

# WEEKLY MARKET UPDATE

2018.12.03-12.07

## GLOBAL MARKET PERFORMANCE

**United States:** U.S. stocks dropped sharply. Tumbling longer-term Treasury bond yields heavily influenced equity markets—weighing on sentiment generally and punishing financial shares by lowering lending margins for banks but benefiting utilities stocks, whose dividends became more attractive in comparison.

The U.S. trade conflict with China again seemed to dominate sentiment.

Stocks jumped in early trading Monday, following an announcement from the White House over the weekend that China had agreed to increase agricultural imports from the U.S. and eliminate tariffs on U.S. auto imports. In return, officials said that the U.S. had agreed to postpone for 90 days a planned increase from 10% to 25% in the China tariff rate.

Trade optimism evaporated on Tuesday, however, sending stocks sharply lower by the close. Investors appeared to respond to a series of tweets from the president, in which he questioned whether a “real deal” was possible with China and referred to himself as a “Tariff Man.”

The dispute with China took a new and potentially concerning turn on Thursday, sending stocks sharply lower again. Reports surfaced that Canadian officials had acted at the request of the U.S. over the previous weekend and arrested a high-profile executive of Chinese telecom giant Huawei on suspicion of violating Iranian sanctions.

November payroll gains missed expectations and appeared to spark another round of selling to end the week. The jobs figures are evidence of a slow cyclical decline in the labor market.

**Europe:** European stocks fell throughout the week, as hopes soured for reduced trade tensions between the U.S. and China.

German automakers and industrial stocks led the declines on concern that a re-escalation of U.S.-China trade tensions could put barriers on exports to Germany’s two biggest markets.

The FTSE 100 Index lost about 3% for the week, under pressure from the ongoing Brexit battle, which has the potential to bring down the government of Prime Minister Theresa May.

**Japan:** The Nikkei 225 Stock Average fell 3.0%.

A Reuters poll of 16 economists suggests that Japan’s gross domestic product (GDP) may have fallen more than the government’s initial third-quarter estimate. The Cabinet Office reported (in November) that Japan’s economy contracted 1.2% year on year in the July-September quarter, but a recent poll suggests that the revised number could be closer to 1.9%.

The Nikkei Japan Manufacturing Purchasing Managers’ Index (PMI) fell to its weakest level in November since August 2017 due to falling demand from Europe and China. November’s PMI dropped to 52.2 from 52.9 in October.

**Source:** Reuters, Troweprice

### WORLD INDICES

Index	Country	Last Price	Change /w/
MSE TOP 20	Mongolia	19,486.30	-0.14% ▼
Dow Jones	USA	24,388.95	-4.50% ▼
S&P 500	USA	2,633.08	-4.60% ▼
Nasdaq	USA	6,969.25	-4.93% ▼
S&P/TSX	Canada	14,795.13	-2.65% ▼
FTSE 100	GB	6,778.11	-2.90% ▼
S&P/ASX 200	Australia	5,681.50	0.25% ▲
Nikkei 225	Japan	21,678.68	-3.01% ▼
Hang Seng	Hong Kong	26,063.76	-1.67% ▼

### MONGOLIA RELATED BONDS

Issuer	Currency	Coupon	Last Price
Mongol 2024 (Khuraldai)	USD	8.750%	107.56
Mongol 2023 (Gerege)	USD	5.625%	95.43
Mongol 2022 (Chinggis)	USD	5.125%	94.19
Mongol 2021 (Mazalai)	USD	10.875%	110.43
DBM’ 23 (Samurai)	JPY	1.520%	104.73
DBM’ 2023	USD	7.250%	98.65
TDBM’ 2020	USD	9.375%	104.17

### MARKET RATES

Rates	Last	Change /w/
Libor 1M	2.400	0.05 ▲
Libor 3M	2.770	0.03 ▲
Libor 6M	2.890	0.00 ▼
Libor 1YR	3.100	-0.02 ▼
US 2YR Bond	2.831	0.00 ▼
US 3YR Bond	2.695	-0.16 ▼
US 5YR Bond	2.696	-0.18 ▼
US 10YR Bond	2.674	-0.36 ▼

