

WEEKLY MARKET UPDATE

2018.09.17-09.21

GLOBAL MARKET PERFORMANCE

United States: The major benchmarks were mixed for the week. The large-cap Dow Jones Industrial Average and the S&P 500 Index outperformed and reached all-time highs, while the technology-focused Nasdaq Composite Index recorded modest losses. A sharp increase in longer-term bond yields to about 3.1% boosted financials stocks by improving bank lending margins but weighed on real estate investment trusts and utilities shares, whose relatively high dividends became less compelling in comparison.

The week brought a further escalation in the trade conflict between the U.S. and China, but it appeared to weigh on sentiment only briefly. President Trump delivered on a threat that he made in August and declared that \$200 billion worth of Chinese goods would immediately be subject to a 10% tariff, rising to 25% by the end of the year. Investors may have been calmed by the low 10% level of the initial tariff, which some interpreted as a sign of a willingness to negotiate on the part of the administration.

Europe: European stocks brushed off trade tensions and Brexit woes and rode the coattails of the U.S. stock rally.

The odds of a hard Brexit rose as UK Prime Minister Theresa May and European Union (EU) leaders traded Brexit demands. EU leaders at a summit in Salzburg rebuffed May's so-called Chequers plan. In a Friday speech, May seemed to abandon her Chequers plan, blaming its failure on the EU's inability to compromise and stated that the negotiations had reached an impasse.

Japan: Japanese stocks posted strong gains in the holiday-shortened trading week. At the close of trading on Friday, the yen stood at ¥112.7 per U.S. dollar, modestly weaker for the week and virtually unchanged since the end of 2017.

Prime Minister Shinzo Abe easily won reelection as the leader of the Liberal Democratic Party, defeating former defense minister Shigeru Ishiba. The victory means Abe will be the prime minister for three more years and potentially become the longest-serving premier in Japan's history.

On Wednesday, following the Bank of Japan's (BoJ) September Monetary Policy Meeting, Central Bank Governor Haruhiko Kuroda said that there would be no change to the current monetary policy until inflation reaches the 2% target.

China: China's main stock indexes rallied as promises from Beijing to stimulate domestic consumption outweighed the next round of U.S. tariffs set to go into effect later in September.

Russia: Russian stocks firmed during the week. The gains were supported in part by rising oil prices, which stemmed in turn from increased Middle East tensions and expectations that U.S. sanctions on Iran would soon significantly reduce Iranian crude supplies on world markets. The ruble also benefited from these developments, as well as an unexpected interest rate increase on September 14.

Source: Reuters, Troweprice

WORLD INDICES			
Index	Country	Last Price	Change /w/
MSE TOP 20	Mongolia	19,942.75	-0.49% ▼
Dow Jones	USA	26,743.50	2.25% ▲
S&P 500	USA	2,929.67	0.85% ▲
Nasdaq	USA	7,986.96	-0.29% ▼
S&P/TSX	Canada	16,224.13	1.32% ▲
FTSE 100	GB	7,490.23	2.55% ▲
S&P/ASX 200	Australia	6,194.60	0.14% ▲
Nikkei 225	Japan	23,869.93	3.36% ▲
Hang Seng	Hong Kong	27,953.58	2.45% ▲

MONGOLIA RELATED BONDS			
Issuer	Currency	Coupon	Last Price
Mongol 2024 (Khuraldai)	USD	8.7%	108.93
Mongol 2023 (Gerege)	USD	5.6%	96.46
Mongol 2022 (Chinggis)	USD	5.1%	95.69
Mongol 2021 (Mazalai)	USD	10.8%	113.03
DBM' 23 (Samurai)	JPY	1.5%	104.36
TDBM' 2020	USD	9.3%	105.74

MARKET RATES			
Rates	Last	Change /w/	
Libor 1M	2.216	0.05	▲
Libor 3M	2.373	0.04	▲
Libor 6M	2.592	0.02	▲
Libor 1YR	2.908	0.03	▲
US 6M Bond	2.369	0.04	▲
US 2YR Bond	2.800	0.02	▲
US 3YR Bond	2.888	0.03	▲
US 5YR Bond	2.949	0.05	▲
US 10YR Bond	3.063	0.07	▲

