

GLOBAL MARKET PERFORMANCE

United States: Stocks recorded their fourth consecutive week of positive returns and built on their strong start to 2019. Within the S&P 500 Index, financials shares led the gains, helped by better-than-expected earnings reports from some large banks. The defensive utilities and consumer staples sectors lagged the overall market, with the former also dragged lower by a bankruptcy announcement from Pacific Gas and Electric (PG&E) due to expected liabilities from the recent California wildfires.

The ongoing U.S. trade dispute with China remained a significant driver of sentiment. A poor start to the week on Monday seemed partly due to news of a sharp decline in Chinese exports. Conversely, markets appeared to jump Thursday on reports that Treasury Secretary Steven Mnuchin had suggested lowering tariffs on some Chinese goods as a gesture of good will in trade negotiations. The White House later denied the accounts, however.

The quarterly earnings reporting season began in earnest during the week, with reports from 35 S&P 500 companies expected, according to Thomson Reuters. Analysts polled by both Reuters and FactSet have recently lowered their estimates and expect the earnings growth rate for the S&P 500, as a whole, to have declined by roughly half in the fourth quarter from its 25% year-over-year pace earlier in the year. Analysts generally expect earnings to grow only modestly in the first quarter of 2019, when the impact of the December 2017 corporate tax cut on year-over-year earnings comparisons rolls off.

Europe: European stocks rose in line with global markets this week amid signs that the U.S. and China could resolve trade tensions and an increased likelihood that Brexit will be delayed after UK Prime Minister Theresa May's Brexit proposal was overwhelmingly defeated in Parliament. May has until Monday to present a new plan and has begun cross-party negotiations; however, she and opposition leader Jeremy Corbyn were deadlocked, presenting competing Brexit alternatives.

Data showed that Germany's economy decelerated sharply last year due to slowing consumer spending and weakness in key export markets. Gross domestic product grew 1.5% in 2018, the weakest rate in five years, compared with 2.2% in 2017.

Japan: The Nikkei 225 Stock Average gained 306 points (1.5%) for the week and closed on Friday at 20,666.07, ahead 3.25% in 2019.

Year-over-year inflation fell to 0.3% in December from 0.8% in November, reflecting price declines in food, housing, and transportation. The headline inflation rate is at its lowest level since October 2017.

The Bank of Japan's (BoJ) first policy meeting of the year is scheduled for January 22–23. The central bank is expected to cut its inflation forecast for fiscal 2019, which begins in April, to about 1.0%. The central bank is likely to trim its outlook based on the recent decline in oil prices and slower global economic growth.

Source: Reuters, Troweprice

WORLD INDICES

Index	Country	Last Price	Change /w/
MSE TOP 20	Mongolia	21,601.66	0.33% ▲
Dow Jones	USA	24,706.35	2.96% ▲
S&P 500	USA	2,670.71	2.87% ▲
Nasdaq	USA	7,157.23	2.66% ▲
S&P/TSX	Canada	15,303.83	2.44% ▲
FTSE 100	GB	6,968.33	0.72% ▲
S&P/ASX 200	Australia	5,879.60	1.82% ▲
Nikkei 225	Japan	20,666.07	1.50% ▲
Hang Seng	Hong Kong	27,090.81	1.59% ▲

MONGOLIA RELATED BONDS

Issuer	Currency	Coupon	Last Price
Mongol 2024 (Khuraldai)	USD	8.750%	109.02
Mongol 2023 (Gerege)	USD	5.625%	97.77
Mongol 2022 (Chinggis)	USD	5.125%	96.77
Mongol 2021 (Mazalai)	USD	10.875%	111.03
DBM' 23 (Samurai)	JPY	1.520%	104.78
DBM' 2023	USD	7.250%	99.62
TDBM' 2020	USD	9.375%	104.38

MARKET RATES

Rates	Last	Change /w/
Libor 1M	2.510	0.01 ▲
Libor 3M	2.760	-0.02 ▼
Libor 6M	2.850	0.01 ▲
Libor 1YR	3.030	0.02 ▲
US 2YR Bond	2.614	0.07 ▲
US 3YR Bond	2.599	0.08 ▲
US 5YR Bond	2.623	0.09 ▲
US 10YR Bond	2.784	0.08 ▲

EXCHANGE RATES

Against MNT	2019.01.18	Change /w/
USD	2,650.55	-0.58% ▼
CNY	391.34	-0.97% ▼
EUR	3,018.98	-1.75% ▼
RUB	39.93	0.25% ▲
KRW	2.36	-1.26% ▼
JPY	24.24	-1.50% ▼
CAD	1,998.00	-1.09% ▼