### EXCHANGE RATES

Against MNT	2018.12.07	Change /w/
USD	2,634.50	0.28% ▲
CNY	382.72	1.16% ▲
EUR	2,995.82	0.25% ▲
RUB	39.41	-0.13% ▼
KRW	2.35	0.43% ▲
JPY	23.36	0.91% ▲
CAD	1,967.07	-0.42% ▼

### COMMODITY PRICE

Commodity	Unit	Last Price	Change /w/
Gold /spot/	USD/t oz.	1,248.09	1.95% ▲
Silver /spot/	USD/t oz.	14.57	1.96% ▲
Copper	USD/lb.	273.90	-3.64% ▼
Coal	USD/MT	102.00	0.39% ▲
Crude Oil WTI	USD/bbl.	52.42	-2.38% ▼
Crude Oil Brent	USD/bbl.	61.9	-0.69% ▼
Natural Gas	USD/MMBtu	4.56	1.56% ▲

### MONGOLIAN MACRO ECONOMIC INDICATORS

Indicators	Reference	Amount
Inflation Rate	2018. X	6.30%
Policy Rate	2018. XI	11.00%
Interbank Rate	2018. X	10.00%
Deposit Interest Rate /MNT/	2018. X	12.30%
Deposit Interest Rate /Foreign currency/	2018. X	5.40%
Loan Interest Rate /MNT/	2018. X	17.40%
Loan Interest Rate /Foreign currency/	2018. X	10.70%

**Source:** National Statistical Office, Bank of Mongolia, Bloomberg

## MSE TRADING UPDATE

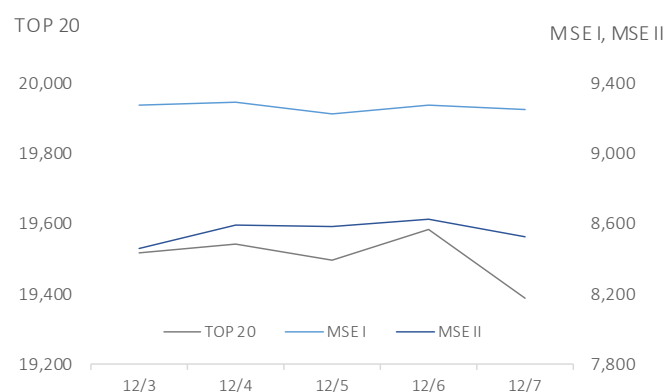
In this week, a total of 41 companies' 3,731,166 shares worth MNT 892.3 million were traded.

'Khuvsgul Altan Duulga' /ADU/ company's share rose 23.91 percent to MNT 1,140 while 'HBOil' /ORD/ company's share fell 27.45 percent to MNT 38.45.

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

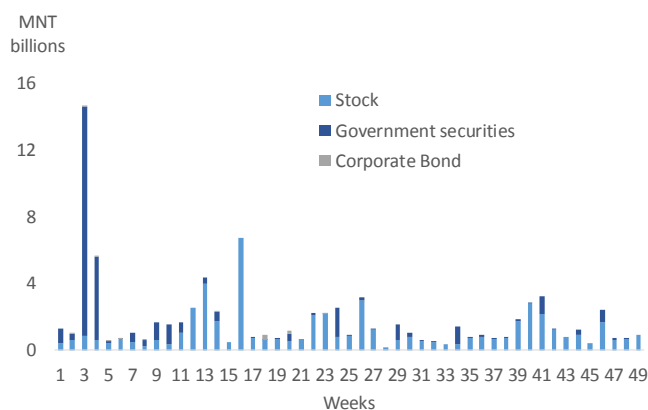
As of December 07, total market capitalization of MSE is MNT 2,310.3 billion. The TOP-20 index decreased by 0.14% to stand at 19,486.30 units.

