

WEEKLY MARKET UPDATE

2019.02.11-02.15

GLOBAL MARKET PERFORMANCE

United States: The major U.S. equity indexes posted gains for the eighth consecutive week, as optimism that the U.S. and China would forge a trade deal before the U.S. raises tariffs offset weak December retail sales data. Stocks in the energy and industrials sectors within the S&P 500 Index generated the strongest returns, while utilities and financials were the laggards.

Crude oil prices increased nearly 5% for the week, supporting energy-related stocks as OPEC and Russia have voluntarily cut their oil production, reducing supply and supporting prices.

Weak economic data released on Thursday briefly derailed the market's gains. The Commerce Department reported that retail sales declined 1.2% in December, marking the largest monthly drop since September 2009.

The 10-year U.S. Treasury yield increased modestly over the week despite a sharp decrease on Thursday following the release of the unexpected drop in December retail sales. Inflation data continued to show limited upward pressure on prices, with the January consumer price index increasing 1.6% from the year-earlier period. The January producer price index declined 0.1% from December.

Europe: The pan-European STOXX Europe 600 Index rose about 3%, buoyed by fresh signs of progress in U.S.-China trade negotiations. Gains came despite more signs of slowing in the eurozone economy and the ongoing impasse over Brexit.

The euro was slightly lower against the U.S. dollar as fresh data this week showed slowing throughout the eurozone, with the region's largest economy, Germany, barely avoiding a slip into recession. German growth ground to a halt in the fourth quarter of 2018, holding steady after shrinking 0.2% in the previous quarter. German industrial production also continued to decline, falling 0.4% in December, led by a drop in construction industry production.

The British pound was down against the U.S. dollar for the week after the UK Parliament rejected Prime Minister Theresa May's strategy to withdrawal from the European Union.

Japan: The Nikkei 225 Stock Average rallied 567 points (2.8%) for the week and closed on Friday at 20,900.63, ahead 4.4% in 2019.

Japan's economy generated 1.4% annualized gross domestic product (GDP) growth in the fourth quarter of 2018 (third fiscal quarter). The economy recovered from several natural disasters in the prior quarter. Consumer and business spending posted gains despite pressure on exports from the slowing Chinese economy and the U.S.-China trade dispute. The preliminary reading from Japan's Cabinet Office showed annualized GDP growth was in line with the median forecast from economists polled by Reuters—and reversed some of the 2.6% contraction in the second fiscal quarter.

Source: Reuters, Troweprice

WORLD INDICES

Index	Country	Last Price	Change /w/
MSE TOP 20	Mongolia	21,579.42	-0.55% ▼
Dow Jones	USA	25,883.25	3.09% ▲
S&P 500	USA	2,775.60	2.50% ▲
Nasdaq	USA	7,472.41	2.39% ▲
S&P/TSX	Canada	15,838.24	1.31% ▲
FTSE 100	GB	7,236.68	2.34% ▲
S&P/ASX 200	Australia	6,066.10	-0.09% ▼
Nikkei 225	Japan	20,900.63	2.79% ▲
Hang Seng	Hong Kong	27,900.84	-0.16% ▼

MONGOLIA RELATED BONDS

Issuer	Currency	Coupon	Last Price
Mongol 2024 (Khuraldai)	USD	8.750%	110.77
Mongol 2023 (Gerege)	USD	5.625%	99.03
Mongol 2022 (Chinggis)	USD	5.125%	98.64
Mongol 2021 (Mazalai)	USD	10.875%	111.33
DBM' 23 (Samurai)	JPY	1.520%	104.63
DBM' 2023	USD	7.250%	102.00
TDBM' 2020	USD	9.375%	104.46

MARKET RATES

Rates	Last	Change /w/
Libor 1M	2.480	-0.02 ▼
Libor 3M	2.680	-0.02 ▼
Libor 6M	2.750	0.01 ▲
Libor 1YR	2.900	-0.04 ▼
US 2YR Bond	2.514	0.00 ▲
US 3YR Bond	2.489	0.00 ▲
US 5YR Bond	2.493	0.00 ▲
US 10YR Bond	2.663	0.00 ▲

