

WEEKLY MARKET UPDATE

2018.09.24-09.28

GLOBAL MARKET PERFORMANCE

United States: The major indexes ended mixed for a second consecutive week, with the technology-heavy Nasdaq Composite Index recording a solid gain, while most other benchmarks suffered declines. Along with technology stocks, consumer discretionary shares outperformed within the S&P 500 Index, while materials and financials shares declined.

The escalating trade conflict weighed on sentiment – especially after Chinese officials stated that they would not attend high-level talks in Washington. One prominent stock-specific development was the announcement of a Securities and Exchange Commission SEC civil suit against Tesla CEO Elon Musk, which sent shares of the electric automaker down by roughly 12% in early trading Friday.

Investors also paid close attention to the Federal Reserve's policy meeting on Tuesday and Wednesday, although less to the outcome—policymakers raised the federal funds rate by another quarter point, as was widely expected—than to changes in the Fed's outlook in the post-meeting statement.

Europe: After rising for much of the week, European stocks lost ground after Italy's coalition government agreed to a wider-than-expected 2019 budget deficit goal of 2.4%, triple what the previous government had planned. The decision essentially puts the country on a collision course with the European Union, which had urged Italy to rein in its spending. The deal will likely prompt all three major credit ratings agencies to downgrade Italy and put it on negative watch. The euro also sold off and finished the week about 1% lower against the U.S. dollar.

The European Commission's Economic Sentiment Indicators for the eurozone, an aggregate measure of consumer and business confidence, fell in September for the ninth-consecutive month and hit its lowest level in more than a year. Eurozone manufacturing slowed as Europe's export boom reversed course and amid uncertainty about the future of trade deals.

Japan: Japanese stocks posted solid gains in the holiday-shortened trading week—the Tokyo Stock Exchange was closed on Monday for Autumnal Equinox. At the close of trading on Friday, the yen stood at ¥113.43 per U.S. dollar, modestly weaker for the week and in 2018.

The best-performing segments within the benchmark have been those with significant exposure to the global economy, including shipbuilding, marine transport, and mining firms. However, automakers and parts manufacturers have underperformed, which is unusual given the yen's weakness.

China: China's main stock indexes rose for the second week as proposals from competing index providers to include more yuan-denominated shares into global portfolios offset the latest round of U.S. tariffs taking effect.

Source: Reuters, Troweprice

WORLD INDICES			
Index	Country	Last Price	Change /w/
MSE TOP 20	Mongolia	20,330.82	1.95% ▲
Dow Jones	USA	26,458.31	-1.07% ▼
S&P 500	USA	2,913.98	-0.54% ▼
Nasdaq	USA	8,046.35	0.74% ▲
S&P/TSX	Canada	16,073.14	-0.93% ▼
FTSE 100	GB	7,510.20	0.27% ▲
S&P/ASX 200	Australia	6,172.60	-0.36% ▼
Nikkei 225	Japan	24,120.04	1.05% ▲
Hang Seng	Hong Kong	27,788.52	-0.59% ▼

MONGOLIA RELATED BONDS			
Issuer	Currency	Coupon	Last Price
Mongol 2024 (Khuraldai)	USD	8.7%	109.78
Mongol 2023 (Gerege)	USD	5.6%	97.50
Mongol 2022 (Chinggis)	USD	5.1%	96.77
Mongol 2021 (Mazalai)	USD	10.8%	113.29
DBM' 23 (Samurai)	JPY	1.5%	104.44
TDBM' 2020	USD	9.3%	106.12

MARKET RATES			
Rates	Last	Change /w/	
Libor 1M	2.261	0.04	▲
Libor 3M	2.398	0.03	▲
Libor 6M	2.604	0.01	▲
Libor 1YR	2.919	0.01	▲
US 6M Bond	2.359	-0.01	▼
US 2YR Bond	2.823	0.02	▲
US 3YR Bond	2.891	0.00	▲
US 5YR Bond	2.961	0.01	▲
US 10YR Bond	3.069	0.01	▲

