

GLOBAL MARKET PERFORMANCE

United States: After four consecutive weeks of solid gains, the major benchmarks ended flat for the holiday-shortened week. Technology shares performed best within the S&P 500 Index, while consumer staples and health care stocks lagged.

The trading week got off to a poor start on Tuesday, as investors confronted new data suggesting a slowdown in the global economy. The International Monetary Fund lowered its forecast for global growth in the coming year from 3.7% to 3.5%.

Markets took a further turn lower at midday Tuesday, following a report in the Financial Times that the U.S. had turned down a Chinese offer for preparatory trade talks. White House Chief Economic Advisor Larry Kudlow disputed the report late in the day, which helped stocks recover some of their losses. On Wednesday, however, Commerce Secretary Wilbur Ross seemed to dampen sentiment once again by stating on CNBC that the U.S. and China were "miles and miles" away from an agreement.

The policy environment brightened on a different front at the end of the week. Hopes that Republicans and Democrats were coming closer to an agreement to reopen the government appeared to be partly behind a rally Friday morning. Reports surfaced that Senate leaders in both parties had begun negotiating in earnest, and news broke in the afternoon that a deal to reopen the government for three weeks had been reached.

The week's earnings reports continued to indicate strong gains in fourth-quarter profits but well below the pace of increases earlier in 2018. By the end of the week, analysts polled by FactSet were expecting overall earnings for the S&P 500 to have increased by 10.9% on a year-over-basis in the fourth quarter—versus gains of roughly 25% in the first three quarters of the year.

Europe: European Central Bank (ECB) President Mario Draghi acknowledged that the outlook for the eurozone economy had deteriorated since December and indicated that the ECB might have to keep its monetary policies loose enough to help the region's economy out of its slump.

Germany's manufacturing sector fell into contraction in January, further underscoring the extent of the eurozone's economic slowing. The IHS Markit manufacturing purchasing managers index fell to a four-year low, dropping to 49.9 in January from 51.8 in December.

Japan: The Nikkei 225 Stock Average gained 0.5% for the week.

At its two-day Policy Board meeting (January 22–23) the Bank of Japan (BoJ), as expected, made no changes to its current monetary policy targets—a 10-year government bond yield of 0.0% (plus or minus 20 basis points), short-term interest rates of -0.1%, and a continuation of its ¥80 trillion per year bond-buying program.

Source: Reuters, Troweprice

WORLD INDICES

Index	Country	Last Price	Change /w/
MSE TOP 20	Mongolia	21,379.66	-1.03% ▼
Dow Jones	USA	24,737.20	0.12% ▲
S&P 500	USA	2,664.76	-0.22% ▼
Nasdaq	USA	7,164.86	0.11% ▲
S&P/TSX	Canada	15,366.05	0.41% ▲
FTSE 100	GB	6,809.22	-2.28% ▼
S&P/ASX 200	Australia	5,905.60	0.44% ▲
Nikkei 225	Japan	20,773.56	0.52% ▲
Hang Seng	Hong Kong	27,569.19	1.77% ▲

MONGOLIA RELATED BONDS

Issuer	Currency	Coupon	Last Price
Mongol 2024 (Khuraldai)	USD	8.750%	109.92
Mongol 2023 (Gerege)	USD	5.625%	98.69
Mongol 2022 (Chinggis)	USD	5.125%	97.73
Mongol 2021 (Mazalai)	USD	10.875%	111.23
DBM' 23 (Samurai)	JPY	1.520%	104.80
DBM' 2023	USD	7.250%	100.79
TDBM' 2020	USD	9.375%	104.46

MARKET RATES

Rates	Last	Change /w/
Libor 1M	2.500	-0.01 ▼
Libor 3M	2.750	-0.01 ▼
Libor 6M	2.830	-0.02 ▼
Libor 1YR	3.031	0.00 ▲
US 2YR Bond	2.602	-0.01 ▼
US 3YR Bond	2.580	-0.02 ▼
US 5YR Bond	2.589	-0.03 ▼
US 10YR Bond	2.750	-0.03 ▼

EXCHANGE RATES

Against MNT	2019.01.25	Change /w/
USD	2,632.72	-0.67% ▼
CNY	389.26	-0.53% ▼
EUR	2,981.69	-1.24% ▼
RUB	39.88	-0.13% ▼
KRW	2.35	-0.42% ▼
JPY	23.98	-1.07% ▼
CAD	1,977.41	-1.03% ▼

