

WEEKLY MARKET UPDATE

2018.11.05-11.09

GLOBAL MARKET PERFORMANCE

United States: Stocks were higher but gave back a portion of their gains to end the week. Within the S&P 500 Index, health care stocks outperformed. Communication services stocks performed worst, held down by late declines in Netflix and video game stocks. Energy stocks were also weak, dragged lower by a sharp decline in oil prices.

Stocks recorded modest gains on Monday and Tuesday, as polls suggested that Democrats would take the House and that Republicans would retain control of the Senate. Stocks surged on Wednesday after those results were confirmed, with the S&P 500 recording its third-best daily gain over the past year.

In this week, more concerning was a jump in producer price inflation, with much of the inflationary pressure coming from wholesalers and retailers.

Europe: The European indices were relatively flat for the week, pressured by disappointing earnings, worries about Italy's growing rift with the European Union, and continued signs that trade tensions are hurting economies throughout the region.

Italian debt came under added pressure after the EU warned Italy that it is poised to breach the EU's 3% budget deficit limit in 2020 if the government proceeds with its current spending plans. In issuing the warning, the EU has ratcheted up the pressure on Italy and called its budget assumptions into question. The European Commission said that it expects Italy's deficit to hit 2.9% in 2019 and 3.1% the following year and that the Italian economy would expand only by 1.2% in 2019—less than the 1.5% estimate that underpins Italy's budget plan.

Economic data continued to show signs of the slowing across the region and the toll that trade tensions are taking on exports and sentiment. The EC said that eurozone growth would slow though 2020, pressured by trade worries, high oil prices, and overall uncertainty. Eurozone composite final purchasing managers' indexes (PMIs) fell in October to 53.1, their lowest level since September 2016.

Japan: The Nikkei 225 Stock Average was nearly unchanged for the week, closing trading at 22,250.25. At the close of Japan's trading session on Friday, the yen stood at ¥113.79 per U.S. dollar, slightly lower for the week but modestly higher for the year to date.

September 30 marked midyear for Japanese companies' 2019 fiscal year, which ends in March 2019. A recent report shows that about half of the companies in the TOPIX Index have reported their results (as of November 6). Net earnings for the 708 companies that have reported were up 8% year over year.

The government data, which measure the health of industrial output, employment, and retail sales, suggest that Japan's economy is stalling.

China: China reported a surprisingly large increase in October exports, underscoring strong global demand for the country's goods despite the imposition of U.S. tariffs. Chinese exports climbed 15.6% in dollar terms in October from a year ago. Imports also rose more than expected, though imports from the U.S. declined for the second-straight month.

October's export surge was driven by strong demand from both developed and emerging markets, as well as from businesses rushing to place export orders before tariffs take effect. A weaker Chinese currency has also offset the impact of U.S. tariffs. The yuan has lost 9% of its value against the U.S. dollar in the six months ended in October.

Source: Reuters, Troweprice

WORLD INDICES

| Index | Country | Last Price | Change /w/ |
|-------------|-----------|------------|------------|
| MSE TOP 20 | Mongolia | 20,560.70 | -0.25% ▼ |
| Dow Jones | USA | 25,989.30 | 2.84% ▲ |
| S&P 500 | USA | 2,781.01 | 2.13% ▲ |
| Nasdaq | USA | 7,406.90 | 0.68% ▲ |
| S&P/TSX | Canada | 15,274.44 | 1.03% ▲ |
| FTSE 100 | GB | 7,105.34 | 0.16% ▲ |
| S&P/ASX 200 | Australia | 5,921.80 | 1.24% ▲ |
| Nikkei 225 | Japan | 22,250.25 | 0.03% ▲ |
| Hang Seng | Hong Kong | 25,601.92 | -3.34% ▼ |