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	892.3
Market Capitalization	2,310,319.5

### STOCK MARKET INDICES

Index	Last Price	Change /w/
MSE Top 20	19,486.30	-0.14% ▼
MSE I Index	9,295.45	0.26% ▲
MSE II Index	8,593.74	1.64% ▲

### ACTIVELY TRADED SECURITIES

Company	Volume	Turnover /MNT/
Ard Insurance	327,146	245,823,036
APU	362,839	206,538,685
LendMN	2,670,291	182,933,784
Jinst Uvs	45,663	80,720,139
Mandal Insurance	13,982	67,338,010

### SECURITIES WITH MOST GROWTH

Company	Last Price /MNT/	Change /w/
Khuvsgul Altan Duulga	1,140.00	23.91% ▲
Materialimpex	8,445.00	13.58% ▲
Genco Tour Bureau	85.00	13.33% ▲
Olloo	60.00	9.09% ▲
Standard Property Group	170.00	4.10% ▲

### SECURITIES WITH MOST DECLINE

Company	Last Price /MNT/	Change /w/
HBOil	38.45	-27.45% ▼
Frontier Land Group	170.00	-15.00% ▼
Kherlen Khivs	78.00	-14.29% ▼
Khuvsgul Khuns	1,175.00	-14.05% ▼
Orkhondalai	2,100.00	-12.50% ▼

### MOST ACTIVE BROKERAGE FIRMS

Company	Trading amount /MNT/
Ard Securities	552,564,793
Mirae Asset Securities Mongol	311,449,995
BDSec	284,383,914
Golomt Capital	261,000,206
Bumbat-Altai	106,330,854

### COMPANIES WITH HIGHEST MARKET CAPITALIZATION

Company	Last Price /MNT/	Market Cap. /MNT mln/
APU	572.60	609,350
Tavan Tolgoi	6,650.00	350,224
Gobi	33,000.00	257,437
Mongolian Mortgage Corporation	10,350.00	214,341
Suu	220.00	75,680

## 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	paid on 2018.10.10
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	2018.03.06	paid on 2018.09.21
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

### Securities trading of 'Gobi' JSC suspended

According to the official notification No.: 57 of State Inspector of Financial Regulatory Commission dated November 30, 2018, "Gobi" JSC's securities trading has been suspended starting from 03 December 2018 due to the listing amendment of a stock split of 100-for-1.

**Source:** Mongolian Stock Exchange



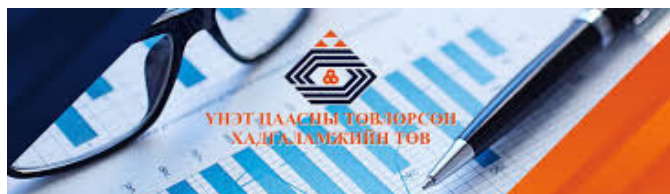
### MCS&D: Ownership concentration of 'Makhimpex', 'Mongol Post' and 'Suu' JSCs have reduced

As of November, ownership concentration of 'Makhimpex', 'Mongol Post' and 'Suu' JSCs have reduced since the beginning of the year. For instance, in the beginning of the year, 93.8 percent of total number of shares of 'Suu' JSC was owned by 3 majority shareholders, and the remaining 6.2 percent was owned by 1,100 minority shareholders. According to the November's ownership concentration report of the Mongolian Central Securities Exchange, 1,600 minority shareholders held about 7.3 percent of the company. In other words, minority shareholders' ownership rose 17 percent. As of Tuesday, share price of 'Suu' JSC has closed at MNT 220.

Also, minority shareholders' ownership of 'Mongol Post' JSC has increased by about 50 percent. In the beginning of the year, 700 minority shareholders held 5.7 percent of the company. However, as of November, 8.8 percent of total shares of the company was held by 820 minority shareholders. Share price of 'Mongol Post' JSC has increased by 13 percent to MNT 588 over the last month.

Among the MSE and MSX listed companies, 'Genco Tour Bureau' and 'And Energy' JSCs have the largest number of minority shareholders. In the third place, shares of 'Gobi' JSC is held by 16 thousand minority shareholders. Recently, the company has decided to make a stock split 100-for-1 in order to improve liquidity of stocks and increase the number of minority shareholders. Due to the stock split, securities trading of 'Gobi' JSC has been suspended.

**Source:** BloombergTv.mn



### Around 10 underwriters jointly launched new products in the capital market of Mongolia in 2018

The Financial Regulatory Commission emphasized the growing cooperation of securities companies in 2018 with the increase in the number of new products in the capital market of Mongolia.

For example, consulting companies are cooperating to improve corporate governance of listed stock companies. The CEO of 'BDO Audit' company reported that the capital market has been active for the last two years, which has a positive effect on the activities of consulting firms.