COMMODITY PRICE

Commodity	Unit	Last Price	Change /w/
Gold /spot/	USD/t oz.	1,282.48	-0.73% ▼
Silver /spot/	USD/t oz.	15.31	-2.11% ▼
Copper	USD/lb.	270.20	1.58% ▲
Coal	USD/MT	101.00	3.32% ▲
Crude Oil WTI	USD/bbl.	54.00	4.53% ▲
Crude Oil Brent	USD/bbl.	62.93	3.96% ▲
Natural Gas	USD/MMBtu	3.35	1.21% ▲

MONGOLIAN MACRO ECONOMIC INDICATORS

Indicators	Reference	Amount
Inflation Rate	2018. XII	8.10%
Policy Rate	2018. XII	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 49 companies' 2,372,673 shares worth MNT 413.2 million were traded.

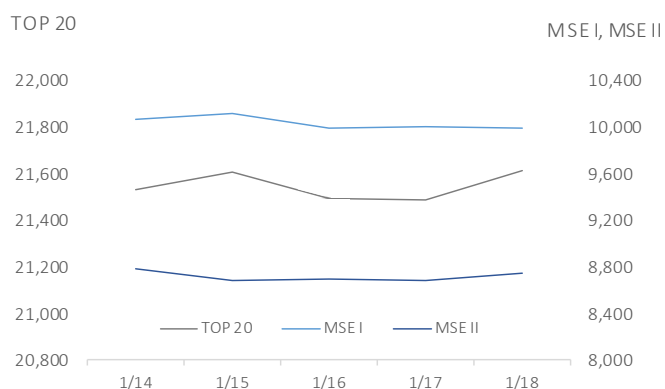
'Gan Kherken' /HZB/ company's share rose 14.89 percent to MNT 5,070 while 'Bulgan Guril Tejeel' /GTJ/ company's share fell 13.60 percent to MNT 1,175.

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

On the secondary market of Government securities, 2,010 units of securities were traded for MNT 205.5 million.

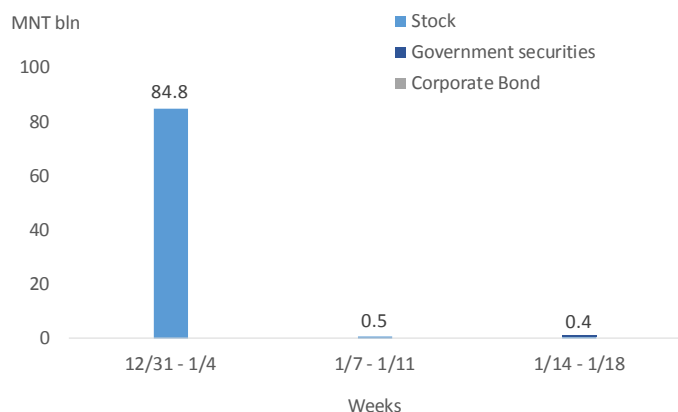
As of January 18, total market capitalization of MSE is MNT 2,484.8 billion. The TOP-20 index increased by 0.33% to stand at 21,601.66 units.

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	618.6
Market Capitalization	2,484,769.0

STOCK MARKET INDICES

Index	Last Price	Change /w/
MSE Top 20	21,601.66	0.33% ▲
MSE I Index	9,982.67	-0.82% ▼
MSE II Index	8,742.09	-0.45% ▼

ACTIVELY TRADED SECURITIES

Company	Volume	Turnover /MNT/
LendMN NBF	1,644,019	108,641,972
Gobi	268,864	91,450,318
APU	121,210	75,483,128
Erdene Resource Development Corp.	61,052	33,419,207
Ard Insurance	27,568	19,690,835

SECURITIES WITH MOST GROWTH

Company	Last Price /MNT/	Change /w/
Gan Kherlen	5,070.00	14.89% ▲
Mogoin Gol	7,000.00	14.75% ▲
Mongol Basalt	298.00	14.43% ▲
Erchim Bayan Ulgii	650.00	8.33% ▲
Juulchin Duty Free	120,000	4.71% ▲

SECURITIES WITH MOST DECLINE

Company	Last Price /MNT/	Change /w/
Bulgan Guril Tejeel	1,175.00	-13.60% ▼
Khuvsgul Altan Duulga	899.82	-12.55% ▼
Jinst-Uvs	1,910.00	-11.98% ▼
Mongol Savkhi	640.00	-11.66% ▼
Khishig Uul	550.00	-8.33% ▼

