 'MIK assets - 14' LLC and 'MIK assets - 15' LLC in the first half of this year and has issued total assets of MNT 268.2 billion bonds backed by mortgage loans. It also paid MNT 118.6 billion for bond principal and MNT 67.2 billion for coupon payments.

The company's interest income increased by 12.7 percent to MNT 115.6 billion compared to the same period of the previous year. Company sales and marketing expenses increased by 4.5 times or 545 million MNT, general and administrative expenses increased by 41.7% or MNT 3.1 billion. As a result, total net profit decreased by 14.7 percent from the same period of the previous year to MNT 30.8 billion.

As of the first half of 2018, 'Mongolian Mortgage Corporation' JSC totaled MNT 3 trillion. Mortgage-backed bonds accounted for 91.8 percent of total assets and 6.5 percent of total equity. Total assets rose by 7.1 percent from the previous year, reflecting a 5.9 percent increase in mortgage-backed bond deals.

Source: TDB Capital SC



COMMODITY MARKET NEWS

'Erdenes Tavan Tolgoi' JSC is one step ahead to launch IPO

"Erdenes Tavan Tolgoi" JSC that plans to launch an IPO of 30 percent of its shares on the international stock exchanges introduced its operational report of the first half of 2018 on Monday. During the reporting period, the company has accumulated MNT 216.5 billion to the state budget. Specifically, 6.8 tons of coal were exported during the first half of this year and the company earned sales income of MNT 953 billion. This year, the company planned to centralize MNT 285 billion to the state budget, and, currently, it has reached 78 percent of its target. As a result, 'Erdenes Tavan Tolgoi' JSC has earned net profit of MNT 373.3 billion. By the end of the year, the net profit of the company is expected to double. Erdenes Tavan Tolgoi, which operates in the eighth year, produced its 40th million ton of coal this month. The company is now able to finance some of projects, noted Mr.Gankhuyag, CEO of 'Erdenes Tavan Tolgoi' JSC. The increase in export coal prices played a major role in the company's profitability.

For instance, Erdenes Tavan Tolgoi's management has repeatedly negotiated with the Chalco Trading Holding Company on the coal price of East Tsankhi. This led to a rise of USD 59.33, to USD 61, making it profitable. The West Tsankhi's coal was set at open price of USD 69 and USD 70. These price changes have made a major impact in the company's net profit of MNT 373.3 billion. The amendments to the contract made it possible a base price to rise in case of a rise in world coking coal price. The base coal price would not fall below USD 61. Thus, the strong financial performance of 'Erdenes Tavan Tolgoi' attracts the investors and makes it one step closer to the launching an IPO. Erdenes Tavan Tolgoi has increased its staff's salaries by 21 percent this year and increased the night shift salary by five times.

In preparation for the IPO, the company is commencing an audit by accredited international organizations and cooperating with financial and legal consultants and stock exchanges. About 15 percent of Erdenes Tavan Tolgoi's shares are owned by 2.5 million citizens and 486 business entities. The remaining 85 percent is held by the Government. Coal exports are increasing year by year. Last year, the company exported 8.5 million tons of coal, making 25 percent of Mongolia's total coal exports alone. The company aims to export 13 million tons of coal this year. The "Erdenes Tavan Tolgoi" financial results are clearly showing signs of its recovery. The company's net profit was accounted for MNT 461 billion in 2017. Currently, the company is aiming to reduce administrative costs and operate more efficient. At the same time, it has invested over MNT 40 billion to social responsibility programs.

Also, the company has launched the 'Erdenes-Eko mine' program. The Parliament has decided to launch IPO of 30 percent of Erdenes Tavan Tolgoi's shares on the international market. Even though the company has surpassed its political endeavors, and has improved its financial performance, a successful IPO issuance will depend from the coking coal market.

Coking coal prices are relatively stable in the world market this year. In the medium term, it is expected to keep the current price fairly well. According to estimates by the Australian Energy Organization, the coking coal extraction was expected to reach 196 million tons in 2018, and supply has increased slightly from the previous year. In the Asia Mining magazine, "Metallurgical coal demand and supply are equal in 2019-2020." The IPO of Erdenes Tavan Tolgoi will increase the efficiency of use of the Tavan Tolgoi deposit. It will create a new climate for corporate governance. Likewise, the risk of weakening in coking coal prices is lower in the short and medium term.

Source: zgm.mn



BoM gold purchase reaches 8.3 tons

The Bank of Mongolia (BoM) purchased 8.3 tons of gold as of the July 20, showing 14 percent increase compared with the same period of the previous year.

BoM is organizing a number of works jointly with NGOs, public organizations and individuals under the campaign 'National Gold to the Fund of Treasures'.

The gold price is being fixed in accordance with the London Metal Exchange daily. Moreover, BoM is purchasing gold at international market price.

Under the 'GOLD-2' national program, last year, the Central Bank refined 20 tons of gold and increased its foreign reserves by over USD 700 million. The Gold Sample Laboratory will be opened in Bayankhongor and Darkhan-Uul provinces in late September under the campaign 'National Gold to the Fund of Treasures'. The establishment of a laboratory will allow BoM to purchase gold in local areas and to ease the process of gold supply. In addition, gold producers will be able to supply gold at the current daily gold price of Mongolbank.

The Central Bank emphasizes that the campaign will result in a reduction in the customs clearance, promoting responsible mining and introducing and distributing gold prices to Mongolians and other information to the public.

Source: Montsame.mn

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