MONGOLIA RELATED BONDS

| Issuer | Currency | Coupon | Last Price |
|-------------------------|----------|---------|------------|
| Mongol 2024 (Khuraldai) | USD | 8.750% | 108.72 |
| Mongol 2023 (Gerege) | USD | 5.625% | 96.59 |
| Mongol 2022 (Chinggis) | USD | 5.125% | 95.74 |
| Mongol 2021 (Mazalai) | USD | 10.875% | 111.58 |
| DBM' 23 (Samurai) | JPY | 1.520% | 104.53 |
| DBM' 2023 | USD | 7.250% | 98.93 |
| TDBM' 2020 | USD | 9.375% | 105.40 |

MARKET RATES

| Rates | Last | Change /w/ |
|--------------|-------|------------|
| Libor 1M | 2.314 | -0.00 ▼ |
| Libor 3M | 2.618 | 0.03 ▲ |
| Libor 6M | 2.858 | 0.03 ▲ |
| Libor 1YR | 3.144 | 0.04 ▲ |
| US 6M Bond | 2.514 | 0.03 ▲ |
| US 2YR Bond | 2.924 | 0.03 ▲ |
| US 3YR Bond | 2.993 | 0.03 ▲ |
| US 5YR Bond | 3.035 | 0.01 ▲ |
| US 10YR Bond | 3.182 | -0.02 ▼ |

EXCHANGE RATES

| Against MNT | 2018.11.07 | Change /w/ |
|-------------|------------|------------|
| USD | 2,566.89 | 0.04% ▲ |
| CNY | 370.42 | -0.43% ▼ |
| EUR | 2,940.50 | 0.22% ▲ |
| RUB | 38.86 | -0.69% ▼ |
| KRW | 2.29 | 0.00% ▲ |
| JPY | 22.70 | -0.04% ▼ |
| CAD | 1,955.73 | -0.50% ▼ |

COMMODITY PRICE

| Commodity | Unit | Last Price | Change /w/ |
|-----------------|-----------|------------|------------|
| Gold /spot/ | USD/t oz. | 1,210.93 | -1.71% ▼ |
| Silver /spot/ | USD/t oz. | 14.20 | -3.47% ▼ |
| Copper | USD/lb. | 269.75 | -3.28% ▼ |
| Coal | USD/MT | 104.60 | 1.70% ▲ |
| Crude Oil WTI | USD/bbl. | 60.76 | -3.05% ▼ |
| Crude Oil Brent | USD/bbl. | 71.02 | -1.92% ▼ |
| Natural Gas | USD/MMBtu | 3.77 | 9.28% ▲ |

MONGOLIAN MACRO ECONOMIC INDICATORS

| Indicators | Reference | Amount |
|--|-----------|--------|
| Inflation Rate | 2018. IX | 5.70% |
| Policy Rate | 2018. IX | 10.00% |
| Interbank Rate | 2018. IX | 10.00% |
| Deposit Interest Rate /MNT/ | 2018. IX | 12.30% |
| Deposit Interest Rate /Foreign currency/ | 2018. IX | 5.10% |
| Loan Interest Rate /MNT/ | 2018. IX | 17.50% |
| Loan Interest Rate /Foreign currency/ | 2018. IX | 10.70% |

Source: National Statistical Office, Bank of Mongolia, Bloomberg

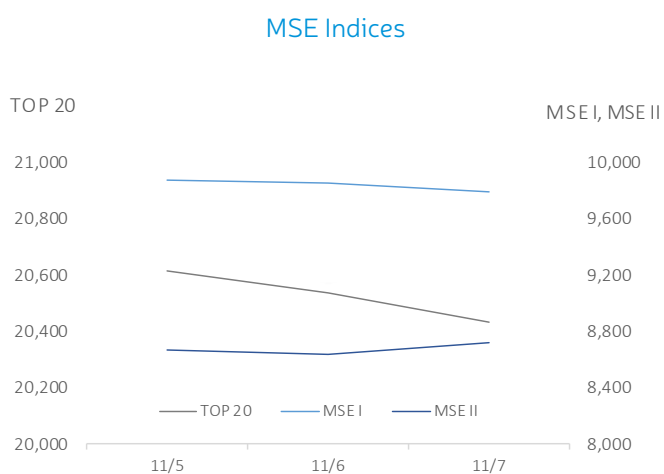
MSE TRADING UPDATE

In this week, a total of 32 companies' 2,045,797 shares worth MNT 394.5 million were traded.