COMMODITY PRICE

Commodity	Unit	Last Price	Change /w/
Gold /spot/	USD/t oz.	1,302.93	1.59% ▲
Silver /spot/	USD/t oz.	15.80	3.20% ▲
Copper	USD/lb.	271.75	0.57% ▲
Coal	USD/MT	99.30	-1.68% ▼
Crude Oil WTI	USD/bbl.	53.36	-1.19% ▼
Crude Oil Brent	USD/bbl.	61.37	-2.48% ▼
Natural Gas	USD/MMBtu	2.93	-12.54% ▼

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 43 companies' 3,496,864 shares worth MNT 1,150.1 million were traded.

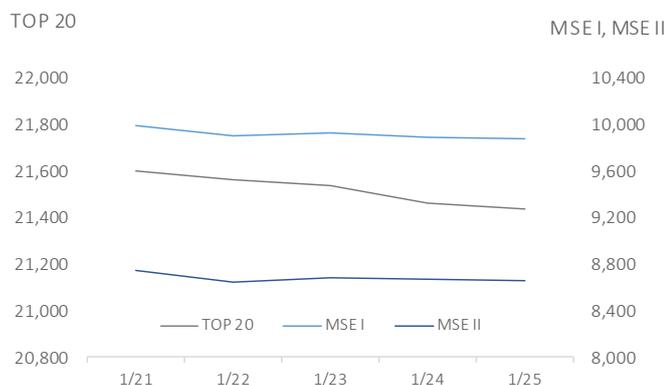
'Uvs Chatsargana' /CHR/ company's share rose 28.57 percent to MNT 450 while 'Tsagaantolgoi' /TSA/ company's share fell 14.99 percent to MNT 2,360.

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

On the secondary market of Government securities, 33 units of securities were traded for MNT 3.3 million.

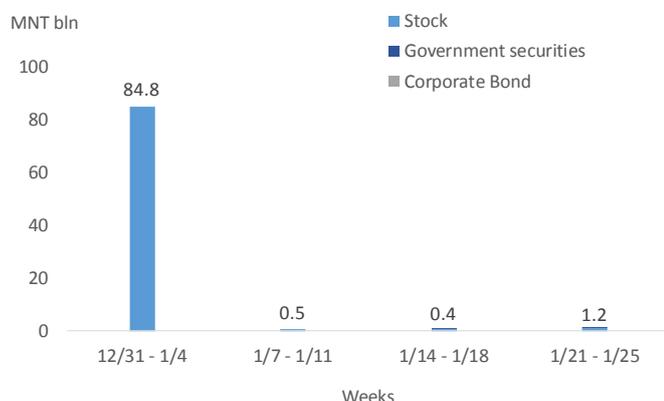
As of January 25, total market capitalization of MSE is MNT 2,468.0 billion. The TOP-20 index decreased by 1.03% to stand at 21,379.66 units.

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	1,153.4
Market Capitalization	2,467,972.2

STOCK MARKET INDICES

Index	Last Price	Change /w/
MSE Top 20	21,379.66	-1.03% ▼
MSE I Index	9,880.39	-1.02% ▼
MSE II Index	8,671.03	-0.81% ▼

ACTIVELY TRADED SECURITIES

Company	Volume	Turnover /MNT/
APU	1,320,860	803,602,832
LendMN NBF1	1,664,933	110,421,747
Gobi	187,057	61,579,474
Mandal Insurance	8,679	44,050,831
Ard Insurance	43,128	30,874,381

SECURITIES WITH MOST GROWTH

Company	Last Price /MNT/	Change /w/
Uvs Chatsargana	450.00	28.57% ▲
Tav	12,070.00	14.95% ▲
Baganuur	1,500.00	13.04% ▲
Standard Agriculture Group	300.00	11.11% ▲
Hermes Center	150.00	7.14% ▲

SECURITIES WITH MOST DECLINE

Company	Last Price /MNT/	Change /w/
Tsagaantolgoi	2,360.00	-14.99% ▼
Remicon	26.50	-11.67% ▼
Telecom Mongolia	440.00	-10.55% ▼
Mongol Basalt	270.00	-9.40% ▼
Darkhan Hotel	89.49	-8.68% ▼