EXCHANGE RATES			
Against MNT	2018.09.21	Change /w/	
USD	2,521.27	0.95%	▲
CNY	368.57	1.05%	▲
EUR	2,968.42	1.41%	▲
RUB	38.05	3.99%	▲
KRW	2.26	0.89%	▲
JPY	22.37	0.13%	▲
CAD	1,953.56	1.61%	▲

COMMODITY PRICE			
Commodity	Unit	Last Price	Change /w/
Gold /spot/	USD/t oz.	1,196.50	0.13% ▲
Silver /spot/	USD/t oz.	14.24	1.06% ▲
Copper	USD/lb.	283.50	8.04% ▲
Coal	USD/MT	111.95	-2.47% ▼
Crude Oil WTI	USD/bbl.	71.50	3.70% ▲
Crude Oil Brent	USD/bbl.	79.69	2.02% ▲
Natural Gas	USD/MMBtu	2.96	6.47% ▲

MONGOLIAN MACRO ECONOMIC INDICATORS			
Indicators	Reference	Amount	
Inflation Rate	2018. VIII	6.00%	
Policy Rate	2018. VIII	10.00%	
Interbank Rate	2018. VII	9.80%	
Deposit Interest Rate /MNT/	2018. VII	12.30%	
Deposit Interest Rate /Foreign currency/	2018. VII	5.20%	
Loan Interest Rate /MNT/	2018. VII	17.60%	
Loan Interest Rate /Foreign currency/	2018. VII	10.70%	

Source: National Statistical Office, Bank of Mongolia, Bloomberg

MSE TRADING UPDATE

In this week, a total of 40 companies' 5,807,274 shares worth MNT 713.7 million were traded.

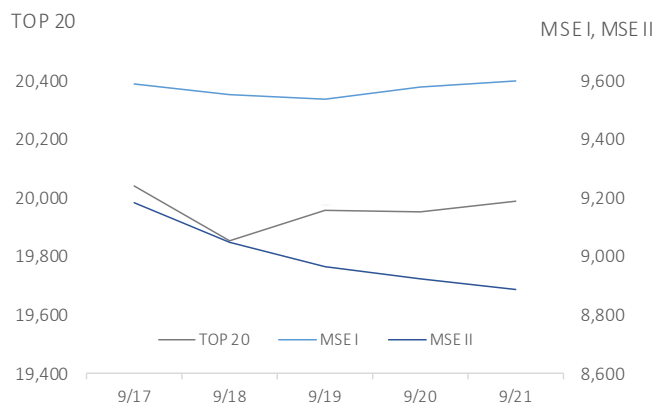
'Uujim khangai' /SOH/ company's share rose 7.57 percent to MNT 270 while 'Khuvsgul altan duulga' /ADU/ company's share fell 25.80 percent to MNT 722.

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

On the secondary market of Government securities, 141 units of securities were traded for MNT 15.0 million.

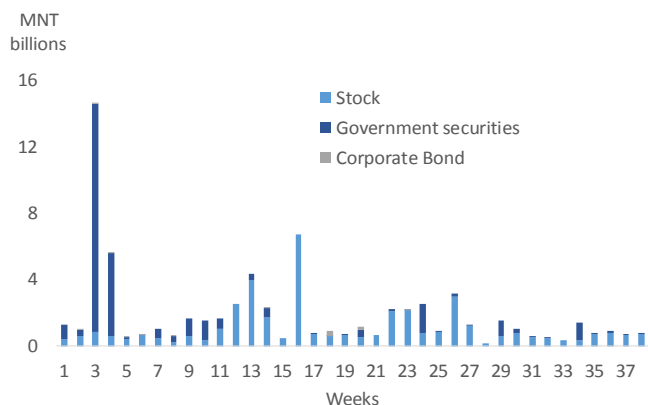
As of September 21, total market capitalization of MSE is MNT 2,322.9 billion. The TOP-20 index decreased by 0.49% to stand at 19,942.75 units.

