



WEEKLY MARKET UPDATE

2019.01.07-01.11

GLOBAL MARKET PERFORMANCE

United States: Stocks rose for the third consecutive week. Within the S&P 500 Index, industrials shares performed best, helped by strength in railroads and a sharp rise in Boeing. Energy shares were also especially strong for much of the week as oil prices rallied, although they gave back a portion of their gains on Friday. Financials lagged, and health care stocks also underperformed despite the news of another large merger in the sector—Eli Lilly's proposed \$8 billion acquisition of Loxo Oncology.

Hopes that China and the U.S. might finally be making progress in resolving their trade dispute seemed to drive much of the week's gains. Three days of mid-level trade talks began on Monday. President Trump also lifted sentiment Tuesday morning after tweeting that talks were "going very well."

The week's gains came despite the partial federal government shutdown entering its third week, with little hope of resolution in sight. The week's economic data were generally encouraging. Weekly jobless claims moderated, and a measure of small business optimism fell less than expected in December.

On Friday, the Labor Department reported that consumer prices had risen in line with forecasts, with the core CPI (which excludes food and energy costs) increasing by 2.2% versus a year ago. In an interview Thursday, Federal Reserve Chairman Jerome Powell pointed to low inflation as one factor that will allow the Fed to be "patient" in raising interest rates further.

According to the firm's traders, his remarks appeared to help reverse a midday downturn in stocks following news that President Trump was canceling a trip to the Davos World Economic Forum later in the month because of the government shutdown.

Europe: The pan-European STOXX Europe 600 Index gained as optimism about U.S.-China trade talks outweighed signs of economic slowing in Germany and France and the announcement of layoffs in the region's auto sector.

The British pound rose 1% as the likelihood increased that the UK's departure from the European Union (EU) would be delayed past its March 29 deadline. The UK parliament is scheduled to vote on Prime Minister Theresa May's proposed settlement with the EU on January 15. However, the vote is expected to fail.

Auto stocks came under pressure this week as Ford Motor announced an overhaul of its European business, which would entail thousands of job cuts, and Jaguar Land Rover unveiled plans to cut 4,500 jobs in the UK. Honda said it would shut its UK plant for six days to avoid a disruption from a disorderly Brexit.

More signs of regional slowing piled up during the week. German exports declined in November, adding to fears that trade tensions are hurting the country's economy. Industrial production also unexpectedly fell for the second consecutive month in November, and new manufacturing orders continued their decline. In France, industrial production fell unexpectedly and was widespread, hitting manufacturers of cars, machinery, pharmaceuticals, and other sectors. France's economy has suffered from the "yellow vest" protests that began in mid-November, calling for better living standards for the country's lower-income population.

Japan: The Labor Ministry reported that real (inflation adjusted) wages gained 1.1% in November versus the year-ago period. It was the first annual rise in income in four months and the best gain since June.

Source: Reuters, Troweprice

WORLD INDICES

Index	Country	Last Price	Change /w/
MSE TOP 20	Mongolia	21,531.32	-0.84% ▼
Dow Jones	USA	23,995.95	2.40% ▲
S&P 500	USA	2,596.26	2.54% ▲
Nasdaq	USA	6,971.48	3.45% ▲
S&P/TSX	Canada	14,939.18	3.55% ▲
FTSE 100	GB	6,918.18	1.18% ▲
S&P/ASX 200	Australia	5,774.60	2.76% ▲
Nikkei 225	Japan	20,359.70	4.08% ▲
Hang Seng	Hong Kong	26,667.27	4.06% ▲

MONGOLIA RELATED BONDS

Issuer	Currency	Coupon	Last Price
Mongol 2024 (Khuraldai)	USD	8.750%	108.16
Mongol 2023 (Gerege)	USD	5.625%	96.16
Mongol 2022 (Chinggis)	USD	5.125%	95.21
Mongol 2021 (Mazalai)	USD	10.875%	110.73
DBM' 23 (Samurai)	JPY	1.520%	104.75
DBM' 2023	USD	7.250%	98.39
TDBM' 2020	USD	9.375%	104.25