'HBOil' /HBO/ company's share rose 26.19 percent to MNT 53 while 'Moninjbar' /MIB/ company's share fell 27.72 percent to MNT 130.1.

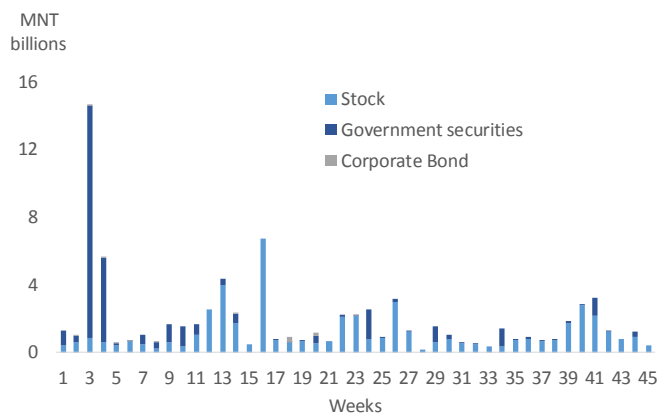
No government securities were traded on the primary and secondary markets during this week.

As of November 7, total market capitalization of MSE is MNT 2,410.4 billion. The TOP-20 index decreased by 0.25% to stand at 20,560.70 units.



Source: Mongolian Stock Exchange

Trading Value /week by week/



Source: Mongolian Stock Exchange

STOCK MARKET REVIEW

| Review | Total amount /MNT mln/ |
|-----------------------|------------------------|
| Total Value | 394.5 |
| Market Capitalization | 2,410,427.5 |

STOCK MARKET INDICES

| Index | Last Price | Change /w/ |
|--------------|------------|------------|
| MSE Top 20 | 20,560.70 | -0.25% ▼ |
| MSE I Index | 9,833.64 | -0.34% ▼ |
| MSE II Index | 8,717.08 | 0.60% ▲ |

ACTIVELY TRADED SECURITIES

| Company | Volume | Turnover /MNT/ |
|-----------------------|-----------|----------------|
| LendMN | 1,631,743 | 122,015,426 |
| Mandal Insurance | 18289 | 90,614,680 |
| APU | 65,877 | 38,229,813 |
| Ard Insurance | 47,283 | 35,986,335 |
| Khuvsgul Altan Duulga | 37,230 | 24,201,090 |

SECURITIES WITH MOST GROWTH

| Company | Last Price /MNT/ | Change /w/ |
|-------------------|------------------|------------|
| HBOil | 53.00 | 26.19% ▲ |
| Remicon | 30.00 | 25.00% ▲ |
| Kharkhorin | 1,600.00 | 14.29% ▲ |
| Mogoin Gol | 5,605.00 | 12.10% ▲ |
| Ulsyn Ikh Delguur | 455.00 | 6.89% ▲ |

SECURITIES WITH MOST DECLINE

| Company | Last Price /MNT/ | Change /w/ |
|-----------------------------------|------------------|------------|
| Moninjbar | 130.10 | -27.72% ▼ |
| Makhimpex | 30.00 | -7.41% ▼ |
| Erdene Resource Development Corp. | 1,600.00 | -7.07% ▼ |
| Suu | 5,605.00 | -2.95% ▼ |
| Tavan Tolgoi | 455.00 | -1.10% ▼ |

MOST ACTIVE BROKERAGE FIRMS

| Company | Trading amount /MNT/ |
|------------------|----------------------|
| Golomt Capital | 212,302,610 |
| Novel Investment | 207,362,116 |
| Bumbat Altai | 76,868,307 |
| Ard Securities | 42,584,419 |
| BDSec | 39,525,991 |