MOST ACTIVE BROKERAGE FIRMS

Company	Trading amount /MNT/
Bumbat-Altai	1,503,829,799
BDSec	166,969,619
Mirae Asset Securities Mongol	107,640,569
Golomt Capital	97,767,464
Ard Securities	78,691,426

COMPANIES WITH HIGHEST MARKET CAPITALIZATION

Company	Last Price /MNT/	Market Cap. /MNT mln/
APU	610.00	649,151
Tavan Tolgoi	7,095.00	373,660
Mongolian Mortgage Corporation	14,750.00	305,462
Gobi	330.52	257,843
Suu	200.34	68,917

GOVERNMENT SECURITY TRADING

Government securities /secondary market/

No	Name	Volume	Turnover /MNT/	Minimum /MNT/	Maximum /MNT/	Weeks	Annual interest rate
1	ZGEB-BD-11/04/19-A0230-18	13	1,300,000	100,000	100,000	104	18.000%
2	ZGEB-BD-24/10/19-A0348-13.955	20	2,000,000	100,000	100,000	104	13.955%

CAPITAL MARKET NEWS

New JSCs will distribute dividends to their shareholders from net profit of 2018

The companies that launched IPOs and attracted fund from the public in order to expand their operations announced that they will distribute dividends. Management of the companies such as 'Itools' JSC and 'LendMN NBFJ' JSC believe that it is right to distribute dividends to its shareholders because the companies have been benefiting from its IPO issuance. The Board will determine the amount of the dividend after final financial statements are audited.

'Itools' JSC launched its IPO and attracted MNT 1.3 billion from the public in November 2017. After its IPO, share price of the company had increased by 2.5 times to MNT 250 in two weeks. The company will publish its financial on January 25, 2019.

'LendMN NBFJ' JSC launched its IPO in March 2018. According to the preliminary estimation, the company earned MNT 2.5 billion in 2018.

Source: BloombergTv.mn

Share price of 'Aduunchuluun' JSC whose shares have been removed from TOP-20 index decreased by 32.3 percent

The TOP-20 index composition is renewed yearly. This time, three mining companies, 'Aduunchuluun', 'Sharyn Gol' and 'Shivee Ovoo', have been removed from the TOP-20 index. In 2018, trading volume of stocks of these companies has dropped, share prices of them have fallen, and the market capitalization of these three companies has decreased dramatically. As a result, the three of them were removed from the index. The CEO of 'Shivee Ovoo' JSC said that that companies who supply coal to power plants have been operating with loss for many years. This was due to the fact that cost of mining per ton is higher than coal sold in the same amount. In order to solve this problem, the CEO of 'Shivee Ovoo' JSC emphasized that it is necessary to implement mine-based power plant projects.

In 2018, share price of 'Aduunchuluun' JSC and 'Sharyn Gol' JSC decreased by 32.3 percent and 19.1 percent respectively. Since 1993, 'Sharyn Gol' JSC and 'Shivee Ovoo' JSC have distributed dividends to its shareholders twice and three times respectively. This year, only one mining company, 'Tavan Tolgoi' JSC, is included in the TOP-20 index.

Source: BloombergTv.mn

FRC to restrict operations of several securities companies

According to Article 27.2.3 of the Law on Securities Markets, the Financial Regulatory Commission approved the Resolution No. 94 of 2016. The documents states that the minimum required amount of share capital of the securities company that conducts investment advisory services shall be MNT 30.0 million, MNT 100.0 million if it conducts securities brokerage activity, MNT 200.0 million if it conducts securities dealer activity and MNT 1 billion if it conducts underwriting activity. Implementation of the Resolution started on January 1, 2017. However, few well-known securities companies still do not increase their share capital amount, do not comply with market mediation obligations and meet the FRC requirements. Therefore, the FRC restricts operations of non-compliant securities companies.

If the security companies whose operations have been restricted by FRC continue not complying with FRC requirements, the FRC warns that further steps and procedures will be taken.

For citizens and business entities it is risky to get services of such securities companies. Therefore, citizens and business entities shall check the financials of the securities company they chose and contact the FRC with questions relating to restrictions.

