



WEEKLY MARKET UPDATE

2018.08.20-08.24

GLOBAL MARKET PERFORMANCE

United States: Stocks posted gains for the week, led higher by technology and energy shares.

Crude oil prices rose steadily, finishing the week up nearly 6%, as the energy market seemed to anticipate that sanctions on Iran would tighten global oil supplies.

President Donald Trump made statements expressing his hope that Federal Reserve Chair Jerome Powell would keep interest rates low, and he accused both China and Europe of manipulating their currencies toward lower levels to boost their exports to the U.S. Low-level trade talks between the U.S. and China took place in Washington, D.C., but little progress toward an agreement on trade was reported.

On Friday, Powell defended the gradual pace of the Fed's rate hikes in a speech at the Kansas City Fed's annual economic symposium in Jackson Hole, Wyoming, saying that the slow increases are appropriate given current levels of inflation and unemployment.

Europe: The euro gained ground against the U.S. dollar despite ongoing trade tensions and political worries.

August manufacturing purchasing managers' indexes (PMIs) in Germany dropped, and broad eurozone PMIs showed a weakening expansion and corporate optimism at a 23-month low.

Italian debt has sold off heavily since the coalition took office with promises of increased spending. The European Central Bank reported this week that in June investors sold record levels of Italian bonds for the second month in a row. The Italian budget is scheduled for government approval in mid-October.

In the UK, the pound fell against the dollar, and the FTSE 100 Index was flat as the government released contingency plans for a "no deal" Brexit, which would take effect if the UK and European Union (EU) fail to agree to an exit deal before the March 2019 date for the UK's departure.

Japan: Japanese stocks posted their first weekly gain this month. The yen ended the week at ¥111.3 per U.S. dollar, down for the week but 1.1% stronger versus ¥112.7 at the end of 2017.

According to the Jiji news agency, Japan's Defense Ministry is poised to ask for a record ¥5.3 trillion (approximately \$65 billion) for defense spending in the fiscal 2019 budget, an increase of about ¥100 billion versus the fiscal 2018 budget. The Defense Ministry wants to buy two Aegis Ashore batteries (a land-based, U.S.-built missile defense system) to be installed in the Akita and Yamaguchi prefectures. The Defense Ministry has laid out plans for beefing up its ground, maritime, and air self-defense forces, as well as its defenses against nonmilitary threats, including cybersecurity.

Japanese manufacturers' business confidence hit a seven-month high in August due to the ongoing global economic expansion, but services sector sentiment remained dour. The latest Reuters Tankan poll showed the weakest services sector reading since 2016, reflecting tepid domestic demand for goods and services.

Source: Reuters, Troweprice

WORLD INDICES

Index	Country	Last Price	Change /w/
MSE TOP 20	Mongolia	19,170.64	-0.48% ▼
Dow Jones	USA	25,790.35	0.47% ▲
S&P 500	USA	2,874.69	0.86% ▲
Nasdaq	USA	7,945.98	1.66% ▲
S&P/TSX	Canada	16,356.05	0.20% ▲
FTSE 100	GB	7,577.49	0.25% ▲
S&P/ASX 200	Australia	6,247.30	-1.45% ▼
Nikkei 225	Japan	22,601.77	1.49% ▲
Hang Seng	Hong Kong	27,671.87	1.68% ▲

MONGOLIA RELATED BONDS

Issuer	Currency	Coupon	Last Price
Mongol 2024 (Khuraldai)	USD	8.7%	110.30
Mongol 2023 (Gerege)	USD	5.6%	97.27
Mongol 2022 (Chinggis)	USD	5.1%	96.64
Mongol 2021 (Mazalai)	USD	10.8%	113.26
DBM' 23 (Samurai)	JPY	1.5%	104.37
TDBM' 2020	USD	9.3%	106.35

MARKET RATES

Rates	Last	Change /w/
Libor 1M	2.073	0.00 ▲
Libor 3M	2.317	0.01 ▲
Libor 6M	2.523	0.01 ▲
Libor 1YR	2.820	0.01 ▲
US 6M Bond	2.232	0.01 ▲
US 2YR Bond	2.624	0.02 ▲
US 3YR Bond	2.675	-0.01 ▼
US 5YR Bond	2.719	-0.03 ▼
US 10YR Bond	2.817	-0.05 ▼