COMPANIES WITH HIGHEST MARKET CAPITALIZATION

| Company | Last Price /MNT/ | Market Cap. /MNT mln/ |
|--------------------------------|------------------|-----------------------|
| APU | 582.89 | 620,301 |
| Tavan Tolgoi | 7,655.00 | 403,152 |
| Gobi | 34,200.00 | 266,798 |
| Mongolian Mortgage Corporation | 11,000.00 | 227,803 |
| Suu | 230.00 | 79,120 |

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 |
|----|------|--------|----------------|---------------|---------------|-------|----------------------|
| - | - | - | - | - | - | - | - |

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

Attention to the shareholders of “Materialimpex” JSC

According to the Extraordinary Shareholders Meeting of “Materialimpex” JSC that was held on November 2, 2018 with the attendance rate of 63.54 percent, the establishment of subsidiary company “Material Credit NBF” LLC and the related amendment to the Company Charter have been approved by the 100 percent approval vote.

Source: Mongolian Stock Exchange



FRC: In the 3rd quarter, the total market capitalization has increased by 12.8 percent y-o-y

The total market capitalization of the securities market increased by 12.8 percent to MNT 2.35 trillion in the third quarter of this year, according to the Financial Regulatory Commission.

Out of 200 companies listed on the Mongolian Stock Exchange, 30 are generating 91.9% of the total equity market. In other words, the share prices of these companies, especially those listed in the Tier I and included in TOP-20 Index companies, have made the major impact on the market capitalization increase. The TOP-20 Index increased by 10.5 percent to above 20,000 units in the third quarter.

Shares of ‘Gobi’ JSC and ‘Suu’ JSC rose about 90 percent and 30 percent respectively over this period. In addition, shares of ‘Euroasia Capital Holding’ JSC has risen eight times.

In addition, the primary market trading of government securities was stopped in the fourth quarter of 2017. In the previous year, the primary market for government securities was active, accounting for more than 80 percent of total trading. In the meantime, the volume of traded government securities reduced due to the fact that the primary market trading of government securities was stopped.

Stock trading has increased by 4 times in the 4th quarter over a year as new IPOs were launched on the Mongolian Stock Exchange. Securities worth MNT 28.3 billion were traded on the MSE in the 3rd quarter, down by 86 percent year over year. Stocks worth MNT 279.6 million were traded on the Mongolian Securities Exchange in the first 9 months of this year.

Source: BloombergTv.mn



Erdene Resource Development Corp. presents its operational report and plan to market participants

On November 6, Erdene Resource Development Corporation (TSX:ERD| MSE:ERDN), the first dual listed company on the Mongolian Stock Exchange, presented its operational report and plan to the market participants.

The Company announced previously the filing on SEDAR of the National Instrument 43-101 technical report on November 1st, 2018 regarding the mineral resource estimate for its 100%-owned, high-grade Bayan Khundii gold deposit, one of two resource areas included in the Khundii Gold Project.

Mr Akerley, CEO of the Company, has mentioned that “While we are focused on progressing the Khundii Gold Project towards development, we are also continuing our regional exploration program, designed to expand current resources and discover new deposits in this newly discovered gold district. Results from our Altan Arrow and new Khundii North gold discoveries continue to provide encouraging results while the technical team is also active in evaluating both private acquisitions and those available through the recently re-launched Mongolian tender licensing system, all within our area of interest in southwest Mongolia.”

Source: Mongolian Stock Exchange

FRC met with securities companies representatives

The Financial Regulatory Commission met with representatives of 54 securities companies operating in the capital market on November 5th. Discussions about problems related to requirements put in resolution FRC No.94 of 2016 and “Erdenes Tavan Tolgoi” JSC shares took place.

Chief of the Securities Department of FRC Lkhagvasuren.B warned that misaligned information given by officials and authorities regarding the “Erdenes Tavantolgoi” JSC 1072 shares are making citizens to confuse. The Financial Regulatory Commission received a number of complaints as some brokerage firms are opening securities accounts using social network, and making the citizens to fill unofficial application forms without providing any advice. 37 out of 54 securities companies or 68 percent of them did not submit their financial report in the third quarter, 18 percent of them did not meet the risk fund requirements.