EXCHANGE RATES

Against MNT	2019.02.15	Change /w/
USD	2,632.71	0.07% ▲
CNY	388.36	-0.44% ▼
EUR	2,969.43	-1.36% ▼
RUB	39.48	-1.62% ▼
KRW	2.33	-0.85% ▼
JPY	23.86	-0.38% ▼
CAD	1,977.85	-1.54% ▼

COMMODITY PRICE

Commodity	Unit	Last Price	Change /w/
Gold /spot/	USD/t oz.	1,324.53	0.78% ▲
Silver /spot/	USD/t oz.	15.79	-0.22% ▼
Copper	USD/lb.	283.00	0.69% ▲
Coal	USD/MT	91.80	-1.92% ▼
Crude Oil WTI	USD/bbl.	55.75	5.75% ▲
Crude Oil Brent	USD/bbl.	66.07	6.39% ▲
Natural Gas	USD/MMBtu	2.64	2.33% ▲

MONGOLIAN MACRO ECONOMIC INDICATORS

Indicators	Reference	Amount
Inflation Rate	2019. I	7.30%
Policy Rate	2019. I	11.00%
Interbank Rate	2018. XII	10.80%
Deposit Interest Rate /MNT/	2018. XII	12.00%
Deposit Interest Rate /Foreign currency/	2018. XII	5.30%
Loan Interest Rate /MNT/	2018. XII	17.10%
Loan Interest Rate /Foreign currency/	2018. XII	10.50%

Source: National Statistical Office, Bank of Mongolia, Bloomberg

MSE TRADING UPDATE

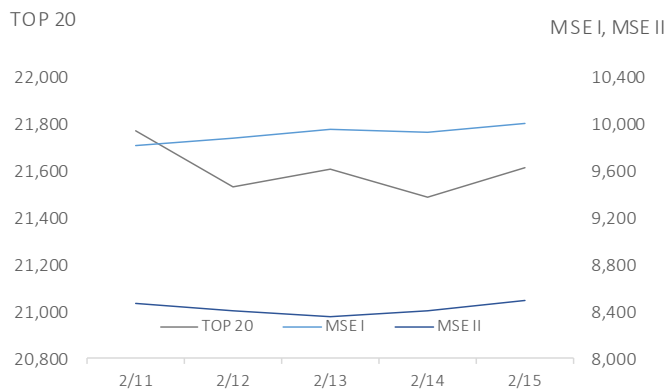
In this week, a total of 35 companies' 1,530,271 shares worth MNT 663.1 million were traded.

'Orkhon Khugjil' /HJL/ company's share rose 15.00 percent to MNT 328.8 while 'Adiinchuluun' /ADU/ company's share fell 23.81 percent to MNT 1,600.

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

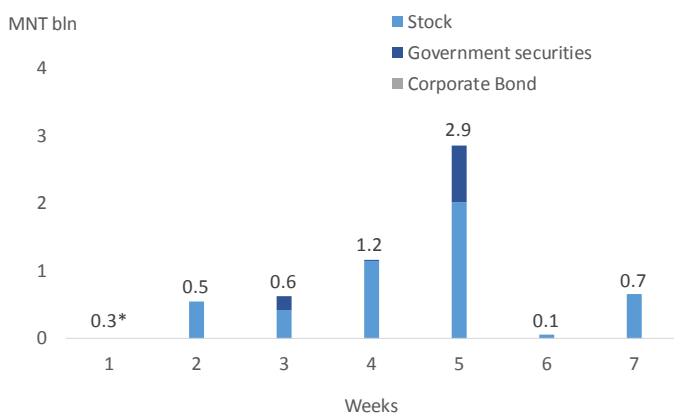
As of February 15, total market capitalization of MSE is MNT 2,513.3 billion. The TOP-20 index decreased by 0.55% to stand at 21,579.42 units.