EXCHANGE RATES

Against MNT	2018.08.24	Change /w/
USD	2,469.79	0.21% ▲
CNY	358.82	0.29% ▲
EUR	2,854.34	1.70% ▲
RUB	36.43	-1.14% ▼
KRW	2.21	0.91% ▲
JPY	22.17	-0.40% ▼

COMMODITY PRICE

Commodity	Unit	Last Price	Change /w/
Gold /spot/	USD/t oz.	1,205.35	1.87% ▲
Silver /spot/	USD/t oz.	14.82	0.41% ▲
Copper	USD/lb.	272.30	1.89% ▲
Coal	USD/MT	107.00	-0.79% ▼
Crude Oil WTI	USD/bbl.	68.72	4.42% ▲
Crude Oil Brent	USD/bbl.	75.82	5.75% ▲
Natural Gas	USD/MMBtu	2.92	0.00%

MONGOLIAN MACRO ECONOMIC INDICATORS

Indicators	Reference	Amount
Inflation Rate	2018. VII	7.70%
Policy Rate	2018. VII	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 35 companies' 2,550,852 shares worth MNT 329.1 million were traded.

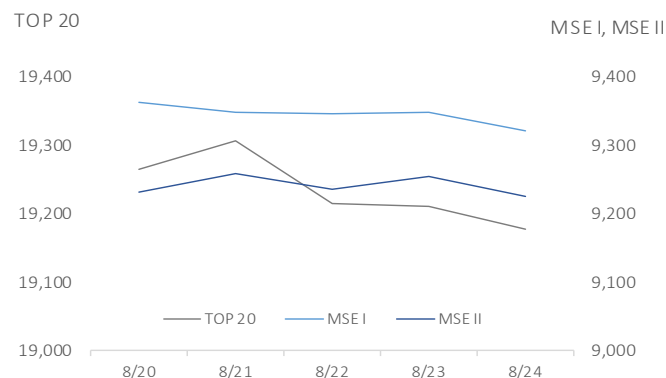
'Khukh Gan' /HGN/ company's share rose 12.50 percent to MNT 90 while 'Merex' /MRX/ company's share fell 12.12 percent to MNT 29.

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

On the secondary market of Government securities, 10,489 units of securities were traded for MNT 1,111 million.

As of August 24, total market capitalization of MSE is MNT 2,323.5 billion. The TOP-20 index decreased by 0.48% to stand at 19,170.64 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	1,440.1
Market Capitalization	2,323,494.3

STOCK MARKET INDICES

Index	Last Price	Change /w/
MSE Top 20	19,170.64	-0.48% ▼
MSE I Index	9,292.52	-0.75% ▼
MSE II Index	9,226.12	-0.05% ▼

ACTIVELY TRADED SECURITIES

Company	Volume	Turnover /MNT/
LendMN	2,246,484	146,933,726
APU	112,779	65,691,495
Tavan Tolgoi Gobi	3,593	28,850,540
Gobi	1,097	27,297,340
Mongol basalt	48,476	16,884,333

SECURITIES WITH MOST GROWTH

Company	Last Price /MNT/	Change /w/
Khukh Gan	90.00	12.50% ▲
Agrotechimpex	1,075.00	10.26% ▲
Baganuur	1,949.00	8.28% ▲
Darkhan Nekhii	18,700.00	8.09% ▲
Jinst-Uvs	1,505.00	3.08% ▲

SECURITIES WITH MOST DECLINE

Company	Last Price /MNT/	Change /w/
Merex	29.00	-12.12% ▼
Mongol Post	540.00	-10.00% ▼
Darkhan Hotel	120.00	-7.69% ▼
LendMN	64.32	-6.80% ▼
HBOil	57.00	-5.00% ▼

MOST ACTIVE BROKERAGE FIRMS

Company	Trading amount /MNT/
Mirae Asset Securities Mongol	4,590,886,267
Golomt Capital	110,674,638
Bumbat-Altai	102,447,809
TDB Capital	94,394,942
BDSec	40,991,637