Deputy chief of the Supervision Department of FRC Dolgorsuren.B emphasized the poor implementation of the FRC Resolution No. 94 of 2016 on step-by-step increase of charter capital amount. The implementation of this resolution was provided by 33 of 54 companies and the remaining 21 companies did not comply. Dolgorsuren.B noted that only five of the 23 companies authorized by the underwriter have met their requirements since they received their licenses. Therefore, the FRC noted that it will to assert strict responsibilities to securities companies that do not meet the capital adequacy requirement in order to protect the interests of investors.

Source: Financial Regulatory Commission

COMMODITY MARKET NEWS

TRQ: “Erdenes Oyu Tolgoi” LLC investments were about USD 1 billion as of September 30th

According to the 2011 Amended and redefined shareholder agreement “Turquoise Hill Resources” made both equity and shareholder debt investments to the “Oyu Tolgoi” project. Due to the agreement, the company must finish repayment of the shareholder debt before being able to distribute dividends.

As of September 30th, the amount of shareholder debt on the balance sheet of “Oyu Tolgoi” has reached USD 4.7 billion. A total of USD 0.6 billion is from interests. Moreover, according to the financial statements of “Turquoise Hill Resources”, as of September 30th they’ve made USD 1 billion equity investment in place of “Erdenes Oyu Tolgoi” which owns 34 percent of “Oyu Tolgoi” LLC.

Arnaud Soirat, the Chief executive of Copper & Diamonds of Rio Tinto group noted in an interview that “There is a working group to reduce the interest rate of the project loan. The Government of Mongolia made multiple requests to reduce the interest rate of the debt incurred for the “Oyu Tolgoi” project from “Turquoise Hill Resources”. In order to reduce the rates first risks must be lowered. Thus the we are working with the GoM to determine the risks and how to reduce those risks.”

Chairman of the Cabinet Secretariat Mr.Zandanshatar previously announced that “A principle agreement on reducing the interest was reached with the investors of Oyu Tolgoi LLC”. And that “Discussion about reducing the time horizon of Mongolia’s benefits are under way”.

Source: BloombergTv.mn

Paved road between Tavantolgoi and Gashuun sukhait to be built within 2.5 years

At its regular meeting on October 31, the Cabinet agreed to establish concession agreement with ‘Development Road in the Steppe’ (Tal Nutgiin Hogjliin Zam) Company on construction of 250 km of high capacity paved road in route Tavantolgoi-Gashuun sukhait border checkpoint under design-build-operate-transfer condition.

The Company will develop the road within 2.5 years since the agreement takes effect and the road will be operated for 12 years and then will transfer to the government ownership. The Government will not give any financial support and guarantee to the company. By having the paved road, it is expected to drastically reduce negative influence to the environment by improving road flow that transports 50-60 percent of coal export.

Concurrently, the Cabinet discussed process of paved road in route Tavantolgoi-Khanbogd-Khangji. According to the parliamentary resolution No. 73, 2018, Head of the National Development Agency B.Bayarsaikhan was tasked to hold talks with Nako company on concession agreement, changing its route into Tavantolgoi-Oyutolgoi-Khangji and to introduce recommendations and conclusion.

Source: Montsame.mn

U.S. renews Iran sanctions, grants oil waivers to China, seven others

The United States snapped sanctions back in place on November 5 to choke Iran’s oil and shipping industries, while temporarily allowing top customers such as China and India to keep buying crude from the Islamic Republic.

Having abandoned a 2015 Iran nuclear deal, U.S President Donald Trump is trying to cripple Iran’s oil-dependent economy and force Tehran to quash not only its nuclear ambitions and ballistic missile program but also support for militant proxies in Syria, Yemen, Lebanon and other parts of the Middle East.

Earlier, Iranian President Hassan Rouhani said Iran would continue to sell its oil despite Washington’s “economic war.” Foreign Minister Mohammad Javad Zarif said U.S. “bullying” was backfiring by making Washington more isolated.

