

WEEKLY MARKET UPDATE

2019.04.01-04.05

MACROECONOMIC UPDATE OF MONGOLIA

ADB: Mongolia's growth to ease slightly, but will remain solid

Mongolia's economic growth is expected to ease slightly in 2019 and 2020, but will continue to maintain solid growth momentum thanks to strong domestic demand, stable services, manufacturing and recovery of the agriculture sector, the Asian Development Bank (ADB) forecast on Wednesday.

According to the latest Asian Development Outlook (ADO) 2019, the ADB's flagship economic publication, economic growth in Mongolia will slow to 6.7 percent in 2019 and 6.3 percent in 2020. The growth of the Asian country's mining-dependent economy was 6.9 percent in 2018.

"The Mongolian economy has performed better than expected in 2018. The country's economic growth prospects continue to be positive going into the next two years," Yolanda Fernandez Lommen, ADB country director for Mongolia, said while delivering the ADO.

Mongolia's inflation rate is expected to reach 8.5 percent in 2019 compared to 6.8 percent in 2018 due to rising domestic demand supported by higher government expenditure, as well as the effects of the national currency's depreciation and higher fuel prices in the second half of 2018.

Meanwhile, there are some external risks to the Mongolian economic growth, including commodity price fluctuations in the global market, the ADB warned.

Source: Xinhuanet.com

Bank of Mongolia: Foreign debt burden and current account deficit are the main challenges for the economy

The Central Bank introduced its "Inflation Report". The Bank of Mongolia increased the 2019 economic growth forecast and decreased the inflationary expectations. The supply factors that pressured the inflation slowed down and the demand factor is expected to increase.

However, the short term inflation projection has increased by 0.1 percentage points affected by weakness in domestic currency and a rise in import prices, especially in meat prices due to increase in meat exports and in prices for state-controlled services in April.

In terms of economic growth, the projection has increased to 6.9 percent. The Bank of Mongolia has increased the projection of economic growth on the basis of increased household consumption and coal exports, stabilization of investment, non-mining sector growth, and growth in business lending.

Foreign debt burden and current account deficit remain high, which are the main challenges for the economy. In addition, the risk of fiscal and monetary policy independence and entering FATF Grey List are also one of the biggest challenge for the economy.

Source: BloombergTv.mn

WORLD INDICES

Index	Country	Last Price	Change /w/
MSE TOP 20	Mongolia	20,108.70	-3.44% ▼
Dow Jones	USA	26,424.99	1.91% ▲
S&P 500	USA	2,892.74	2.06% ▲
Nasdaq	USA	7,938.69	2.71% ▲
S&P/TSX	Canada	16,396.15	1.83% ▲
FTSE 100	GB	7,446.87	2.30% ▲
S&P/ASX 200	Australia	6,181.30	0.01% ▲
Nikkei 225	Japan	21,807.50	2.84% ▲
Hang Seng	Hong Kong	29,936.32	3.05% ▲

MONGOLIA RELATED BONDS

Issuer	Currency	Coupon	Last Price
Mongol 2024 (Khuraldai)	USD	8.750%	112.16
Mongol 2023 (Gerege)	USD	5.625%	100.44
Mongol 2022 (Chinggis)	USD	5.125%	99.73
Mongol 2021 (Mazalai)	USD	10.875%	111.22
DBM' 23 (Samurai)	JPY	1.520%	104.58
DBM' 2023	USD	7.250%	103.72
TDBM' 2020	USD	9.375%	104.41

MARKET RATES

Rates	Last	Change /w/
Libor 1M	2.471	-0.02 ▼
Libor 3M	2.592	-0.01 ▼
Libor 6M	2.644	-0.02 ▼
Libor 1YR	2.750	0.04 ▲
US 2YR Bond	2.325	0.03 ▲
US 3YR Bond	2.278	0.04 ▲
US 5YR Bond	2.295	0.03 ▲
US 10YR Bond	2.486	0.05 ▲

EXCHANGE RATES

Against MNT	2019.04.05	Change /w/
USD	2,631.58	0.00% ▲
CNY	391.76	0.04% ▲
EUR	2,954.61	-0.04% ▼
RUB	40.22	-0.98% ▼
KRW	2.31	-0.43% ▼
JPY	23.56	-0.84% ▼
CAD	1,970.63	0.59% ▲

COMMODITY PRICE

Commodity	Unit	Last Price	Change /w/
Gold /spot/	USD/t oz.	1,291.76	-0.05% ▼
Silver /spot/	USD/t oz.	15.11	-0.06% ▼
Copper	USD/lb.	289.45	-1.41% ▼
Coal	USD/MT	80.80	-4.53% ▼
Crude Oil WTI	USD/bbl.	63.08	4.89% ▲
Crude Oil Brent	USD/bbl.	70.34	2.85% ▲
Natural Gas	USD/MMBtu	2.66	0.00% ▲

MONGOLIAN MACRO ECONOMIC INDICATORS

Indicators	Reference	Amount
Inflation Rate	2019. II	6.90%
Policy Rate	2019. II	11.00%
Interbank Rate	2019. II	11.00%
Deposit Interest Rate /MNT/	2019. II	12.00%
Deposit Interest Rate /Foreign currency/	2019. II	5.30%
Loan Interest Rate /MNT/	2019. II	17.00%
Loan Interest Rate /Foreign currency/	2019. II	10.70%