MARKET RATES

Rates	Last	Change /w/
Libor 1M	2.500	-0.02 ▼
Libor 3M	2.780	-0.02 ▼
Libor 6M	2.840	-0.02 ▼
Libor 1YR	3.010	0.05 ▲
US 2YR Bond	2.541	0.04 ▲
US 3YR Bond	2.516	0.04 ▲
US 5YR Bond	2.529	0.03 ▲
US 10YR Bond	2.701	0.03 ▲

EXCHANGE RATES

Against MNT	2019.01.11	Change /w/
USD	2,666.14	0.59% ▲
CNY	395.17	2.35% ▲
EUR	3,072.86	1.63% ▲
RUB	39.83	2.76% ▲
KRW	2.39	1.27% ▲
JPY	24.61	0.12% ▲
CAD	2,019.96	2.49% ▲

COMMODITY PRICE

Commodity	Unit	Last Price	Change /w/
Gold /spot/	USD/t oz.	1,291.93	0.13% ▲
Silver /spot/	USD/t oz.	15.64	-0.70% ▼
Copper	USD/lb.	266.00	0.49% ▲
Coal	USD/MT	97.75	-1.26% ▼
Crude Oil WTI	USD/bbl.	51.66	5.97% ▲
Crude Oil Brent	USD/bbl.	60.53	4.54% ▲
Natural Gas	USD/MMBtu	3.31	11.82% ▲

MONGOLIAN MACRO ECONOMIC INDICATORS

Indicators	Reference	Amount
Inflation Rate	2018. XI	8.10%
Policy Rate	2018. XI	11.00%
Interbank Rate	2018. XI	10.20%
Deposit Interest Rate /MNT/	2018. XI	12.20%
Deposit Interest Rate /Foreign currency/	2018. XI	5.30%
Loan Interest Rate /MNT/	2018. XI	17.30%
Loan Interest Rate /Foreign currency/	2018. XI	10.70%

Source: National Statistical Office, Bank of Mongolia, Bloomberg

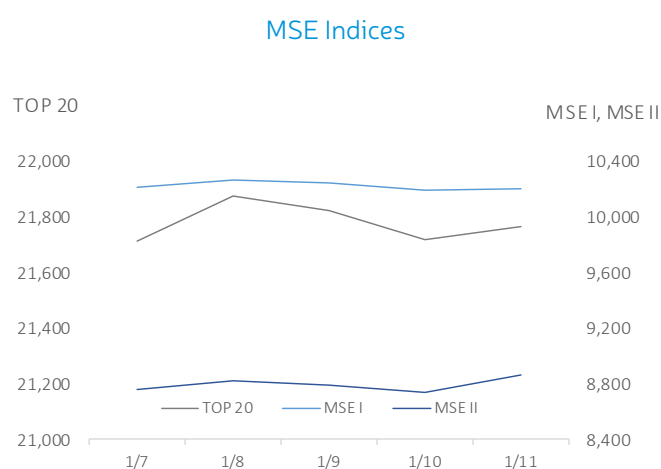
MSE TRADING UPDATE

In this week, a total of 44 companies' 2,454,126 shares worth MNT 549.8 million were traded.