Washington has pledged to eventually halt all purchases of crude oil from Iran globally but for now it said eight countries - China, India, South Korea, Japan, Italy, Greece, Taiwan and Turkey - can continue imports without penalty. Crude exports contribute one-third of Iran’s government revenues.

“More than 20 importing nations have zeroed out their imports of crude oil already, taking more than 1 million barrels of crude per day off the market,” U.S. Secretary of State Mike Pompeo told reporters in a briefing. “The regime to date since May has lost over \$2.5 billion in oil revenue.”

Pompeo said the waivers were issued to countries that have already cut purchases of Iranian crude over the past six months, and to “ensure a well-supplied oil market.” The exceptions are designed to last 180 days.

Trump said he wanted to go slow on the sanctions, citing concerns about causing global price spikes.

“I could get the Iran oil down to zero immediately but it would cause a shock to the market. I don’t want to lift oil prices,” he told reporters before flying to a campaign event.

Iran’s exports peaked at 2.8 million barrels per day (bpd) in April, including 300,000 bpd of condensate, a lighter form of oil. Overall exports have since fallen to 1.8 million bpd, according to energy consultancy Wood Mackenzie, which expects volumes to drop to 1 million bpd.

Source: Reuters.com



OTHER NEWS

Mongolia receives 5th tranche of IMF loan

Mongolia has received the fifth tranche of funding from the International Monetary Fund (IMF), equivalent to around 36.22 million U.S. dollars, local media reported on November 6, citing the country's central bank.

The amount is part of the IMF's three-year Extended Fund Facility (EFF) for Mongolia totaling about 434.3 million dollars, which was approved at the meeting of the IMF Executive Board on May 24, 2017.

With the tranche, the country will be able to increase its currency reserves, the Bank of Mongolia said, adding that the tranche brought the total amount of disbursements since the beginning of the program to around 217.33 million dollars.

Under the EFF, Mongolia received 728 million dollars from international banking and financial organizations and donor countries last year. The country expects to receive a total of 836 million dollars this year.

The three-year IMF program aims to stabilize the economy and establish a basis for more sustainable and inclusive growth.

Source: Xinhuanet.com

S&P affirms Mongolia's stable credit rating

The ratings agency Standard & Poor's (S&P) affirmed its long-term sovereign credit rating for Mongolia at "B-" and its short-term sovereign credit rating of "B" with a stable outlook.

S&P warned about risks in revenue generation, despite positive performances in economic and budget indicators due to commodity price increases.

As there remains a need to improve institutional governance, S&P has left its credit ratings for Mongolia unchanged. According to S&P, Mongolia's ratings could rise if the country's economy performs better than the agency's projections for the coming year.

However, S&P warned that it would lower its ratings for Mongolia in the case of negative performances in external sectors and if government debt rises. S&P analysts have projected that Mongolia's GDP will grow by five percent in 2018.

Source: BloombergTv.mn



Policy makers believe that the main risks of the 2019 economy is going to be changes in mineral prices

The Central Bank reported that in 2019 decrease in prices of main export products such as copper, gold, iron ore and coal and increase in oil prices could affect trade environment adversely.

From a budgetary perspective, the main economic risk is being unable to reach budgeted income according to the Budget sustainability council.

The Ministry of Finance also determined that the main risk to the budget income is changes in mineral prices. For example, the "Trade war" between the US and China, US Government sanctions against Iran nuclear program, Economic recession in Turkey, Beijing policies against air pollution reducing steel production all affected price volatility since July. In the 2019 Budget law one-third of the total budget income is expected to come from the mining industry.

But 86 percent of the total mining income is budgeted to come from copper and coal exports only. Average coal price is budgeted at USD 75.9 per ton. While copper price is budgeted at USD 6,222. On the other hand, the International Monetary Fund, the World Bank and the Australian Resources and Energy Group and Bloomberg analysts believe that coal prices will not be as volatile next year and projected prices to be the same as 2018 average at USD 202.

Source: BloombergTv.mn

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