COMPANIES WITH HIGHEST MARKET CAPITALIZATION

Company	Last Price /MNT/	Market Cap. /MNT mln/
APU	584.67	622,195
Tavan Tolgoi	8,035.00	423,165
Mongolian Mortgage Corporation	10,980.00	227,388
Gobi	24,880.00	194,092
Suu	217.63	74,865

GOVERNMENT SECURITY TRADING

Government securities /secondary market/

Nº	Name	Volume	Turnover /MNT/	Minimum /MNT/	Maximum /MNT/	Weeks	Annual interest rate
1	ZGEB-BD-01/02/19-A0285-13.745	140	14,330,400	102,360	102,360	104	13.745%
2	ZGEB-BD-09/05/19-A0242-15.995	58	5,989,080	103,260	103,260	104	15.995%
3	ZGEB-BD-10/10/19-A0336-13.945	250	25,752,500	103,010	103,010	104	13.945%
4	ZGEB-BD-11/04/19-A0230-18	338	35,189,180	104,110	104,110	104	18.000%
5	ZGEB-BD-14/03/19-A0219-18	147	15,235,080	103,640	103,640	104	18.000%
6	ZGEB-BD-15/08/20-A0295-14.5	1,097	116,347,820	106,060	106,060	156	14.500%
7	ZGEB-BD-18/07/20-A0275-15.14	3,920	418,969,600	106,880	106,880	156	15.140%
8	ZGEB-BD-22/05/20-A0248-15.87	100	10,748,000	107,480	107,480	156	15.870%
9	ZGEB-BD-24/10/19-A0348-13.955	1,640	169,100,400	103,110	103,110	104	13.955%
10	ZGEB-BD-25/04/20-A0236-16.993	1,289	140,320,540	108,860	108,860	156	16.993%
11	ZGEB-BD-26/09/19-A0326-13.955	1,000	102,920,000	102,920	102,920	104	13.955%
12	ZGEB-BD-27/03/20-A0225-18	510	56,059,200	109,920	109,920	156	18.000%

DIVIDEND INFORMATION

Nº	Ticker	Company name	Dividend per share /MNT/	Total dividend /MNT mln/	Date of resolution	Record date	Payment date
1	ERS	Mongol Alt	150.00	39.88	2018.04.27	2018.04.05	within 2018.12.31
2	TEE	Teever Darkhan	500.00	81.67	2018.04.27	2018.04.05	within 2018.12.31
3	TTL	Tavan Tolgoi	2,410.00	126,923.13	2018.04.16	2018.04.03	paid on 2018.06.12
4	EER	Arig Gal	21.33	74.21	2018.04.25	2018.04.02	from 2018.09.01
5	BDL	Mogoin gol	100.00	82.96	2018.04.26	2018.01.18	paid on 2018.06.26
6	DSS	Darkhan Selengiin tsakhilgaan tugeekh suljee	56.60	7.66	2018.03.07	2018.03.27	from 2018.07.02
7	TAL	Talyn Gal	50.00	34.71	2018.03.05	2018.04.26	within 2018.12.31
8	BRC	Barilga Corporation	700.00	28.46	2018.02.24	2018.03.16	N/A
9	AND	And Energy	1.27	99.15	2018.02.24	2018.03.16	N/A
10	SUL	Juulchin Duty Free	10,000.00	653.62	2018.02.23	2018.04.11	from 2018.05.01
11	GTL	Gutal	1,270.00	83.01	2018.02.19	2018.03.18	from 2018.07.06
12	BNG	Bayangol Hotel	355.00	150.19	2018.02.19	2018.04.06	from 2018.09.01
13	APU	APU	10.00	10,641.82	2018.02.19	2018.03.29	paid on 2018.05.17
14	BTG	Bayanteeg	100.00	25.26	2018.02.19	2018.03.12	within 2018.06.01
15	MIE	Materialimpex	10.00	13.68	2018.02.19	2018.03.26	paid on 2018.04.17
16	HRD	Khurd	497.00	67.23	2018.02.15	2018.02.23	within 2018.06.30
17	SUU	Suu	3.00	1,032.00	2018.02.14	2018.04.05	paid on 2018.06.04
18	MNP	Mongol Post	3.68	366.48	2018.02.13	2018.04.13	paid on 2018.06.05
19	MMX	Makhimpex	100.00	380.07	2018.02.13	2018.04.05	from 2018.10.01
20	TCK	Talkh Chikher	170.00	174.03	2018.02.12	2018.04.06	from 2018.07.01
21	GHC	Gan Khiits	100.00	24.25	2018.02.09	N/A	N/A
22	ADL	Aduunchuluun	130.00	409.67	2018.02.07	2018.03.01	paid on 2018.06.26
23	TAH	Takhi Ko	108.00	128.52	2018.02.05	2018.03.30	within 2018.05.01
24	UBH	Ulaanbaatar Khivs	100.00	40.48	2018.02.05	2018.02.26	from 2018.05.01
25	GOV	Gobi	220.00	1,716.25	2018.02.02	2018.03.27	paid on 2018.04.24
26	HRM	Hermes Center	5.00	392.72	2018.01.24	2018.02.15	paid on 2018.04.12