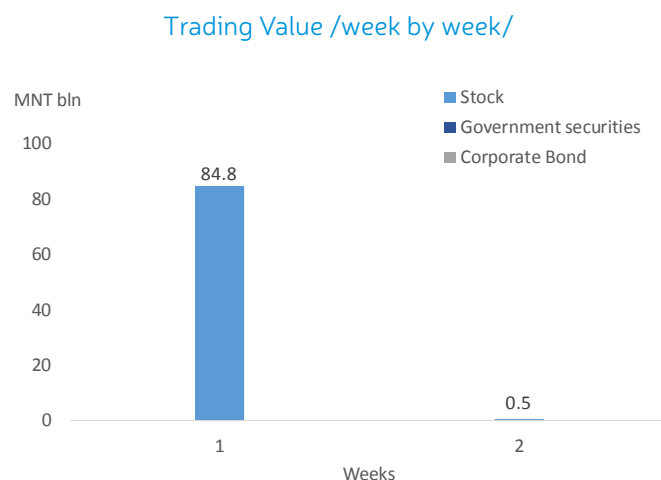
'Khuvsgul Altan Duulga' /ADU/ company's share rose 16.27 percent to MNT 1,029 while 'Darkhan Khuvun' /DAH/ company's share fell 30.77 percent to MNT 9,000.

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

As of January 11, total market capitalization of MSE is MNT 2,496.2 billion. The TOP-20 index decreased by 0.84% to stand at 21,531.32 units.



Source: Mongolian Stock Exchange



Source: Mongolian Stock Exchange

STOCK MARKET REVIEW

Review	Total amount /MNT mln/
Total Value	549.8
Market Capitalization	2,496,165.1

STOCK MARKET INDICES

Index	Last Price	Change /w/
MSE Top 20	21,531.32	-0.84% ▼
MSE I Index	10,064.71	-1.48% ▼
MSE II Index	8,781.52	0.23% ▲

ACTIVELY TRADED SECURITIES

Company	Volume	Turnover /MNT/
Gobi	117,351,646	84,478,423,306
APU	207,366	69,803,279
LendMN NBF1	79,340	59,777,738
Suu	154,273	38,734,721
Ard Insurance	16,501	36,734,235

SECURITIES WITH MOST GROWTH

Company	Last Price /MNT/	Change /w/
Khuvsgul Altan Duulga	1,029.00	16.27% ▲
Erchim Bayan Ulgii	600.00	13.42% ▲
Darkhan Hotel	95.00	5.56% ▲
Remicon	29.00	5.45% ▲
Durvun Uul	1,350.00	3.85% ▲

SECURITIES WITH MOST DECLINE

Company	Last Price /MNT/	Change /w/
Darkhan Khuvun	9,000.00	30.77% ▼
Niislel Ugruu	5,300.00	26.64% ▼
Bulgan Guril Tejeel	1,360.00	-15.00% ▼
Mogoin Gol	6,100.00	-14.98% ▼
Monnoos	2,200.00	-12.00% ▼

MOST ACTIVE BROKERAGE FIRMS

Company	Trading amount /MNT/
BDSec	342,255,003
Mirae Asset Securities Mongol	150,899,279
Ard Securities	107,972,056
Golomt Capital	107,301,061
Bumbat-Altai	81,784,520

COMPANIES WITH HIGHEST MARKET CAPITALIZATION

Company	Last Price /MNT/	Market Cap. /MNT mln/
APU	622.78	662,751
Tavan Tolgoi	7,120.00	374,976
Mongolian Mortgage Corporation	14,750.00	305,462
Gobi	351.08	273,882
Suu	207.04	71,222

CAPITAL MARKET NEWS

“Tumen Shuvuut” LLC becomes public company

The Financial Regulatory Commission at its Meeting held on 14 December 2018 passed a Decision to register 200 million shares of ‘Tumen Shuvuut’ LLC, an egg producer, with MNT 20 nominal price each and approved public offering of 25 percent of the amount or 50 million shares for MNT 200. The Company was listed on the Mongolian Stock Exchange as a Tier II issuer by the MSE CEO’s Order No. A/94 dated August 16, 2018.

‘Tumen Shuvuut’ JSC, the first issue on MSE in 2019, is aiming to raise MNT 10 billion from the primary stock market.

Subscription for the stock will be open during the period between 15 January, 2019, to 15:00 pm, 31 January, 2019.

In case of oversubscription, MNT 3 billion of shares will be allocated equally to all investors and the remaining MNT 7 billion of shares will be allocated on pro-rata basis.