EXCHANGE RATES			
Against MNT	2018.09.28	Change /w/	
USD	2,552.13	1.22%	▲
CNY	370.83	0.61%	▲
EUR	2,965.19	-0.11%	▼
RUB	38.90	2.23%	▲
KRW	2.30	1.77%	▲
JPY	22.50	0.58%	▲
CAD	1,961.37	0.40%	▲

COMMODITY PRICE			
Commodity	Unit	Last Price	Change /w/
Gold /spot/	USD/t oz.	1,190.47	-0.50% ▼
Silver /spot/	USD/t oz.	14.64	2.81% ▲
Copper	USD/lb.	280.20	-1.16% ▼
Coal	USD/MT	114.40	2.19% ▲
Crude Oil WTI	USD/bbl.	73.49	2.78% ▲
Crude Oil Brent	USD/bbl.	83.06	4.23% ▲
Natural Gas	USD/MMBtu	3.02	2.03% ▲

MONGOLIAN MACRO ECONOMIC INDICATORS			
Indicators	Reference	Amount	
Inflation Rate	2018. VIII	6.00%	
Policy Rate	2018. VIII	10.00%	
Interbank Rate	2018. VIII	10.00%	
Deposit Interest Rate /MNT/	2018. VIII	12.30%	
Deposit Interest Rate /Foreign currency/	2018. VIII	5.10%	
Loan Interest Rate /MNT/	2018. VIII	17.60%	
Loan Interest Rate /Foreign currency/	2018. VIII	10.60%	

Source: National Statistical Office, Bank of Mongolia, Bloomberg

MSE TRADING UPDATE

In this week, a total of 44 companies' 1,847,238 shares worth MNT 1,731.6 million were traded.

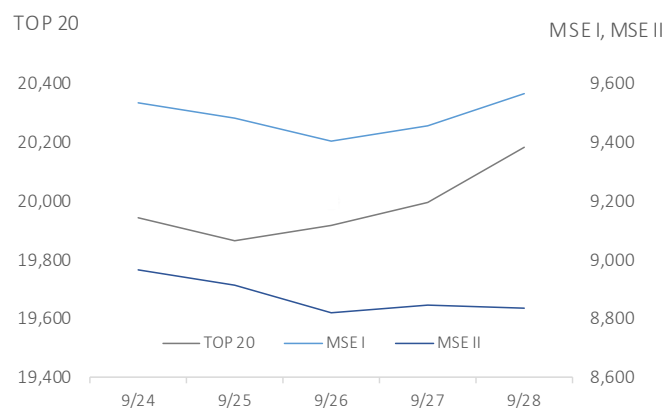
'Khukh Gan' /HGN/ company's share rose 15.00 percent to MNT 92 while 'Baganuur' /BAN/ company's share fell 15.73 percent to MNT 1,350.

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

On the secondary market of Government securities, 1,000 units of securities were traded for MNT 100.0 million.

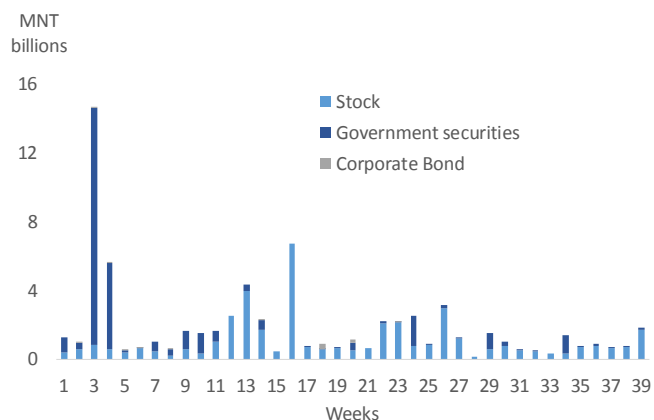
As of September 28, total market capitalization of MSE is MNT 2,347.5 billion. The TOP-20 index increased by 1.95% to stand at 20,330.82 units.