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	728.8
Market Capitalization	2,322,859.8

STOCK MARKET INDICES

Index	Last Price	Change /w/
MSE Top 20	19,942.75	-0.49% ▼
MSE I Index	9,532.70	-0.59% ▼
MSE II Index	8,962.83	-2.42% ▼

ACTIVELY TRADED SECURITIES

Company	Volume	Turnover /MNT/
HBOil	4,174,834	204,603,266
Gobi	3,241	103,505,360
Khuvsgul Altan Duulga	158,425	92,156,296
APU	145,841	81,600,068
LendMN	916,442	61,207,308

SECURITIES WITH MOST GROWTH

Company	Last Price /MNT/	Change /w/
Uujim khangai	270.00	7.57% ▲
Gutal	21,500.00	7.50% ▲
Usjuulakh	700.00	5.26% ▲
APU	565.89	4.75% ▲
Ulsyn ikh delguur	485.00	1.04% ▲

SECURITIES WITH MOST DECLINE

Company	Last Price /MNT/	Change /w/
Хувсгул алтан дуулга	722.00	-25.80% ▼
Хай Би Ойл	49.00	-20.97% ▼
Хух ган	80.00	-15.16% ▼
Монгол нэхмэл	3,145.00	-15.00% ▼
Эрдэнэт авто зам	695.00	-7.33% ▼

MOST ACTIVE BROKERAGE FIRMS

Company	Trading amount /MNT/
BDSec	18,427,810,270
Golomt Capital	5,691,801,554
Mirae Asset Securities Mongol	4,979,747,108
Bumbat-Altai	4,856,149,314
TDB Capital	4,755,494,532

COMPANIES WITH HIGHEST MARKET CAPITALIZATION

Company	Last Price /MNT/	Market Cap. /MNT mln/
APU	565.89	602,210
Tavan Tolgoi	7,700.00	405,522
Gobi	32,020.00	249,792
Mongolian Mortgage Corporation	10,980.00	227,388
Suu	208.00	71,552

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
1	ZGEB-BD-06/06/19-A0254-15.49	1	103,280	103,280	103,280	104	15.490%
2	ZGEB-BD-20/06/20-A0260-15.14	140	14,894,600	106,390	106,390	156	15.140%

DIVIDEND INFORMATION

Nº	Ticker	Company name	Dividend per share /MNT/	Total dividend /MNT mln/	Date of resolution	Record date	Payment date
1	HRM	Hermes Center	5.00	392.72	2018.08.31	2018.09.10	2018.10.01-2018.11.30
2	ERS	Mongol Alt	150.00	39.88	2018.04.27	2018.04.05	within 2018.12.31
3	TEE	Teever Darkhan	500.00	81.67	2018.04.27	2018.04.05	within 2018.12.31
4	TTL	Tavan Tolgoi	2,410.00	126,923.13	2018.04.16	2018.04.03	paid on 2018.06.12
5	EER	Arig Gal	21.33	74.21	2018.04.25	2018.04.02	from 2018.09.01
6	BDL	Mogoin gol	100.00	82.96	2018.04.26	2018.01.18	paid on 2018.06.26
7	DSS	Darkhan Selengiin tsakhilgaan tugeekh suljee	56.60	7.66	2018.03.07	2018.03.27	from 2018.07.02
8	TAL	Talyn Gal	50.00	34.71	2018.03.05	2018.04.26	within 2018.12.31
9	BRC	Barilga Corporation	700.00	28.46	2018.02.24	2018.03.16	N/A
10	AND	And Energy	1.27	99.15	2018.02.24	2018.03.16	N/A
11	SUL	Juulchin Duty Free	10,000.00	653.62	2018.02.23	2018.04.11	from 2018.05.01
12	GTL	Gutal	1,270.00	83.01	2018.02.19	2018.03.18	from 2018.07.06
13	BNG	Bayangol Hotel	355.00	150.19	2018.02.19	2018.04.06	from 2018.09.01
14	APU	APU	10.00	10,641.82	2018.02.19	2018.03.29	paid on 2018.05.17
15	BTG	Bayanteeg	100.00	25.26	2018.02.19	2018.03.12	within 2018.06.01
16	MIE	Materialimpex	10.00	13.68	2018.02.19	2018.03.26	paid on 2018.04.17
17	HRD	Khurd	497.00	67.23	2018.02.15	2018.02.23	within 2018 .06.30
18	SUU	Suu	3.00	1,032.00	2018.02.14	2018.04.05	paid on 2018.06.04
19	MNP	Mongol Post	3.68	366.48	2018.02.13	2018.04.13	paid on 2018.06.05
20	MMX	Makhimpex	100.00	380.07	2018.02.13	2018.04.05	from 2018.10.01
21	TCK	Talkh Chikher	170.00	174.03	2018.02.12	2018.04.06	from 2018.07.01
22	GHC	Gan Khiits	100.00	24.25	2018.02.09	N/A	N/A
23	ADL	Aduunchuluun	130.00	409.67	2018.02.07	2018.03.01	paid on 2018.06.26
24	TAH	Takhi Ko	108.00	128.52	2018.02.05	2018.03.30	within 2018.05.01
25	UBH	Ulaanbaatar Khivs	100.00	40.48	2018.02.05	2018.02.26	from 2018.05.01
26	GOV	Gobi	220.00	1,716.25	2018.02.02	2018.03.27	paid on 2018.04.24
27	HRM	Hermes Center	5.00	392.72	2018.01.24	2018.02.15	paid on 2018.04.12