Source: Mongolian Stock Exchange



Market capitalization of the domestic capital market surpassed MNT 2.5 trillion

As of January 10, the total market capitalization of the domestic market surpassed MNT 2.53 trillion. About 80 percent of the market capitalization is generated by the “Top 10” joint stock companies.

Seven of the “Top 10” companies are listed in the Tier 1, and three of them listed in the Tier 2 on the MSE. New issuances such as ‘LendMN NFBF’ and ‘Mandal Insurance’ companies are included in the list of “Top 10” companies. ‘APU’ JSC led the list of “Top 10” companies again. The market capitalization of ‘APU’ JSC was close to reached MNT 1 trillion in December 2017, totaling MNT 960 billion. Over the past year, the company’s shares have dropped by about 30 percent, thus the market capitalization of the company has reached MNT 679 billion.

‘Tavan Tolgoi’ JSC was the second with the list with market capitalization of MNT 384.5 billion. Market cap of ‘Tavan Tolgoi’ JSC once reached MNT 700 billion in March 2018, leading the list of top companies. At that time, the share price was over MNT 13 thousand due to an expected increase in coal output. However, the share price has lost the half of its price.

‘MIK Holding’ and ‘Gobi’ joint stock companies have three-digit billion market capitalization after ‘APU’ and ‘Tavan Tolgoi’ companies.

Source: BloombergTv.mn

FRC: New issuance has been registered

The first regular meeting of the Financial Regulatory Commission in 2019 was held on 9 January. At the meeting, a set of rules of Insurance and Securities markets has been approved. Set of Insurance market rules contain 17 procedures, rules, guidelines and instructions, while set of securities market rules consist of 14 regulatory acts. Set of securities market rules regulate the licensing, authorization and registration of regulated activities in the securities market as well as establishing requirements, criteria, supervision and regulation on regulated activities.

At the Meeting the FRC passed a Decision to register 280 million shares of ‘Ard Credit NFBF’ LLC with MNT 10 nominal price each and approved public offering of 25 percent of the amount or 70 million shares. ‘Ard Credit NFBF’ became the second non-banking financial institution that listed on the domestic stock exchange.

Also, the FRC approved shareholders’ structure of ‘Ard Insurance’ JSC and registered its increase in share capital by MNT 1.5 billion.

Source: Financial Regulatory Commission

‘Ard Credit NFBF’ LLC becomes public company

The Financial Regulatory Commission at its regular Meeting held on 9 January 2019 passed a Decision to register 280 million shares of ‘Ard Credit NFBF’ LLC, a non-banking financial institution, with MNT 10 nominal price each and approved public offering of 25 percent of the amount or 70 million shares for MNT 70-85.

The company offers 50 percent or 35 million shares to strategic investors at fixed price of MNT 70, and 50 percent or 35 million shares for MNT 70-85 to public, using book building method. In other words, the company aims to raise MNT 4.9-5.4 billion to finance its current assets and expand its operations.

The underwriting service is provided by ‘Ard Capital Group SC’ LLC, auditing service – by ‘Dalai Van Audit’ LLC, legal consulting service – by ‘Advocacy ELC’ LLC and asset valuation service – by ‘BDO Audit’ LLC.

Source: Mongolian Stock Exchange



COMMODITY MARKET NEWS

Feasibility study for 21 gold mine projects were approved to begin operations in 2019

The Ministry of Mineral Resources and Petroleum announced that currently there are 21 gold projects approved to begin production in 2019. Projects to note in terms of investment amount include “Khorimt khudag” and “Ulaan khyar” gold deposits in Umnugobi aimag. “Max Impex” LLC estimated total investments to be MNT 10.5 billion in the feasibility study.

In addition, there is also the Shartolgoi gold deposit in Dornogovi aimag. Total investments are estimated to be MNT 9.2 billion in the feasibility study according to the MMRP. Looking at it geographically, Baynkhongor aimag has the most projects approved with 9 gold projects. Gold dust deposits are running out and the industry is starting to look at main deposits that require higher investment.