MOST ACTIVE BROKERAGE FIRMS

Company	Trading amount /MNT/
Mirae Asset Securities Mongol	935,985,679
Bumbat-Altai	195,288,477
BDSec	105,212,375
Golomt Capital	89,062,301
Ard Securities	47,857,331

COMPANIES WITH HIGHEST MARKET CAPITALIZATION

Company	Last Price /MNT/	Market Cap. /MNT mln/
APU	619.00	658,728
Tavan Tolgoi	7,200.00	379,189
Mongolian Mortgage Corporation	14,750.00	305,462
Gobi	333.68	260,308
Suu	205.17	70,578

GOVERNMENT SECURITY TRADING

Government securities /secondary market/

Nº	Name	Volume	Turnover /MNT/	Minimum /MNT/	Maximum /MNT/	Weeks	Annual interest rate
1	ZGEB-BD-09/05/19-A0242-15.995	116	11,767,620	101,050	101,840	104	15.995%
2	ZGEB-BD-10/10/19-A0336-13.945	500	50,780,000	101,250	101,870	104	13.945%
3	ZGEB-BD-14/03/19-A0219-18	294	29,799,840	100,750	101,970	104	18.000%
4	ZGEB-BD-25/04/20-A0236-16.993	400	42,260,000	105,650	105,650	156	16.993%
5	ZGEB-BD-26/09/19-A0326-13.955	700	70,847,000	101,210	101,210	104	13.955%

CAPITAL MARKET NEWS

Opning bell ceremony held for “Tumen Shuvuut” JSC

To honor the occasion of the opening of the stock subscription of Tumen Shuvuut IPO, Ms.Davaasuren, Chairwoman of FRC, Mr.Altai, CEO of Mongolian Stock Exchange, Mr.Erkhembayar, Founder of “Tumen Shuvuut” JSC, Mr.Bold, CEO of “Tumen Shuvuut” JSC, and Mr.Munkhjargal, CEO of “Golomt Capital” JSC visited Mongolian stock exchange and rang the bell to start the 5,892th securities trading of MSE.

“Tumen Shuvuut” JSC started its operation in 2004 with 18 employees and 20,000 egg laying chickens. Currently, with more than 160 employees and 310,000 egg laying chickens, it became the leading company of Mongolian egg producing industry by producing 53 percent of its industry.

The company is offering its 25 percent of total outstanding shares or 50 million shares for MNT 200 per share and aiming to raise MNT 10 billion to expand chicken farming and irrigation, flour and feed production, and to build new farms and organic fertilizers. The subscription will be open until 3pm January 31, 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

The MSE renews the TOP-20 index composition

The TOP-20 index composition for the year 2019 has been renewed in accordance with the MSE “Regulation on Securities Index Calculation”.

Based on the performance of the stock in 2018, 11 securities remained in the index, while “Bayangol Hotel”, “Shivee Ovoo”, “Arig Gal”, “Mongolia Telecommunications”, “Sharyn Gol”, “Khukh Gan”, “Materialimpex”, and “State Department Store” were removed from the index. The new additions to the index include “Hai Bi Oil”, “Jenco Tour Bureau”, “Jinst Uvs”, “iTools”, “Lendmn NBF”, “Mongol Basalt”, “Khuvsgul Altan Duulga”, “Mandal Insurance” and “Ard Insurance”.

The TOP-20 index calculation with the renewed composition has started from 15th January 2019.

Source: Mongolian Stock Exchange

“Mongol Basalt” JSC presents spending report on capital raised in its IPO

Listed in 2018, “Mongol Basalt” JSC successfully raised MNT6.4 billion from the public. As of December 31, 2018, “Mongol Basalt” JSC spent MNT3.6 billion or 56 percent of the capital raised through its IPO on stone cotton factory expansion, spraying basalt technology factory, factory automation, renovation of mechanical workshop, centrifuge, machines for factory purpose, raw material preparation and factory training center according to the prospectus.

Source: Mongolian Stock Exchange

Statement from the FRC

In accordance with relevant laws and regulations, the Financial Regulatory Commission monitors the securities, insurance, non-banking financial and savings and credit cooperatives markets, and registers products, services and financial instruments of these sectors.

There is a growing number of institutions that are promising high rates using information technology, internet and social networking, and attracting money from citizens. For example, “High Level Investment” LLC and “Novel Invest” LLC has been promoting unregulated and illegal activities as “risk free investments” and “insured investment” since 2018. In the relevant legislation, the “investment instrument” must not only be considered by the FRC but also registered and approved by the FRC. Therefore, these institutions must stop their illegal activities, and the FRC warns the public to ensure if they are investing in registered by the FRC financial or investment instruments.