CAPITAL MARKET NEWS

Shares of 'Mandal Insurance' to start trading on September 24, 2018

The secondary market trading of "Mandal Daatgal" JSC is starting from September 24, 2018 based on the FRC letter of September 21, 2018 which states the consideration of the public offering as successful and grants a permission to commence its secondary market trading.

The Company offered 25% of its shares or 1,560,754 shares to raise MNT 7.4 billion from public. The total subscription for the stock has totaled 1,916,207 shares which was an oversubscription by 23 percent, ordered by 861 individuals and business entities.

Source: Mongolian Stock Exchange



MSE: Khusug Trade JSC has announced its 2nd irregular shareholder meeting this year

Five companies listed on the Mongolian stock exchange have announced their irregular shareholders meeting in the next month.

For instance, "Mongol shevro" JSC is holding an irregular shareholder meeting on the 29th. They have announced that they will approve some major transactions in the meeting files. On October 3rd, 4th, and 5th "Gobi" JSC, "Khusug Trade" JSC and "Moninjbar" JSC are to hold their irregular shareholder meetings respectively.

"Gobi" JSC are going to discuss the matter of splitting their shares by a factor of 100. Currently 84.2 percent of the company is owned by 3 shareholders, and the remaining 15.8 percent is owned by 16.2 thousand small shareholders.

Meanwhile, "Khusug Trade" JSC will hold its second irregular shareholder meeting this year. In the previous meeting they decided to delay appointing a new board member structure. In the upcoming meeting they will discuss changing the shareholder registration of their charter.

"Moninjbar" JSC are going to approve a change of company name.

Source: BloombergTv.mn

'Ard Insurance' JSC share subscription information

'Ard Insurance' JSC, the 6th new issue listed on MSE in 2018 as well as the first insurance IPO, is offering its 30 percent or 7.5 billion shares of total outstanding shares to the public for MNT 700 per share or total of MNT 5.4 billion.

The proceeds will be used to improve its risk management capabilities by increasing the owner's equity as well as invest in the capital market in accordance with the FRC rules.

In case of oversubscription for the stock, shares will be allocated on a pro-rata basis.

Subscription for the stock will be open during the period between 17th September 2018 to 2:00 pm, 26th September, 2018.

Source: Mongolian Stock Exchange

Report from 'Erdene Resource Development Corp'

Erdene Resource Development Corp (TSX:ERD| MSE:ERDN), announces the the Mineral Resource estimate for its 100% owned Khundii Gold Project in southwest Mongolia, prepared by RPMGlobal in accordance with the definition standards of National Instrument 43-101.