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	1,831.6
Market Capitalization	2,347,481.0

STOCK MARKET INDICES

Index	Last Price	Change /w/
MSE Top 20	20,330.82	1.95% ▲
MSE I Index	9,582.43	0.52% ▲
MSE II Index	8,884.00	-0.88% ▼

ACTIVELY TRADED SECURITIES

Company	Volume	Turnover /MNT/
Makhimpex	420,379	1,006,384,887
Kharkhorin	101,634	142,287,600
Mandal Daatgal	26,091	129,861,145
Gobi	2,826	92,398,460
APU	154,868	89,709,513

SECURITIES WITH MOST GROWTH

Company	Last Price /MNT/	Change /w/
Khukh Gan	92.00	15.00% ▲
Gan Kherlen	4,413.00	14.98% ▲
Altain Zam	13,010.00	14.93% ▲
Talkh Chicker	22,820.00	14.10% ▲
Kherlen Khivs	94.00	10.59% ▲

SECURITIES WITH MOST DECLINE

Company	Last Price /MNT/	Change /w/
Багануур	1,350.00	-15.73% ▼
Шивээ овоо	1,700.00	-15.00% ▼
Могойн гол	5,530.00	-14.86% ▼
Женко тур бюро	60.00	-14.29% ▼
Авто импекс	1,900.00	-11.63% ▼

MOST ACTIVE BROKERAGE FIRMS

Company	Trading amount /MNT/
БиДиСек	9,516,645,296
Ард секюритиз	2,153,049,854
Новел инвестмент	583,702,113
Голомт капитал	346,589,501
Монсек	242,592,592

COMPANIES WITH HIGHEST MARKET CAPITALIZATION

Company	Last Price /MNT/	Market Cap. /MNT mln/
APU	568.50	604,987
Tavan Tolgoi	7,340.00	386,563
Gobi	33,520.00	261,494
Mongolian Mortgage Corporation	10,980.00	227,388
Suu	223.16	76,767

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-04/07/19-A0266-14.82	1,000	100,000,000	100,000	100,000	104	14.820%

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 'Ard Insurance' to start trading on September 24, 2018

The secondary market trading of "Ard Daatgal" JSC is starting from October 01, 2018 based on the FRC letter of September 27, 2018 which states the consideration of the public offering as successful and grants a permission to commence its secondary market trading.

The Company offered 30 percent or 7.5 million shares to public. The total subscription for the stock totaled 9,954,848 shares which was an oversubscription of 32.7 percent, ordered by 1367 individuals and business entities.

Source: Mongolian Stock Exchange



Attention to shareholders of 'Materialimpex' JSC

In accordance with the Board Resolution No.01 of September 19, 2018 of "Materialimpex" JSC, the Extraordinary Shareholders' Meeting of "Materialimpex" JSC shall be held on November 02, 2018.

Date and time of the meeting: 10:30 am, November 02, 2018

Venue: Company Headquarter, Naryn Road 16/5, 4th khoroo, Bayangol District, Ulaanbaatar

Record date: October 12, 2018

Agenda of the meeting:

1. Establishing a non-bank financial institution through a spin-off; and
2. Proposed amendments in the Company Charter.

The shareholders who would like to review the agenda, draft resolutions and other relevant documents of the meeting, may visit the Company Office or contact their brokers during business days.

Meeting Organizing Commission: 7007-9924, 9605-1933.

Source: Mongolian Stock Exchange

Influential Shareholders information updated

Mongolian Stock Exchange is aiming at improving disclosure of the influential shareholding information, which is one of the most important information for investment decision making, in accordance with international practices as well as enforcing the provision 56.2.7 of Securities Market Law and FRC Rules on Information Disclosure of Issuers.

In this regard, we have updated all influential shareholding information of the listed companies as of July 31st, 2018 and posted in our website in both Mongolian and English.

If you would like to view this information, you can choose your interested company from the Listed Company Section, then click on the "Influential Shareholders" under the "General Information" Tab.

Source: Mongolian Stock Exchange

MSE signs MoU with credit guarantee fund

The Mongolian Stock Exchange has signed a Memorandum of Understanding with the Credit Guarantee Fund of Mongolia to establish a legal framework of guaranteed bond issues and to enable an access of small and medium enterprises to bond market. To honor this event, Mr. Batbayar, the CEO of the Credit Guarantee Fund of Mongolia, has rung the bell to open the securities trading of October 1st of 2018.