Source: Financial Regulatory Commission of Mongolia

The MSE held an introduction of dual-listing for foreign listed companies

In 2018, the legal framework for dual-listing was completed, and the MSE registered its first dual-listing, the Toronto Stock Exchange listed Erdene Resource Development Corporation.

Registering the dual-listing of foreign listed mining companies that operate in Mongolia is important for public to share the benefits of the project and increase awareness of the company's operations. The MSE believes that it was seen from the experience of the first dual-listed company on the MSE. In order to introduce this opportunity and importance of dual-listing on the MSE to other foreign listed mining companies, the MSE organized an seminar with such companies on January 25th.

Source: Mongolian Stock Exchange

COMMODITY MARKET NEWS

In 2018, high-capacity refineries were commenced

Foreign and domestic investment projects are recovering in Mongolia's mining sector nowadays. In this regard several refineries have commenced in 2018.

For the refinery, 'Mongolyn Alt' company commissioned the first modular coal preparation plant of Mongolia at Nariin Sukhait mine in Gurvantes soum in July 2019. The plant is considered as one of the largest projects in Mongolia. 5-6 million tons of coal is mined from the Nariin Sukhait mine every year. As a result of an active research and exploration activities of experts of the company, 'Mongolyn Alt' LLC has commenced modular coal preparation plant with capacity of washing 1 million tons per year.

China's Beijing Guobua Technology Group (BGTG) designed and supplied technology and basic equipments, and Jiangsu Province Yangzhou Hengyuan Co.Ltd built and commissioned the plant in a month.

In 2018, 'Zest Undur' LLC and 'Taishen Development' LLC are planning to start the construction of USD 41 million and USD 70 million iron ore processing plants in Dornod and Dundgobi provinces respectively. According to the Ministry of Mining and Heavy Industry, 31 new mines and refineries were commenced in 2018.

Source: MongolianMinigJournal.com



Lime mining 7 project feasibility studies were approved to begin operations in 2019

The Mineral and Petroleum Authority informed that seven lime mining projects had work plan approved to begin operations in 2019. Two of these projects are located in Tuv aimag, while another two is located in Khovd aimag.

For example, the white lime deposit located in Tuv aimag has budgeted a total investment of MNT 4 billion in its feasibility study. The deposit has the capacity to mine 500 thousand tons of ore annually. On another example, a lime deposit located in Dornogovi aimag has budgeted MNT 1.13 billion investment in its feasibility study. Myangad deposit in Khovd aimag is expected to invest MNT 2.45 billion. Moreover, Tsagan Del deposit in Tuv aimag and Aralt Khudag deposit in Dornod aimag have budgeted MNT 0.54 billion and MNT 1.99 billion respectively in its feasibility study.

The seven projects combined create 189 jobs according to the MPA announcement. Lime is a main component of cement manufacturing.

Source: BloombergTv.mn

Wood Mackenzie: 2019 bringing rebalance to met coal, roller coaster for thermal

The "sky-high metallurgical and steel prices" of 2018 will be rebalanced in the coming year, while the market for thermal coal is expected to continue on an uncertain and volatile course, according to Wood Mackenzie's 2019 coal outlook distributed Jan. 22.

A recent trend of falling steel prices is expected to be exacerbated by economic headwinds that will push margins lower in 2019, "removing some of the froth from prices in the premium hard coking sector," the energy and research consultancy wrote. Meanwhile, government intervention in China is expected to ripple through an uncertain global market for thermal coal, demanding some tough decisions from suppliers, investors and politicians.

Metallurgical coal outlook

The global economy is slowing after a strong 2018, Wood Mackenzie warns, with hints of weakening global trade and a manufacturing slowdown in the U.S., Europe and China. Metallurgical markets could be heavily impacted if a cyclical downswing is driven further into a recession by concerns about political uncertainty.

The degree to which tighter steel margins impact metallurgical coal producers and cokemakers in 2019 may still largely be in the hands of China. The country's direct intervention in the supply of coke and metallurgical coal is a dominant force in global pricing.

"The Chinese coke industry has come under severe pressure since the release of a new reform program in July 2018, demanding the elimination of excess coke capacity and improvements to pollutant emissions," the outlook states. "We expect the focus on capacity removal to harden in 2019 and think structural changes in the coke sector will become more visible."