The Khundii Gold Project includes the Company's high-grade Bayan Khundii and Altan Nar deposits, located 16 kilometres apart. Today's announcement includes the Maiden Mineral Resource estimate for the Bayan Khundii deposit and incorporates the significant increase in the NI 43-101 Mineral Resource for the Altan Nar deposit reported by the Company in May 2018. These deposits are shallow and high-grade, outcropping and located within the newly discovered Khundii Gold District.

Highlights:

- Khundii Gold Project total Mineral Resource: – 751,000 ounces gold at an average grade of 2.3 g/t gold, Measured and Indicated; and, – 291,000 ounces gold at an average grade of 1.8 g/t gold, Inferred.
- At a higher cut-off grade of 1.4 g/t gold, the Khundii Gold Project contains: – 642,000 ounces gold at an average grade of 3.7 g/t gold, Measured and Indicated, including, 357,000 ounces gold at an average grade of 5.2 g/t gold at the Bayan Khundii deposit.
- Including precious and base metals, the Khundii Gold Project includes: – 886,000 ounces gold equivalent ("AuEq") at an average grade of 2.7 g/t AuEq, Measured and Indicated; and – 382,000 ounces AuEq at an average grade of 2.3 g/t AuEq, Inferred.
- Work has commenced on the Preliminary Economic Assessment for the Khundii Gold Project, expected to be announced in Q4-2018.

Source: Mongolian Stock Exchange

COMMODITY MARKET NEWS

MACE: 4,200 tons of goat cashmere were traded

In April-August, 4,200 tons of goat cashmere were traded on the Mongolian Agricultural Commodity Exchange. This has dropped 21.1 percent from the same period of last year.

Despite declining volume, the trade value has increased by 2.7 percent as cashmere price has increased this year. For instance, in April - July of this year, the price of light raw cashmere was fluctuating between MNT 99-107 thousand. In the same period of the previous year, the price was fluctuating between MNT 63-96 thousand. Also unprocessed cashmere prices rose by around 50 percent to MNT 105 thousand this year.

In the first eight months of the year, total export of dehaired and unprocessed cashmere increased by 24.5 percent from the same period of the previous year to USD 264.1 million.

Source: BloombergTv.mn



BI: Gold price could reach USD 1,400

Gold price decreased by 8.15% below USD 1,200 in the last one year period. According to "Bloomberg Intelligence" commodity market analysis price could potentially increase to USD 1,400.

In terms of shortfall risk for the next year, if the US dollar appreciate in value and stock market indices rise the price could go below USD 1,120. But historic indicators suggest that this possibility is very low. If the 2017 pattern of reaching average price repeat one price of gold per ounce could reach USD 1400.

Historic records show that investment funds increased their gold exposure when federal reserves strengthened monetary policy. For example when the feds increased policy rate for the first time, gold holdings increased by 47% in these funds. Since 2013, gold price never dipped more than 8% from the 52 week average. There is no indication of further declines in price according to Bloomberg's analysts.

April this year Bloomberg's USD spot index and the S&P 500 both fell and gold prices reached USD 1400. Since then the equity market recovered and the USD appreciated in value and gold prices stabilized around USD 1,200. Analysts think that market participants changed asset allocations too fast and prices have fallen too low.

Current price movements are similar to the one in 1999 when price rose by 34% in 3 weeks. If the same movements happen gold prices could reach USD 1,600 said Bloomberg's analysts.

Source: BloombergTv.mn

MRAM: 21 entities export coal in 2018

In 2018, a total of 77 mining work plans were drafted and approved, of which 32 plans included exports of coal. According to the Mineral Resources Authority of Mongolia, currently, 21 companies are exporting coal. Last year, 20 mining work plans were drafted and approved, of which 18 included exports. This year's plan shows that most of the companies or 17 of them are operating in Umnugovi province, 13 in Dornogovi and 11 in Sukhbaatar provinces. Major exporter, 'Mongolia Energy Corporation', which is listed on the Hong Kong Stock Exchange, is mining coal from Khushuut deposit. The company is aiming to export one million tons of enriched coal this year.