MSE Indices



Source: Mongolian Stock Exchange

Trading Value /week by week/



*Excluded the trading value of December 31, 2018

Source: Mongolian Stock Exchange

STOCK MARKET REVIEW

Review	Total amount /MNT mln/
Total Value	663.1
Market Capitalization	2,513,345.5

STOCK MARKET INDICES

Index	Last Price	Change /w/
MSE Top 20	21,579.42	-0.55% ▼
MSE I Index	10,072.75	2.67% ▲
MSE II Index	8,504.31	0.43% ▲

ACTIVELY TRADED SECURITIES

Company	Volume	Turnover /MNT/
Gobi	691,501	230,388,447
APU	277,033	168,935,405
Tavan Tolgoi	12,199	89,197,290
Mandal Insurance	8,339	43,724,240
Ard Insurance	59,564	41,694,940

SECURITIES WITH MOST GROWTH

Company	Last Price /MNT/	Change /w/
Orkhon Khugjil	328.80	15.00% ▲
Tavan Tolgoi	7,510.00	13.70% ▲
Juulchin Duty Free	124,900.00	13.55% ▲
Bayanteeg	20,000.00	9.41% ▲
Ulsyn Ikh Delguur	497.27	8.57% ▲

SECURITIES WITH MOST DECLINE

Company	Last Price /MNT/	Change /w/
Aduunchuluun	1,600.00	-23.81% ▼
Khukh Gan	60.01	-11.75% ▼
Mongol Post	558.18	-6.97% ▼
Mongol Shevro	2,430.00	-5.81% ▼
Mongol Basalt	256.38	-4.69% ▼

MOST ACTIVE BROKERAGE FIRMS

Company	Trading amount /MNT/
BDSec	558,863,956
Golomt Capital	214,143,601
TDB Capital	150,452,549
Bumbat-Altai	109,927,992
Novel Investment	61,214,525

COMPANIES WITH HIGHEST MARKET CAPITALIZATION

Company	Last Price /MNT/	Market Cap. /MNT mln/
APU	618.00	657,664
Tavan Tolgoi	7,510.00	395,516
Mongolian Mortgage Corporation	14,750.00	305,462
Gobi	334.76	261,150
Suu	210.00	72,240

GOVERNMENT SECURITY AND CORPORATE BOND 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	Dividends per share /MNT/	Total dividends /MNT mln/	Decision of the Board (Date)	Record date	Payment date
1	MBW	Mongol Basalt	1.00	56.4	2019.02.01	N/A	from 2019.10.01
2	BTG	Bayanteeg	3,958.70	1,000.0	2019.02.11	2019.03.04	from 2019.06.01
3	GOV	Gobi	6.80	5,304.8	2019.02.13	N/A	from 2019.04.25
4	ADU	Khuvsgul Altan Duulga	120.00	1,888.1	2019.02.13	N/A	from 2019.05.01

ANNUAL SHAREHOLDERS MEETINGS

Nº	Ticker	Company name	Record date	Meeting date	Meeting time
1	IBA	Ikh Barilga	2019.01.27	2019.02.20	11:00
2	HRM	Hermes Center	2019.02.18	2019.03.07	15:00
3	SVR	Erdenet Suvraga	2019.02.08	2019.03.11	11:00
4	BLG	Zavkhan Bayalag	2019.02.27	2019.03.18	10:00
5	LEND	LendMN NBF1	2019.02.22	2019.03.23	12:00
6	BTG	Bayanteeg	2019.03.04	2019.04.01	10:00
7	MIB	Moninjbar	2019.02.05	2019.04.05	14:30
8	HRD	Khurd	2019.03.04	2019.04.05	16:00
9	VIK	Bayan Aldar	2019.03.04	2019.04.08	10:00
10	HUZ	KHuvsgul Usan Zam	2019.02.28	2019.04.08	09:00

CAPITAL MARKET NEWS

Tumen Shuvuut to start trading on February 18, 2019

The secondary market trading of "Tumen Shuvuut" JSC is starting from February 18, 2019 based on the FRC letter of February 11, 2019 which states the consideration of the public offering as successful and grants a permission to commence its secondary market trading.

The Company offered 25% of its shares which was oversubscribed by 9.1 percent and successfully raised 10.0 billion tugriks from public.