Also, the number of underwriters who have played a key role in launching IPO of stock companies increased to 25 this year. At the last meeting of the Financial Regulatory Commission, 'Transport and Development Bank' LLC granted special license for underwriting operations in the securities market. has issued a license to Underwriter for the securities market in the Development Bank of Mongolia. The CEO of 'BDSec SC' LLC emphasized that these underwriters are focusing on the successful execution of launching large-scale IPOs.

In addition, the underwriters are aiming to offer reliable and realistic companies to investors. Four companies launched IPOs and one company was dual-listed on the Mongolian Stock Exchange this year. About 10 underwriters have been assisting in it.

**Source:** BloombergTv.mn

### Stock price forecast of the most liquid 10 shares

'Marketinfo.mn' website has introduced stock price forecast of the most liquid 10 shares.

Nine analysts consolidated their share price forecasts by the end of the first quarter of the year. The 'Top 10' companies include not only stock companies listed in the Tier I on the MSE such as 'Suu' and 'Tavan Tolgoi' with the largest market capitalizations, but also newbies such as 'Itools' and 'LendMN'.

The majority analysts gave 'Hold' recommendation on shares of 'Suu' JSC. For example, Naran-Uchral Ts., an analyst at 'Bumbat-Altai' securities company, said: "The semi-annual financial performance of the company has improved y-o-y, but the P/E ratio remains high above the Tier I average."

All nine analysts gave 'Buy' recommendation on shares of 'APU' JSC. Analysts' forecasts show that the share price will reach MNT 620-850 in the first quarter of next year. In other words, the stock price of 'APU' JSC, which is traded at MNT 569, is below the minimum price estimated by analysts.

**Source:** BloombergTv.mn

## COMMODITY MARKET NEWS

### As of November Bank of Mongolia has purchased 18.9 tons of gold this year

Bank of Mongolia announced that it had purchased 1.2 tons of gold in November. Thus in the first 11 months of the year Bank of Mongolia purchased a total of 18.9 tons of gold. Compared to this time last year it's lower by about 200 kg. In the reporting month, Bank of Mongolia purchased 93.3 kg of gold in its Darkhan-Uul aimag branch, and 41.6 kg of gold in its Bayankhongor aimag branch. Bank of Mongolia purchased a record 20 tons of gold last year and announced an objective to purchase 22 tons of gold this year.

The Bank of Mongolia believes that increasing gold deposits will increase foreign exchange reserves to appropriate amounts. Within this framework some member of parliament have proposed a law to extend Mineral royalty tax of 2.5 percent by 5 years to until 2024. By extending the royalty tax deduction period gold deposits should increase as noted earlier by the Bank of Mongolia. Gold spot price has been fluctuating around USD 1,222 recently. Gold price which fell to USD 1,174 this August, rebounded by about 4 percent.

**Source:** BloombergTv.mn



### Fuel prices decreased by MNT 100

The Ministry of Mining and Heavy industries announced that starting from December 7th fuel prices decreased by MNT 100 following the provision on "Keeping fuel retail prices stabilized in an economically appropriate level" and the direction to lower retail prices when border prices fall.

The ministry announced that prices will keep decreasing in multiple phases. World oil prices started increasing in early 2018 due to Russia and OPEC policies and geopolitical tension which declined rapidly starting from mid-October. On November 27th Brent oil price reached USD 60.22 per barrel.

Moreover, Russia's "Rosneft" border fuel prices this month decreased significantly by USD 82-148 per ton depending on type and AI-92 autofuel reached USD 617 per ton and Diesel reached USD 706 per ton.

**Source:** Montsame.mn

### Share price of 'Xanadu Mines' has decreased by 6 percent since it listing on the TSX

Share price of Xanadu Mines, listed on the Australian and Toronto Stock Exchanges, dropped 17.6 percent to CAD 0.14 on the Toronto Stock Exchange on Monday.

The company acquired its permission to launch its IPO in October, and started its trading on October 31. Since then, shares have fallen by around six percent. Lastly, share price of the company was closed at AUD 0.13 on the Australian Stock Exchange.

'Xanadu Mines' has recently revised its reserve of 'Kharmagtai' project. Comparing to the 2015 estimates, copper concentrate has increased by 400 percent and gold concentrate has increased by 249 percent respectively. As of September 30, the company's cash balance has reached AUD 7.8 million.