In recent years, the securities market has demonstrated increased activity with successful IPOs and SPOs. It is crucial to increase bond trading as well as to improve the legal environment of bond issues for the further stable growth of the market. A bond is a mutually beneficial financial instrument for issuers - raising capital with lower interest rate and investors - receiving better returns compared to the returns given by banks.

According to the Securities Market Law, the total value of debt instruments issued by a company shall not be greater than the relevant company's net asset value. The cooperation between MSE and the Credit Guarantee Fund will provide companies that do not meet the legal requirements, an opportunity with raising their required funds with the support of credit guarantee system.

Source: Mongolian Stock Exchange



COMMODITY MARKET NEWS

OPEC: Crude oil output will not increase

The crude oil price has reached its highest level in two months after OPEC members reported that they will not increase their crude oil output.

U.S. President Donald Trump has demanded that the Organization of the Petroleum Exporting Countries increase their supplies to make up for the expected fall in Iranian exports and lower prices. However, OPEC countries have decided not to increase their oil output unless consumers request so. Compared to the downturn in mid-August, crude oil prices rose by around 10 percent.

Source: BloombergTv.mn



BoM: The bank purchased 2.1 tons of gold in September

The Bank of Mongolia officially reported on its gold purchases. In September, the Bank purchased 2.1 tons of gold. As a result, the Central Bank on Mongolia has purchased 14.3 tons gold in the first nine months of this year. However, gold purchases of the bank decreased by 378 kg comparing to the same period of the previous year. In order to increase gold submitting, the Bank of Mongolia is requesting to extend the gold tax deduction period. It has a plan to reach foreign exchange reserves to USD 6.5 billion. As of July, foreign exchange reserves of Mongolia have reached USD 2.9 billion. This amount can meet the need for 5.2 months of imported goods and services.

The Central Bank emphasizes that Mongolia's foreign exchange reserves are less than 43 percent lower than the national security concept, and 10.4 percentage points lower than the international benchmark. In other words, it is not enough to compensate short-term debt. One of the key areas for enhancing official foreign exchange reserves is to increase the gold purchases of the Central Bank.

This year the Central bank plans to purchase 22 tons of gold. As a result, the foreign exchange reserves could be increased to USD 700-800 million.

The Bank reported that it will open local specimen laboratories in Darkhan-Uul and Bayankhongor provinces in October. As a result, gold manufacturers can sell their gold using the central bank's prices on that day. Initial investment needed to establish these laboratories is accounted for MNT 793.8 million. Of which, MNT 694 million will be spent on equipment.

The central bank is buying gold from citizens and business entities at a price of the London Metal Exchange. Gold spot price fell 10 percent to USD 1,183 since the beginning of the year.

Source: BloombergTv.mn

Regulated food products are expanding the market

According to the Ministry of Food and Agriculture, more than 40 percent of the food is consumed by grain and rice.

In recent years, the number of baked goods has increased, and more new products made from whole grains and flax flour, such as bread, bakery and biscuits are produced. For example, the "Exclusive" collection of "Talkh Chikher" JSC belongs to this type. The company produces more than 80 kinds of bakery products, and it buys its raw materials not only from internal market, but also from Russia, China, Poland and Malaysia. In addition, new small and medium-sized factories are growing the competition in the market.

In addition to this market, producers produce rugged products with rye flour, whole wheat flour and bran. Due to the risk of fast deterioration of foods, "Great Art Natural" LLC emphasizes that the product turnover should be fast. The company produces 2,000 bags of biscuits and 15 kinds of vegan cakes. In terms of raw materials, whole grain flour is bought from "Mill House", "Altan Taria" LLC, oats and flax flour, and rice flours are imported from Russia. The company announced that it plans to launch special products in November.

"Monfoodland" believes that the consumer spending on healthy food will increase as people started to refuse using trans fats and oils. The company produces different types of oat products. The company expects to expand its production line and start exporting next year. The company also plans to supply 100 percent of its raw material.