It is open to invest in any financial or investment instruments, but if investor chooses non-registered and unregulated by FRC instrument, investor itself will be responsible for the potential risks and losses in the future.

Source: BloombergTv.mn

COMMODITY MARKET NEWS

TerraCom looks to increase coal output in Mongolia to 3 million tons annually

TerraCom, listed on the Australian Stock Exchange, reported that it mined 605.4 thousand tons of coal from its 'Blair Athol' mine in the fourth quarter of 2018. The average coal price per tons was USD 92. TerraCom plans to sell 2.5 million tons of coal in 2019.

Also, the company revealed that it has potential to expand production at its Baruun Noyot coking coal mine to three million tons annually. According to TerraCom, the company plans to progressively open additional multiple pits, which would improve efficiency through spread of costs and overheads over higher volumes, lower the overall unit costs, and improve run-of-mine coking coal quality, providing a higher price point potential.

Source: BloombergTv.mn



GCA: Iron ore exports increased by 1.2 million tons in 2018, reaching 7.4 million tons

Iron ore exports in Mongolia increased by 1.2 million tons to 7.4 million tons in 2018, according to the Customs office. The Mineral Resources and Petroleum Authority of Mongolia reported that in 2018, about 6.7 million tons of iron ore were exported from 13 mines.

The remainder is unregistered. Total exports revenue of iron ore increased by USD 28.8 million to USD 342.2 million. The average export price per ton has decreased by USD 4.1 to USD 45.9 comparing to the same period last year. The 'Altain Khuder' LLC, one of the main exporters of iron ore, exported 1.6 million tons of iron ore from the Tayan Nuur mine. Also, 'Bold Tumur Yeruu Gol' LLC, 'Darkhanii Tumurlugiiin Uildver' JSC and 'Mongolrostsvetmet' LLC exported about 3 million tons, 1 million ton and 369 thousand tons of iron ore from Bayangol, Tumurtolgoi and Bargilt mines respectively.

In addition, in 2019, feasibility study of two iron ore projects has been approved, according to the Mineral Resources and Petroleum Authority of Mongolia. One of these deposits are located in Dornogobi province of Mongolia. 'ZDL' LLC has stated in its feasibility study that the project investment is MNT 18.42 billion. Also, the iron ore deposit is located in Khentii Province. 'Tsakhir Tsagaan Gol' LLC has reported that the feasibility study states the project needs MNT 9.25 billion.

Source: BloombergTv.mn

Turquoise Hill reports fourth quarter 2018 production for Oyu Tolgoi, 2019 guidance

Oyu Tolgoi is expected to produce 125,000 to 155,000 tonnes of copper and 180,000 to 220,000 ounces of gold in concentrates this year, Turquoise Hill Resources (TSX: TRQ; NYSE: TRQ) reports.

Last year the Mongolian copper-gold mine produced 159,100 tonnes of copper, up 1.1% from 2017, and 285,000 ounces of gold, up 150% from 2017.

The government of Mongolia owns 34 percent of Oyu Tolgoi with the remainder held by Turquoise Hill Resources, which in turn is 51% owned by Rio Tinto.

The mine, 80 km north of Mongolia's border with China and roughly 550 km south of the capital, Ulaanbaatar, is one of the world's largest.

Turquoise Hill says Oyu Tolgoi has the potential to operate for about 100 years from five known mineralized deposits, the first of which (Oyut), went into production as an open pit in 2013.

A second deposit, Hugo North (Lift One), is under development as an underground operation and is scheduled to begin sustainable production in 2021. The other three deposits, Hugo North (Lift Two), Hugo South and Heruga, are not yet scheduled for development.

Turquoise Hill expects Oyu Tolgoi will be the world's third-largest copper producer at peak metal production in 2025.

Turquoise Hill expects average production from 2025 to 2030 to be more than 550,000 tonnes of copper and over 450,000 ounces of gold per year, all from the Oyut open pit and the Hugo North Lift One underground operation.

This year Turquoise Hill says open-pit operations are expected to mine phase four with mill throughput forecast to be about 40 million tonnes. Meanwhile, the company expects underground development will advance 15-16 km.

At the end of 2018, the company signed a power source framework agreement between Oyu Tolgoi and the Mongolian government that provides a binding framework to build a power plant that offers a long-term domestic power solution for the mine.

Source: Mining.com

Brexit Turmoil Spurs U.K. Investors to Buy Gold, Royal Mint Says

British investors are rushing to buy gold as increasing uncertainty over the outcome of Brexit boosts market volatility, according to The Royal Mint.