CAPITAL MARKET NEWS

ERD: Preliminary Economic Assessment of 'Altan Nar' and 'Bayankhudii' projects to be announced in 4th quarter

Erdene Resource Development Corporation, the first dual-listed company on the Mongolian Stock, anticipates announcing the maiden Bayan Khundii resource estimate in the 3rd quarter, which will compliment the updated Q2-2018 Altan Nar resource estimate, both of which will form the basis of a Preliminary Economic Assessment, expected to be announced in the 4th quarter. The company is preparing to move its operations from exploration stage to the mining stage. Exploration costs of the company has reached CAD 3.1 million, up 34 percent from the same period of the previous year. Earnings per share of the company has reached CAD -0.07, down by 2 times from the same period of the previous year. Erdene Resource Development Corporation was dual-listed on the Mongolia Stock Exchange this June. The company attracted CAD 1.36 million through dual-listing and CAD 4.12 million through private placement bonds.

As of August 23, share price of the company increased by 1.39 percent to CAD 0.36. On Friday, share price reached MNT 549.13 on MSE.

Source: BloombergTv.mn



Sales revenue of 'Suu' JSC has increased by 45.8 percent in the first half of this year

Sales revenue of 'Suu' JSC listed on the Mongolian Stock Exchange has increased by 45.8 percent from the same period of the previous year. In 2017, 'Suu' JSC issued a bond and attracted MNT 6 billion from the public. In June of this year, the company paid the bond principal and coupon payments worth MNT 7 billion. Earlier, the company announced about its interests to issue additional shares. Share price of 'Suu' JSC that is listed in the Tier I on MSE and included in the TOP-20 index basket fell 20 percent year-to-date to MNT 209.

Source: BloombergTv.mn

Net profit of 'Aduunchuluun' JSC has decreased by 40 percent from the same period of the previous year

According to the financials, sales revenue of 'Aduunchuluun' JSC has reached MNT 4.08 billion, which is lower by about 7 percent from the same period of the previous year. Net profit of the company has decreased by 40 percent y-o-y to MNT 368.1 million.

'Aduunchuluun' JSC supplies most of its mined coal to Eastern energy system. In the first half of this year, the company sold 280 thousand tons of coal, which is close to the same period last year. In 2018, the company is planning to sell a total of 600 thousand tons of coal.

Share price of 'Aduunchuluun' JSC has decreased by 26 percent year-to-date and has reached MNT 2,200.

Source: BloombergTv.mn

Gobi JSC: The company accounts for 61 percent of the world's wool and cashmere industry

In the first half of 2018, Gobi's sales revenue reached MNT 55.6 billion, up 64 percent from the same period of the previous year due to a rise in foreign sales by 88 percent.

In the first half of the year, the company has opened new franchise shops in Inner Mongolia, Germany and Turkey. The company has expanded its online sales and started selling its products on 'Amazon'. 'Gobi' JSC operates with 5 retail stores and 53 franchise shops in 34 cities of 13 countries of the world. As a result, it has expanded its cashmere market share to 61 percent. The company has invested MNT 11.2 billion MNT to expand its foreign market share.