Moreover, explorations companies listed on stock exchanges are preparing to start mining operations. For instance, Steppe Gold is planning to launch Altan Tsagaan Ovoo deposit in Dornod province in the first half of 2019. Under the contract signed with “Triple Flag”, USD 8.1 million for Altan Tsagaan Ovoo project was financed.

Erdene Resource Development listed on both the MSE and the TSX is preparing to acquire mining licenses for the “Khundii” project. Baynkhundii and Altan nar deposits are included in the project and initial economic calculations have been made.

Source: BloombergTv.mn

Khoshchuluun Ch.: Meat exports to increase meat price

In 2018, Mongolia exported meat worth USD 83 million, and meat products such as canned meat and sausage worth about USD 80 million. Meat exports increased by 54 percent from the same period of the previous year, while export of meat products increased by nine times, according to the statistics from the Customs General Administration.

In the first 11 months of 2018, the National Statistical Office reported that the meat price increased from 15.5 to 31.6 percent from the same period of the previous year. The Bank of Mongolia reported that inflation in Ulaanbaatar reached 9.3 percent in November, of which 1.3 percent was generated by meat prices. Meat prices alone constitute about 10 percent of the consumer basket of Mongolian citizen. The Ministry of Food, Agriculture and Light Industry allocated MNT 4.6 billion in the 2019 budget to keep the meat prices low during the spring season, when meat supply is the lowest. In this regard, it is possible to reserve 10 thousand tons of meat. On the other hand, policy measures are to be taken to increase domestic supply of meat in relation to increased exports.

Average annual meat consumption of Mongolia accounts for 12-15 million heads of livestock. The Ministry of Food, Agriculture and Light Industry estimates that there is potential for Mongolia to export over 180 thousand tons of meat.

Source: BloombergTv.mn

BI: China's real estate investment to slow, coking coal prices to fall

New real estate and construction projects in China in 2019 is expected to decline, reducing demand for steel. This would have a negative impact on coking coal price, main input of the construction sector.

According to the Bloomberg Intelligence survey, on top of macroeconomic factors, inability to reach Chinese government's plans is reducing steel demand. For example, land acquisition for new buildings have started being delayed. China planned to demolish slum buildings in urban areas in 2014-2020 in their urbanization plans. However, local governments can't deliver the land acquisition process according to plan. Furthermore, a large amount of money is required for temporary resettlement and subsidies for construction work. Commercial banks have ceased to lend in this sector, slowing down land acquisition. Looking at average analyst estimates, coking coal prices is expected to fall by around 6 percent to USD 178. With coking coal supply increasing, 15 million tons of surplus is expected to arise. Experts believe that demand for coal in India, Brazil and South East Asia is rising, but demand for Chinese buyers will fall.

On the export side, supply from Australia is set to increase the most by 8 million tons, and Russian export is set to increase by 3 million tons due to increase in production at “Mechel” mine.

In Mongolia, coal export growth is limited by the capacity of border crossing according to Bloomberg analysts in London. In the midterm, India and other Asian countries' increasing coking coal demand will be supplied by Russia and Australia.

Source: BloombergTv.mn

164 trucks crossed Gashuun Sukhait border on 7 January

On Monday, 164 trucks crossed Gashuun Sukhait port, while 165 cars crossed it on Saturday. In November, exports slumped due to the introduction of smart systems in China border, but recovered after in December. At the end of December, 500-600 trucks exported coal daily. Mongolia exported 36 million tons of coal in 2018. In 2018, coal exports through Gashuun Sukhait - Gantsmod port increased by one million tons to 18.2 million tons. Coal exports through Shivee Khuren-Seke port increased by 1.4 million tons to 14.1 million tons.