Source: Mongolian Stock Exchange



Erdene Resource Development Corp announces private placement

Erdene Resource Development Corp. (TSX:ERD; MSE:ERDN) has announced the filing on SEDAR of the independent Preliminary Economic Assessment (PEA) Technical Report for its 100%-owned Khundii Gold Project in southwest Mongolia.

The PEA envisions a high-grade, open-pit mine, producing an average of 51,200 oz per year at an average grade of 3.42 g/t gold over eight years. The development incorporates a conventional gravity separation circuit and a carbon-in-pulp plant with processing capacity of 1,800 tonnes per day. The key Project metrics are highlighted below:

- After-tax NPV5% of US\$99 million and IRR of 56% at a US\$1,200/ oz gold price;
- After-tax NPV5% of US\$124 million and IRR of 68% at a US\$1,300/oz gold price, demonstrating significant leverage to gold prices;
- Low initial capital expenditure of US\$32 million, using a contract mining fleet;
- All-in sustaining cash cost ("AISC") of US\$714/oz of recovered gold;
- Payback of less than 2 years.

The company intends to issue up to 7,608,696 units of the company at a price of USD 0.23 per unit (Private Placement), for gross proceeds of up to USD 1,750,000.

Proceeds of the Private Placement will be used to fund the independent Pre-Feasibility Study of the Company's Khundii Gold Project, mining license applications for the project's properties, potential acquisitions, including through the Mongolian Government's recently re-opened license tender process, and for the general working capital purposes.

Source: Mongolian Stock Exchange

'Ard Credit NBFJ' JSC share subscription information

'Ard Credit NBFJ' JSC that has been newly listed on the MSE held roadshow meeting for market professional participants on February 14, 2019.

'Ard Credit NBFJ' JSC was established 'Ard Financial Group' JSC in 2011 with the purpose of supplying micro and small loans on the Mongolian market. The main focus area is to make micro and small loans more inclusive and accessible by leveraging innovative technologies and methods.

The company is offering its 25 percent or 70 million shares of total outstanding shares to the public for MNT 70-85 per share or total of MNT 4.9 billion or more. The proceeds will be used to finance loan products of the company.

The underwriting service of this issue was provided by 'Ard Capital SC' LLC.

Subscription for the stock will be open during the period between 18th February 2019 to 1st March 2019.

Source: Mongolian Stock Exchange



Joint stock companies must make dividend decisions by February 19th

The Financial Regulatory Commission is responsible for enforcing "Joint stock company shareholder meeting notice procedures" via the Company law. According to the law, Joint stock companies (JSCs) must hold Shareholder meetings (SHMs) in four months after the fiscal year in other words before April 30th. The Board of Directors (BoD) must make the SHM decision at least 40 days before the meeting takes place and must inform the FRC in three days after the decision. Changing the meeting details after the decision has been made is illegal.

According to the "Joint stock company shareholder meeting notice procedures" the meeting procedures are specified in details. For example, the BoD meeting must make dividend decisions by February 19th. And thus must make SHM decision by the 21st and inform the FRC by the 24th. Next they must inform the public of the SHM by March 26th and provide meeting materials to securities companies by March 31st. SHM notice must be informed to the public again by April 10th and details must not be changed.

15-20 days after informing the public, within April 15th the investor list must be confirmed and registration date will have been determined by the BoD meeting decision. Finally, to comply with the Company law, SHM meeting must take place within April 30th and decisions must be sent to the FRC in 3 days.

Source: Financial Regulatory Commission of Mongolia

COMMODITY MARKET NEWS

NSO: Coal exports decreased by 11.7 percent from the previous month

In the first month of 2019, foreign trade turnover of Mongolia reached USD 1.1 billion, of which USD 607.3 million were made up by exports and USD 504.0 million – by imports.

Total foreign trade turnover increased by 41.6%, of which exports by 43.3% and imports by 43.4% respectively compared to the same period of the previous year. Foreign trade surplus reached USD 103.3 million, rose by 64.7 percent from the same period of the previous year.

In January, mineral export reached USD 425.7 million, increased by 21 percent from the same period of previous year.