Source: BloombergTv.mn



MOMAH: Coking coal of Tavantolgoi deposit will be exported to the third countries through the port of Taman

The Ministry of Mining and Heavy Industry announced that it will collaborate on enriching the coking coal of Tavantolgoi deposit and export it to the third market through the port of Taman of the Black Sea.

Minister of Mining and Industry D. Sumyabazar visited the port during the visit to Russia. He visited the "Truck Terminal of Taman" project site, where he met with oil warehouse, shipment, stockpile, and belt construction. During his visit, he met with CEO of "Rosneft" company Sechin I.I. and established a working group to collaborate on oil exploration.

Source: BloombergTv.mn

OTHER NEWS

The mining sector comprises 26 percent of the state budget revenue

As of August, 26 percent of total budget revenue was generated by the mining sector. For example, 'Erdenes-Tavan Tolgoi' JSC has accumulated MNT 222.6 billion tax in the first eight months of this year, which is more than 40 percent higher than in the same period of the previous year. In the reporting year, "Oyu Tolgoi" LLC paid a tax of MNT 275.4 billion, which is 37 percent higher than in the same period of the previous year. The tax paid by the two companies alone constituted about 30 percent of the centralized mining tax. Budget revenues from mining sector tend to grow in recent years. For instance, in 2013-2015, the mining sector generated 21-22 percent of the budget revenue. But it fell to 16 percent in 2016 during mineral price decrease, and went up in 2017-2018.

In 2016, the state budget loss was accounted for MNT 3.4 trillion. During the reporting period, total budget revenue amounted to MNT 6.4 trillion.

Source: BloombergTv.mn

BI: Emerging-market currencies are being pummeled by a strong U.S. dollar

The Federal Reserve holds a policy to tighten monetary policy since 2015. The US Central Bank raised interest rates three times this year. During this year trade disputes between China and the United States have increased and the two countries have decided to set tariffs on imports. In line with the ongoing trade dispute, the U.S. dollar has risen 5.3 percent against the six major currencies over the past six years. The strong U.S. dollar pummel Asia's currency rates, especially emerging market currencies. For example, Argentine peso and Turkish lira has dropped 40-50 percent against the U.S. dollar. In other words, these currencies are twice weaker year-on-date. Indonesia rupee has also fallen below the 20-year low. In 2018, over 100 of 46 currencies weakened against the dollar.

Mongolian tugrik is also included. The tugrik fell 3.8 percent against the dollar. Lastly, the USD rate has exceeded MNT 2,520. The central bank reported that demand for the dollar increased in the market due to insufficient trade balance and surging imports. The Central Bank has also made a USD half billion intervention since the beginning of the year.

Source: BloombergTv.mn



The first digital currency is introduced in Mongolia

The Central bank of Mongolia announced the introduction of a new electronic payment instrument to the national payment and settlement system – 'Digital currency'.

According to N. Bayartsaikhan, the Governor of Bank of Mongolia, "The Law on National Payment System adopted by the Parliament has created a law on digital currency, and the Central Bank has issued a 'Digital Currency Regulation' rule to comply with the law. The Bank of Mongolia issued the first license on issuing digital currency 'Candy' to non-banking financial institution 'Mobifinance'. Therefore, "Candy" is considered a non-cash payment instrument equivalent Mongolian currency – tugrik.

Earlier, only commercial banks participated in the payment system of our country, but now fintech-based companies and financial institutions are allowed to participate in the payment system too".

Many financial companies and enterprise requested for a license to issue digital currency, and the first permission was granted to NFBI 'Mobifinance'. The BOM reported that two more companies have submitted their request. For 'Mobifinance', it is introducing digital currency based on Mobicom's mobile network in line with international standards and committed to its fast and responsible operation. Tsuya Hamada, the CEO of "Mobicom", said: "The digital currency based on technological advances will exclude ATM and and electronic cards". "Candy" was originally a "bonus" program for Mobicom customers, but now it is a brand new electronic payment instrument that can be used by any operator in Mongolia, and is equivalent to MNT.

Source: Montsame.mn

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