In addition, 1,800 thousand tons of coal was exported through Zamyn-Uud-Ereen port, which increased by 450 thousand tons from 2017. The government plans to export 42 million tons of coal in 2019, while the Ministry of Finance believes that customs reform is important to reach the goal.

Source: BloombergTv.mn

OTHER NEWS

With an average increase of 40% in imports, the foreign trade surplus decreased to USD 1.1 billion in 2018

In December 2018 total external trade turnover reached USD 12.8 billion, up 22.3 percent from the previous year's performance, according to the Customs General Administration.

Exports increased by 13.1 percent during the same period, while import increased by 35.5 percent. The rapid growth of imports led to a decrease in foreign trade surplus to USD 1.1 billion. The balance of trade surplus of USD 1.8 billion in 2017 has decreased to USD 1.1 billion in 2018. Coal exports have surpassed the previous year's performance in November 2018. In 2019, the government plans to export 42 million tons of coal. As a result of Customs reform, the number of trucks crossing the border through Gashuun Sukhait-Gantsmod port is expected to double to 2,000 trucks daily.

On the other hand, imports rose by about 40 percent from the beginning of the year. The Central Bank said that most of the imports were investment products and industrial inputs. In January 2019, the Bank of Mongolia started implementing its macro-prudential policy decisions in order to limit the growing imports and prevent the exchange rate risk.

In addition, "Mongolia needs an agency for foreign trade policy," economist Enkhbayar N. emphasized.

Source: BloombergTv.mn

World Bank: Debt vulnerabilities in emerging markets increased

The World Bank cut its forecast for growth of 2019 about half a year ago by 0.1 percent to 2.9 percent. The World Bank cut its forecast for the global economy in 2019 as trade and investment growth slows down and the central banks are raising their policy rates. Especially in emerging economies, debt vulnerabilities have increased.

The GDP of Mongolia is expected to increase by 6.6 percent in 2019 and 6.3 percent in 2020, according to the World Bank. In East Asia and the Asia-Pacific region, Mongolia, the main risks of this year and next year are explained by China's economic slowdown and trade deficit.

Source: BloombergTv.mn

Eurasia Group's Top risks For 2019

This is Eurasia Group's annual forecast of the political risks that are most likely to play out over the course of the year.

1. Bad seeds: 2019 is the year "bad seeds" are being planted that will eventually threaten the entire global order.
2. U.S.-China: The US-China relationship is broken, and even a truce in the trade war won't fix it. Trust between the two sides is almost gone. Democrats and Republicans agree that China poses threats. The Chinese believe they can't afford to back down.
3. Cyber-gloves off: Hackers have grown more sophisticated, societies have become heavily dependent on digital services, and efforts to agree on basic rules of the road for cyber conflict have gone nowhere.
4. European populism: The European Union will hold parliamentary elections in May, and populists will win more seats than ever before. They'll also win a bigger role in the European Commission and European Council, helping them challenge current European policy on migration, trade, and enforcement of E.U. rules inside member states.
5. The U.S. at home: Their majority in the House gives Democrats real power for the first time since Donald Trump became president, and though he's not likely to be removed from office, infighting in Washington will be especially intense in 2019.
6. The winter of our innovation: We're heading for a global innovation winter—a politically driven reduction in the financial and human capital available to drive the next generation of emerging technologies.
7. Coalition of the unwilling: The US-led global order has been eroding for a couple of decades now, but we are now seeing the growing ranks of a coalition of world leaders unwilling to uphold the global liberal order, with some even bent on bringing it down.
8. Mexico: The country's new president, Andres Manuel Lopez Obrador, begins his term with a degree of power and control over the political system not seen in Mexico since the early 1990s, and domestic risk factors loom large.
9. Ukraine: November's clash in the Kerch Strait was a taste of coming tensions. Putin continues to see Ukraine as vital to Russia's sphere of influence.
10. Nigeria: Nigeria faces its most fiercely contested election since the transition to democracy in 1999.

Source: EurasiaGroup.net

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