In June, the company has started construction of the complex plant in Tuv province of Mongolia. "Gobi" has been testing the new Chinese fashion combing machine since 2017. The introduction of the new machine helped to save energy usage by four times, reducing labor and quality non-conformance. This year, five additional lines were installed. It has also begun using Italian, Japanese and German equipment in its production.

The Gobi company, with a market capitalization of MNT 200 billion, plans to earn a net profit of MNT 18.9 billion in 2018. In the first half of the year, net profit was MNT 4.4 billion.

At the end of the second quarter, share price of the company was around MNT 24 thousand, up 80 percent on a year-on-year basis. According to the Mongolian Central Securities Depository, 84.2 percent of the company is owned by three large shareholders and the rest 15.8 percent is owned by 16.2 thousand small shareholders.

Source: TDB Capital SC

COMMODITY MARKET NEWS

NSO: Fluorspar export quantity increased by 45 percent and reached USD 79.3 million

In the first 7 months of 2018, export quantity of fluorspar increased by 45 percent, reaching 239.9 thousand tons, export value increased by 93 percent reaching USD 79.3 million according to the National Statistics Office.

In the period Mongolia in total exported 20.8 million tons of coal decreasing by 1.2 percent. In monetary value, export increased by 15 percent reaching USD 1.6 billion. The main exporter "Erdenes Tavan Tolgoi" JSC exported 6.8 million tons of coal in the first half of 2018, with sales reaching MNT 953 billion, Net income reaching MNT 373.3 billion.

With an export of 848.1 thousand tons of copper similar to last year's levels, in monetary value it increased by 32.3 percent reaching USD 1.17 billion. One of the main exporters Oyu Tolgoi's second quarter copper concentrate production increased by 1.5 percent, and gold production increased by 19 percent as stated by "Turquoise Hill Resources" financial reports. Sales and logistics operations stabilizing, and sale of concentrate reserves from the first quarters were the main factors.

Iron ore export quantity increased by 24 percent and reached 3.9 million tons but there were no significant changes in monetary value staying at USD 181.4 million. Oil export decreased by 10 percent and reached 3.8 million barrels reaching USD 251 million as stated by the NSO.

Source: BloombergTv.mn

BarilgaMN: The increase in local producers resulted in decrease of cement imports

Until 2015, Mongolia imported 56-88 percent of its cement consumption from China. In 2015 cement import tariffs were increased and number of local producers grew resulting in 17-25 percent of consumption being imported as stated by "BarilgaMN". Due to this, foreign exchange outflows decreased from USD 14-97 million to about USD 5 million. Local cement sales were 12% of total sales in 2013 but in 2017 this number increased to 80%. Particularly, in 2015 Monpolymet's Moncement, Munkhiin Bayn Gal with annual capacities of 1 million and 860 thousand tons, in 2016 MAK's Khukh tsav cement lime factory with an annual capacity of 1 million tons of cement started operations supplying local demands and needs.

In Mongolia, depending on cost of materials and capacity, cement costs 84-105 thousand tugriks per ton. In terms of sales price according to "BarilgaMN", "Moncement", MAK Euro cement and Khutul cement each are priced 160 thousand tugriks, 168 thousand tugriks, 170 thousand tugriks respectively.

Эх сурвалж: BloombergTv.mn

'Usukh Zoos' LLC: The coal washing plant will be commissioned in 2019

In line with the Chinese government's policy, Mongolian coal exporters are aiming to enrich their export coal. For instance, 'MAK', 'Southgobi Sands', and 'Usukh Zoos' companies, which are operating in Nariin Sukhait deposits, intend to build a coal washing plant.

Plant construction of the "Usukh Zoos" LLC is ongoing and planned to be finished in 2019. The power sources are still being solved by importing from China.

The plant construction of the 'Southgobi Sands' has been completed. The plant, with a capacity of 2 million tons of coal per year, will bring coking coal from Category F to Category B.