**Source:** BloombergTv.mn



### The railroad in route 'Shiveekhuren-Seke' will be constructed along with the railroad in route 'Nariin Sukhait-Shiveekhuren'

The Government considers that Shiveekhuren-Seke railway with a narrow gauge will be constructed together with the Nariin Sukhait-Shiveekhuren railway line. Thus, coal exports will increase to 18-20 million tons a year. Therefore, the Government will submit the draft of 'Nariin Sukhait-Shiveekhuren' project, which will be amended to Resolution N°64 of the Parliament.

The railway in route 'Nariin Sukhait-Shiveekhuren' will triple the port penetration capacity, decrease transportation costs by 2-4 times, and reduce negative impact on the environment and ecology.

The Nariin Sukhait group deposit generates about 50 percent of coal exports of Mongolia.

**Source:** MongolianMiningJournal.com



## OTHER NEWS

### The Central bank taking actions to stabilize the MNT

Due to recent events such as increased USD yield in international financial markets, and temporary factors affecting local economy the MNT depreciated rapidly.

In order to stabilize the MNT, the Bank of Mongolia supplied USD 1 billion in the second half of this year and since the start of November supplied USD 375 million to the market. Thus, the MNT which had been depreciating nonstop since November 7th appreciated in value by MNT 5.02 against the USD on December 5th.

Also in order to limit consumer loans, the Bank of Mongolia applied a 30 month limit to consumer loans, increased Debt to Income ratio requirement to 70 percent, increase risk factor for foreign currency loans to discourage banks, increased policy rate by 1 percentage point to 11 percent to increase MNT comparative yield.

**Source:** Montsame.mn

### In October 37.2 percent of corporate loans were in foreign currencies

In October 41.3 percent of corporate savings were in foreign currencies. This is a 4.1 percentage point increase from last month noted Bank of Mongolia.

On the other hand, 37.2 percent of corporate loans were in foreign currencies. This was a 1.5 percentage point decrease compared to September. In the reporting period, the weighted average foreign currency loan rate was 10 percent. While the weighted average MNT loan rate was 17.6 percent 7.6 percentage points higher. The president of the Bank of Mongolia N.Bayrtaisaikhan noted that "Increasing consumer loans, and the high dollarization on Bank's balance has increased risk of economic vulnerability"

In order to decrease financial dollarization, the foreign exchange loan risk weight was increased to 150 percent in the September monetary policy decision which will take effect starting in January 2019. In the monetary policy announced, the Bank of Mongolia noted that "Giving foreign exchange loans to institutions and individuals with no foreign exchange income nor any ability to manage foreign exchange risks will increase debt burden and economic weakness."

From a sector view, trading, mining and construction sectors have higher foreign currency loans than other sectors. Trade sector loans make up of 31 percent of the total foreign exchange loans which is 4 percentage point higher from the year beginning.

**Source:** BloombergTv.mn



### FDI increased to USD 1.4 billion but focused on few mining companies

As of October, Mongolia had a USD 1.4 billion foreign direct investment inflow. This is a USD 381 million increase compared to this time last year.

In 2016, FDI had decreased to USD -400 million, exceeded USD 1 billion the last two years. FDI was as much as USD 4.5 billion in peak years during 2011 and 2012.

Although foreign investment is increasing, it is highly concentrated. For example, one or two big companies have enormous effects on FDI according to the Asian development bank. Specifically, this year foreign investments related to "Oyu Tolgoi" LLC underground mine development increased according to the Ministry of Finance. The MoF noted that investment related to the underground mine development will be about USD 1.3 billion next year in the 2019 budget project.

From a World Bank report, in 2017 China and Canada's investment made up of more than half of all total investment in Mongolia. From another perspective, over 70 percent of investments are in the mining sector. In October the balance of payments loss decreased by USD 424 million to USD 51 million according to the Central Bank. Bank of Mongolia noted the issuance of USD 500 million bond by the Development bank was the main factor in the decreasing Balance of payment loss. However, in the reporting period current account loss increased by USD 180.3 million and reached USD 1.3 billion. The increasing loss was due to increases in imports, transport, tourism and other high expense services abroad. The International Monetary Fund warned that current account loss is set to increase in the sixth review of Mongolia's extended fund facility.

**Source:** BloombergTv.mn

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