Sales revenue so far in January surged 73 percent from year-earlier period, the Royal Mint said, without giving actual figures. The gold coins and bars produced by the mint are purchased by individual, rather than institutional, investors.

Source: Bloomberg.com

OTHER NEWS

NSO: Mongolia's macroeconomic indicators as of December, 2018

Money, loan

The money supply (broad money or M2) reached MNT 19.5 trillion at the end of December 2018, showing an increase of MNT 821.8 billion (4.4%) from the previous month and by MNT 3.6 trillion (22.8%) from the same period of the previous year.

At the end of December 2018, the national currency in circulation reached MNT 968.6 billion, showing an increase of MNT 73.6 billion (8.2%) from the previous month and MNT 62.2 billion (6.9%) from the same period of the previous year.

At the end of December 2018, the amount of outstanding loan to entities, enterprises and citizens amounted MNT 17.2 trillion, increased by MNT 506.8 billion (3.0%) from the previous month and by MNT 3.6 trillion (26.5%) from the same period of the previous year.

General government budget

End of the 2018, total equilibrated revenue and grants of the General Government Budget reached MNT 9.2 trillion and total expenditure and net lending amounted to MNT 9.2 trillion. End of the 2017, the equilibrated balance was in deficit of MNT 1.7 trillion, however, it is in surplus of MNT 11.9 billion in end of the 2018. In December 2018, equilibrated revenue and grants of the General Government Budget increased by MNT 297.6 billion and total expenditure and net lending increased by MNT 476.6 billion from the previous month.

Tax revenue reached MNT 8.2 trillion, increased by MNT 1.9 trillion or 30.0% compared to the same period of the previous year. This growth was mainly affected by increases of MNT 577.9 billion or 35.7% in value added tax, MNT 473.2 billion or 29.3% in income tax, MNT 299.5 billion or 22.7% in social security income, MNT 234.7 billion or 45.2% in excise taxes, MNT 170.1 billion or 33.2% in revenue from foreign activities and MNT 125.6 billion or 21.4% in other taxes.

The General Government revenue were comprised of 81.5% of tax revenue, 10.2% of non-tax revenue, 6.2% of the future heritage fund and 2.1% of stabilization fund.

Balance of payment

In the first 11 months of 2018, current and capital account balance deficit reached to USD 1.4 billion and increased by USD 662.4 million compared to the same period of last year.

Current account had deficit of USD 1.5 billion, which was mainly due to deficit amounted USD 1.2 billion in services account, USD 1.2 million in primary account.

In the first 11 months of 2018, capital account had surplus of USD 76.3 million, surplus is increased by USD 4.4 million (6.1%) compared to the same period of the previous year. Financial account surplus reached USD 1.3 billion, decreased by USD 457.4 million (25.0%) compared to the same period of last year.

Overall balance of payment was in deficit of USD 117.7 million, increased by USD 960.9 million from the same period of previous year.

Foreign trade

In 2018, Mongolia traded with 156 countries from all over the world and total trade turnover reached USD 12.9 billion, where exports was USD 7.0 billion and imports was USD 5.9 billion. In December 2018, exports and imports reached to USD 531.0 million and USD 503.5 million, respectively. Compared to the same period of previous month, exports decreased by USD 4.9 million (0.9%) and imports increased by USD 7.5 million (1.5%).

Total foreign trade turnover increased by USD 2.3 billion (22.3%), of which exports by USD 811.2 million (13.1%) and imports by USD 1.5 (35.5%) billion compared to previous year.

In 2018, foreign trade surplus reached USD 1.1 billion, decreased by USD 726.5 million (39.0%) from USD 1.8 billion in the same period of 2017. While, there was foreign trade surplus of USD 27.5 million in December 2018, which is decreased by USD 53.9 million (66.2%) compared to previous year.

Price

In December 2018, consumer price index at the national level increased by 0.6% from the previous month and by 8.1% from the end of the previous year.

In December 2018, consumer price index increased by 8.1% from the same period of the previous year, which was mainly contributed by increases in prices of food and non-alcoholic beverages group by 9.1% (non-alcoholic beverages by 5.2% and milk, dairy products and eggs by 8.5%), alcoholic beverages and tobacco group by 8.0%, transport by 9.7%, housing, water, electricity and fuels group by 16.3% (electricity, gas and other fuels by 23.7%), and health by 11.4%.

The 0.6% increase in CPI from the previous month was mainly due to increases in prices of food and non-alcoholic beverages group by 1.8%, housing, water, electricity and fuels group by 1.1%, clothing, cloth and footwear and health group by 0.5%.

economic factors.

Source: National Statistical Office of Mongolia

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