Coal export volume in the first month was around 2.16 million tons, a y-o-y increase of 8.4%, and revenue increased by 23.7% to USD 170.8 million. In January coal export volume fell from December by 12 percent.

In January, copper concentrate export reached 117.4 thousand tons, increasing by 20.5%. The export revenue is accounted for USD 157.3 million, showing an increase of 24 percent.

The 760 tons of processed pure copper were exported for USD 4.4 million, showing a decrease of 34.6% and 44.8% in terms of volume and value respectively.

Crude oil exports reached 534 thousand barrels and earned USD 27 million, a y-o-y drop of 3.9% and 21.7% in terms of volume and value respectively.

The 3.4 tons of unrefined gold exported and the USD 130 million earned marked 5 times increase y-o-y. According to the Bank of Mongolia, the 597 kg of gold purchased in January was a decrease of 47%.

Iron ore exports reached 608.6 thousand tons and earned USD 26 million, a y-o-y rise of 39.4% and 47.9% in terms of volume and value respectively.

Export of zinc concentrate increased by 7.8% y-o-y and reached 12 thousand tons, while the USD 17.1 million revenue was up by 11.9%.

Export volume of fluor spar increased by 84.3% y-o-y to 53.6 thousand tons, while the USD 17.7 million revenue was up 91.7%.

Lead export reached 1.6 tons, earning USD 3.7 million, 2.6 and 2.3 times higher respectively y-o-y.

The 0.5 thousand tons of molybdenum exported was up 4.8% y-o-y, though the USD 4.2 million revenue was 48.1% higher.

Tungsten ore exports reached 20 tons and earned USD 219.3 million, a y-o-y fall of 23.1% and 37.9% respectively.

Source: MongolianMinigJournal.com



Aspire Mining set to benefit from China's preference for non-seaborne coal imports

Mongolia is expected to overtake Australia this year as China's leading source of imported coal.

Aspire Mining Ltd (ASX:AKM) is likely to benefit from China's increasing controls over seaborne coal imports owing to its coal projects in neighbouring Mongolia.

The restrictions mean that Mongolia's coal exporters are forecast to overtake Australia as China's top coal supplier from this year, according to a report from London-based commodity research firm IHS Markit.

In 2018 Australia had 44% of China's total coal import market share against Mongolia's 43% but HIS Markit says this balance will swing in Mongolia's favour in future years.

Improving Mongolia-China road and rail infrastructure linkages and Beijing's focus on capping seaborne imports have been cited by the research firm as two key drivers in tipping the balance.

Mongolian road delivery of coal is unaffected by China's seaborne import control programs.

IHS Markit says many anticipate some form of control over seaborne imports will be exerted by China at various stages this year, with Beijing said to have adopted a policy of limiting seaborne imports at around 2017 levels.

China cut coking coal imports from Australia by 9% on the year in 2018, to 28.23 million tonnes from 30.98 million.

This came as China's intake from Mongolia increased by 5% to 27.68 million tonnes from 26.30 million.

Source: ProActiveInvestors.com

Coal exports through Shiveekhuren port exceeded coal exports through Gashuunsukhait port in January

In January, coal exports through Shiveekhuren-Seke port exceeded coal exports through the largest port of Gashuunsukhait-Gantsmod. 978.8 thousand tons of coal was exported through Shiveekhuren-Seke port in January. Among the companies that operate in Nariinsukhait deposit, 'Southgobi Sands' exported the largest amount of coal or 403.9 thousand tons. 'Mongolyn Alt' and 'Usukh Zoos' companies were the second and the third by their coal export.

Coal exports through Gashuunsukhait-Gantsmod port reached 918 thousand tons in January. The number of truck that export coal increased by 40 percent to 8,046 trucks, according to the 'Gashuunsukhait Auto Road' LLC. Three companies that operate in Tavan Tolgoi coal deposit export their coal through Gashuunsukhait-Gantsmod port. Especially, exports of 'Erdenes Tavan Tolgoi' company was the largest, reaching 484 thousand tons, while local-owned 'Tavantolgoi' JSC exported 157.9 thousand tons of coal.