An uptick in Chinese coal mining accidents in the second half of 2018 is also expected to draw government attention and possibly prompt increased safety measures that could affect production. Wood Mackenzie also expects China will cap total seaborne coal imports at 2018 levels with production control measures to be implemented from time to time and possibly at short notice.

While producers of all types of coal in the U.S have been hesitant to invest new capital in supply, Wood Mackenzie expects global coal producers to aim for an additional 20 million tonnes of seaborne metallurgical coal mine supply. Most of that output growth is expected to come from non-greenfield projects as producers look to brownfield expansions, recovery of output from operating mines and restarted production at idled mines.

Source: SPGlobal.com

OTHER NEWS

About 90 percent of Foreign direct investment goes towards mega projects

In the first 11 months of 2018, USD 1.5 billion of foreign direct investment has come towards Mongolia of which about 90 percent goes towards mega projects.

According to the Central bank information, almost all of FDI goes towards the mining industry. FDI increased by 300 million compared to previous year. Investments are going towards mega projects such as "Oyu Tolgoi" which shows a need for further investments in other sectors.

The Ministry of Finance noted that "Oyu Tolgoi" project underground mine is expected to attract USD 1.3 billion in 2019. Moreover, in the midterm Mongolia's asset account and financial accounts will be affected mostly by foreign direct investments, foreign securities, and supports that come from the "Extended Fund Facility" of the International Monetary Fund.

The World bank gave two directives for effective foreign direct investments. Particularly, increase benefits from FDI towards minerals, and identify opportunities to attract FDI for other sectors.

The National development authority plans to open a one-stop service center for investors on January 29th within its plans to attract FDI. They have been working on this for the past year.

Source: BloombergTv.mn

Operations of cashmere factories recover with loans

A consultative meeting between the stakeholders of the government program, 'Cashmere', took place at the UNDP office in Mongolia, discussing what has been done in 2018 and plans for 2019.

Through the agreement made between the Ministry of Food, Agriculture and Light Industry and the Development Bank of Mongolia, 20 cashmere factories have received loans amounting to a total of MNT 188.2 billion with the funding given by the bank. As a result, at the factories the amount of unprocessed cashmere increased by 584.2 tons (1.3 times more), while combed cashmere increased by 124.9 tons (1.6 times more) compared to the previous year. They also reported that not only did the production capacity for combing grow by 33.8 percent, spinning by 28.6 percent and knitting by 42.7 percent, but also 1,544 job opportunities were provided in the past year.

It was also noted that the total export of the cashmere sector for 2018 grew by 18.2 percent, with combed cashmere growing by 8.45 percent, cashmere thread growing by 140 percent (3 times more) and ready-to-wear cashmere products growing by 8.5 percent.

Approved by the Government in 2018, the aims of the 'Cashmere' program are to have the amount of fully-processed cashmere goods reach 60 percent, increase environmentally friendly finished products and export as well as boosting the competitive capacity of domestically produced cashmere goods on the global market.

Source: Montsame.mn

Central Bank: Although budget is increasing, there is still enough space to implement monetary policy

Economic growth in the 4th quarter of 2018 is expected to be higher than estimated according to the Central bank. 2019 economic growth estimations will be updated after 4th quarter performances are finalized as previously stated. Within monetary policy, inflation will be stabilized at 8 percent and monetary policy was tightened in November with the expectations that investments and budget expenditure will increase in 2019. Although effects from the budget will be significant, there is still enough room to implement monetary policy. The Bank of Mongolia estimated economic growth to be within 5-8.5% in 2019. The main factors in economic growth is estimated to be the budget expansion, investment made this year, and industrial park development. Import increased by 36 percent last year. Half of it was related to investments. Also, bank credit supply is going to support the economy.

Externally, Mongolia's mining export price and quantity is expected to not fall significantly. The government expects 27 percent of budget income to come from mining products.

Business loans increased by 17 percent in 2018 while individual loans doubled in the same period. Before the macro policy of limiting consumer loans were approved, in the last two months of 2018, automobile loans increased rapidly as noted by the statistics and research department of the Central bank. Moreover, a Bank of Mongolia survey showed that in the last 3 months, salary, pension and other consumer loans demand increased significantly at commercial banks. Banks expect business loan demand to increase in the upcoming 3 months.

In order to support business loans, the Central bank issued a macro-appropriate policy which has started taking effect.

Source: BloombergTv.mn

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