'MAK' has established coal washing plant with an annual capacity of one million tons of coal. 'MAK' says that it is planned to use one million cubic meters of flood water during the enrichment of coal for recent years.

Source: BloombergTv.mn



Russia refuses to export Kazakhstan's coal through seaport

'Mechel', Russia's mining and metallurgy company, presents its second quarter report. According to this report, the export of enriched coal from Elga deposit in Yakutia has been exported to India, Myanmar and Vietnam for the first time. As a result, coal exports to Asia-Pacific countries increased by 60%.

In addition, number of coal washing plants increased due to an increase in exports to China and Japan. As of the first half of this year, 3.52 million tons of coking coal was enriched and exported in Elga deposit complex.

'Mechel' has been extending its contract with China Baowu Steel Group's 'Baosteel Resources' Resources for another year until July, 2019. During the contract, 700 thousand tons of coking coal will be supplied to China.

These Russian and Chinese companies have entered into long-term contracts for coal supply in 2013, extending the duration of the contract each year. According to a one-year contract, the Russian company supplied 960 thousand tons of coking coal from Elga deposit to 'Baosteel Resources'.

'Mechel', a major exporter of Russian coking coal, exported 2 million tons of coking coal to China in 2017.

Эх сурвалж: BloombergTv.mn

OTHER NEWS

The minimum wage rate in Mongolia increased to MNT 320 thousand per month

According to the the Minister of Labor and Social Protection Chinzorig.S, the minimum wage rate per month will be increased to MNT 320 thousand in 2019. As a result, the minimum wage rate per month has been increased by MNT 80 thousand since late 2017. In the future, the Mongolian Employers' Federation announced that the minimum wage rate will be increased to MNT 420 thousand per month in 2020. Currently, eight percent of all employees are paid a minimum wage.

'The law states that the minimum wage rate per month should be renewed every two years. The minimum wage rate was set at MNT 1,904 per hour or MNT 320 thousand per month. This decision will be implemented in January 1, 2019. Eight percent of 1,1 thousand employees are paid a minimum wage' said the Minister of Labor and Social Protection Chinzorig.S.

Source: BloombergTv.mn

MoF: Budget revenue exceeded MNT 589 billion

According to Minister of Finance Khurelbaatar Ch., the budget revenue has exceeded MNT 589 billion in July.

As a result, the fiscal balance reached MNT 291.3 billion, the first surplus since 2015.

Tax revenue increased by 33 percent, accounting for about 80 percent of revenue. VAT revenues increased by 34.1 percent in tax revenues, while excise tax rates increased by 68 percent.

In the fifth review of the "Extended Financing Program" Jeff Gootleb emphasize: "The recent macroeconomic performance of Mongolia has been positive, and the economy is recovering well, but some vulnerabilities still continue". At the time of favorable economic situation, the government has decided to increase salaries of public servants by 8-30 percent. In doing so, the budget will not be revised. It is reported that the annual salary will be increased in line with inflation rate next year.

Source: BloombergTv.mn



Mongolia to increase salaries of public servants

The Mongolian government has decided to increase the salaries of public servants by 8 to 30 percent starting next month, the country's Minister of Labor and Social Protection Sodnom Chinzorig said Wednesday.

The decision to increase the salaries of public servants came after Mongolian public servants, especially teachers and nurses, have repeatedly demanded the government increase their wages.

"Today, the government approved the salary enhancement for public servants except political officials, judges and prosecutors," Chinzorig told reporters after a government meeting.

Salaries of secondary and high school teachers and other public servants who receive equal or lower wages to teachers will be increased by 8 percent, the minister said.

Teachers of preschools and primary schools, nurses and employees in the culture and art sector will get a salary increase of 12.3 to 30 percent, the minister said.

Chinzorig said some 173,000 people will benefit from the salary enhancement. At present, the average monthly salary of a civil servant in Mongolia is 630,000 Mongolian tugriks (255 U.S. dollars), according to official statistics.

But judges and prosecutors in the country get an average salary of 1.5 to 4 million Mongolian tugriks (608 to 1,623 dollars) per month..

Source: www.xinhuanet.com

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