In January, 1.82 million tons of coal were exported through Gashuunsukhait and Shiveekhuren ports.

Source: BloombergTv.mn

OTHER NEWS

NSO: Mongolia's macroeconomic indicators as of January, 2019

Gross domestic product

In 2018, by preliminary estimation of production approach, GDP of Mongolia at 2010 constant price reached MNT 18.1 trillion, increased by MNT 1.2 trillion (6.9%) compared to the previous year. This increase was mainly due to increases in service sector by MNT 383.4 billion or 5.3% (financial and insurance activities sector by MNT 139.0 billion or 12.3%) and industry, construction sector by MNT 357.1 billion or 6.2%.

By preliminary estimation of production approach, GDP at current price reached to MNT 32.2 trillion, increased by MNT 4.3 trillion (15.3%) compared to the previous year.

In the fourth quarter of 2018, seasonally adjusted GDP at 2010 constant prices increased by 2.5% compared to the previous quarter.

By preliminary estimation of expenditure approach, in 2018, GDP at current price by reached to MNT 31.5 trillion, increased by MNT 3.8 trillion (13.5%) compared to the previous year.

Money and loan

The money supply (broad money or M2) reached MNT 19.7 trillion at the end of January 2019, showing an increase of MNT 182.6 billion (0.9%) from the previous month and MNT 3.9 trillion (24.7%) from the same period of previous year.

At the end of January 2019, the national currency in circulation reached MNT 1.0 trillion, showing an increase of MNT 70.6 billion (7.3%) from the previous month and MNT 237.3 billion (29.6%) from the same period of previous year.

At the end of January 2019, the principals in arrears amounted MNT 835.5 billion, decreased by MNT 13.2 billion (1.6%) from the previous month and by MNT 101.4 billion (10.8%) from the same period of previous year. The principals in arrears makes up to 4.9% of total loans, or no changes points from the previous month and decreased by 2.0 percentage points from the same period of previous year.

2019 was MNT 2 649.68 to one USD (USD 1), which is depreciated by 9.2% from the same period of previous year and by 0.5% from the previous month.

Nominal average exchange rate of MNT to Chinese Yuan announced from Bank of Mongolia in January 2019 was MNT 390.38 to one CNY (CNY 1), which is depreciated by 3.4% from the same period of previous year and by 1.9% from the previous month.

General government budget

In January 2019, total equilibrated revenue and grants of the General Government Budget amounted to MNT 690.6 billion and total expenditure and net lending amounted to MNT 558.2 billion, resulting a surplus of MNT 132.3 billion in the equilibrated balance.

Equilibrated revenue and grants of the General Government Budget increased by MNT 160.2 billion or 30.2% and total expenditure and net lending by MNT 142.0 billion or 34.1% from the same period previous year.

Balance of payment

In 2018, current and capital account balance deficit by preliminary result reached to USD 1.8 billion increased by USD 694.2 million compared to previous year.

Current account deficit reached USD 1.9 billion, which was mainly due to USD 1.4 billion deficit in services account and USD 1.4 billion deficit in primary account.

In 2018, capital account surplus reached USD 86.6 million, increased by USD 9.0 million (11.6%) compared to previous year.

Financial account surplus reached USD 1.7 billion, decreased by USD 928.4 million (35.7%) compared to previous year.

Overall balance of payment was in deficit of USD 141.2 million, increased by USD 1.6 billion from previous year.

External trade

In January 2018, Mongolia traded with 105 countries from all over the world and total trade turnover reached USD 1.1 billion, where exports was USD 607.3 million and imports was USD 504.0 million.

Total foreign trade turnover increased by USD 326.3 million (41.6%), of which exports by USD 183.4 million (43.3%) and imports by USD 142.8 (39.6%) million compared to the same period of the previous year.

In January 2019, foreign trade surplus reached USD 103.3 million, increased by USD 40.6 million (64.7%) from USD 62.7 million in the same period of 2018.

Prices

In January 2019, consumer price index at the national level increased by 0.6% from the previous month and by 7.3% from the same period previous year.

Source: National Statistical Office of Mongolia

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