'Erdenes Tavantolgoi' JSC is aiming to mine and sell 13 million tons of coal at the end of this year. Local-owned 'Tavantolgoi' JSC is planning to mine and sell four million tons of coal in 2018.

Source: BloombergTv.mn

'Erdenes Tavan Tolgoi' JSC's coal reserves estimated to be 7.6-8 billion tons

State owned "Erdenes Tavantolgoi" JSC's coal reserves are estimated at 6 billion 48 million tonnes according to the professional mineral resource council.

Coal reserves of this deposit were estimated at 5.1 billion tonnes in 1981. Since then 40 years later estimated reserves increased. Erdenes Tavantolgoi JSC's CEO Gankhuyag B. clarified that the initial 5.1 billion reserve estimation is from a partial report, and since then further exploration reports increased the reserve estimates.

Since then after 40 years the full report was approved by the professional mineral resource council and reserve estimates were increased to 6 billion tonnes. Explorations that were stopped in 2014 resumed in 2017-2018 over a 130 thousand square meter area and 340 million tonnes of coal were added to the reserves. According to the block method total reserves are estimated at 6.3 billion tonnes. There are differences between the block method and the international JORC standards. Converting the 6.3 billion tonnes of reserve estimations to the JORC estimation the reserves are estimated to be 7.6-8 billion tonnes or more. The company's business and reserve valuations increase significantly with this news according to Mr.Gankhuyag.

Source: Montsame.mn



OTHER NEWS

World Economics: Mongolia's employment rating reaches the highest level in five years

World Economics reported that, in September, Mongolia's Sales Managers Index reached 58.3 points in September – same rate as in August. However, it is on its lowest rate over the last four months.

The sales managers' index is calculated by the scoring of five main indicators: business trust factors, market growth, sales, price changes, and employment rating.

The employment rating index reached 61.7 points - the highest level in five years. Analysts from World Economics emphasized that price change index fluctuates for more than 50 points. In other words, inflation is accelerating, according to World Economics research. According to the National Statistics Office, the inflation rate was 6.0 percent in August, which is around the target rate of the Bank of Mongolia.

Additionally, World Economics highlighted that Mongolia's business confidence index has been in a growth zone since the beginning of 2018, heralding the expectation that the business climate will further improve.

Source: BloombergTv.mn

BoM: Main Directions for 2019 state monetary policy includes fintech

The Central Bank reported that the Main Directions for 2019 State Monetary Policy will include fintech issues. According to the Law on National Payment and Settlement System adopted this year, the Bank of Mongolia is in charge of the payment and settlement process by fintech. The payment system faces difficulties such as confidentiality, data security and legal arrangements as fintech has just introduced to financial sector of Mongolia, according to the Central Bank's Settlement Department. Fintech is being developed in many forms, such as 'artificial intelligence', 'peer to peer' loans, biometric, block chain technology and business transactions. The central bank emphasized that "e-money" and "Q-Pay" services are used broadly in Mongolia.

Source: BloombergTv.mn



BoM: Monetary policy will support business activities

The Bank of Mongolia reported that the decision to retain the policy rate at 10 percent would support economic and business activities. In addition, macro prudential policy states that non-mortgaging consumer loans will not exceed 30 months and the risk weight of foreign currency loan will be increased from 120 percent to 150 percent.

The macro prudential policy will start implementing on January 1, 2019. A rise in loans might adversely affect on financial stability as it will increase household debt and import value. Therefore, the Central Bank is pursuing policy to limit consumer loans.

At the June meeting, the BoM decided to limit debt-to-income ratio of consumer loans to less than 70 percent. This time the BoM limited consumer loan to 30 months. In addition, the risk weight has been increased in order to reduce and limit the foreign exchange credit risk.

However, in the next session, consideration should be given to the policy interest rate change and to actions to be taken in case of breaking macro-prudential policy.

Source: BloombergTv.mn

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