Source: National Statistical Office, Bank of Mongolia, Bloomberg

MSE TRADING UPDATE

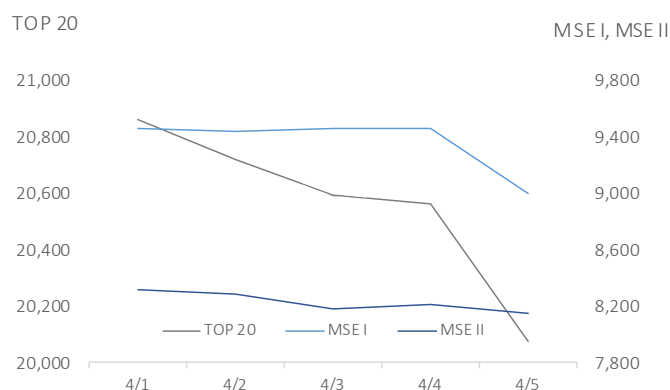
In this week, a total of 54 companies' 3,455,346 shares worth MNT 575.4 million were traded in the secondary market.

'Mongol Savkhi' /UYN/ company's share rose 14.94 percent to MNT 577.0 while 'Bayalag Nalaikh' /BNB/ company's share fell 26.28 percent to MNT 245.5.

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

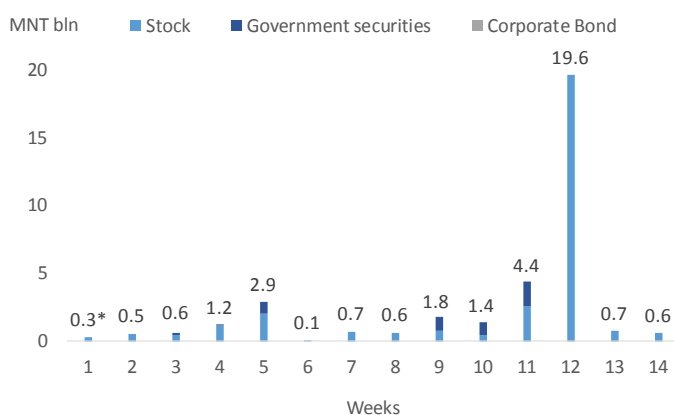
As of April 5, total market capitalization of MSE is MNT 2,326.3 billion. The TOP-20 index decreased by 3.44% to stand at 20,852.24 units.

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	575.4
Market Capitalization	2,326,333.2

STOCK MARKET INDICES

Index	Last Price	Change /w/
MSE Top 20	20,108.70	-3.44% ▼
MSE I Index	8,857.01	-6.36% ▼
MSE II Index	8,147.35	-2.10% ▼

ACTIVELY TRADED SECURITIES

Company	Volume	Turnover /MNT/
APU	217,993	134,449,150
Ard Credit NBFI	1,644,490	130,380,672
Tavan Tolgoi	9,762	69,355,655
Gobi	191,842	54,585,155
Tumen Shuvuut	292,278	49,850,864

SECURITIES WITH MOST GROWTH

Company	Last Price /MNT/	Change /w/
Mongol Savkhi	577.00	14.94% ▲
Kherlen Khivs	78.00	14.71% ▲
Mon-It Buligaar	8,500.00	13.33% ▲
Auto Impex	2,600.00	13.04% ▲
HBOil	54.89	9.78% ▲

SECURITIES WITH MOST DECLINE

Company	Last Price /MNT/	Change /w/
Bayalag Nalaikh	245.50	-26.28% ▼
Takhi Ko	11,800.00	-14.86% ▼
E-Trans Logistics	87.04	-14.67% ▼
Erdenet Auto Zam	320.00	-13.51% ▼
Bulgan Guril Tejeel	800.00	-11.11% ▼

MOST ACTIVE BROKERAGE FIRMS

Company	Trading amount /MNT/
Ard Securities	251,227,210
Golomt Capital	153,357,568
Bumbat Altai	127,487,923
BDSec	105,106,269
TDB Capital	93,968,021

COMPANIES WITH HIGHEST MARKET CAPITALIZATION

Company	Last Price /MNT/	Market Cap. /MNT mln/
APU	570.21	606,807
Tavan Tolgoi	6,690.00	352,330
Mongolian Mortgage Corporation	10,010.00	221,797
Gobi	281.01	220,780
Suu	209.07	71,920

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	Net profit of 2018 /MNT mln/	Total dividend amount /MNT mln/	Dividend payout ratio	Dividends per share /MNT/	Date of resolution	Record date	Payment date
1	HRM	Hermes Center	783.4	298.5	38.1%	3.8	2019.01.25	2019.02.18	paid on 2019.03.18
2	LEND	LendMN NBF1	2,560.3	800.0	31.2%	1.0	2019.01.30	2019.02.22	paid on 2019.03.28
3	MBW	Mongol Basalt	217.2	56.4	26.0%	1.0	2019.02.01	2019.03.25	from 2019.10.01
4	BTG	Bayanteeg	1,771.4	1,000.0	56.5%	3,958.7	2019.02.11	2019.03.04	from 2019.06.01
5	SUL	Juulchin Duty Free	1,384.5	653.6	47.2%	10,000.0	2019.02.12	2019.04.10	from 2019.05.31
6	GOV	Gobi	17,764.2	5,304.8	29.9%	6.8	2019.02.13	2019.03.28	from 2019.04.25
7	ADU	Khuvsgul Altan Duulga	399.2	1,888.1	473.0%	120.0	2019.02.13	2019.04.01	from 2019.05.01
8	TCK	Talkh Chikher	1,975.9	204.7	10.4%	200.0	2019.02.14	2019.04.03	from 2019.07.01
9	MMX	Makhimpex	778.6	456.1	58.6%	120.0	2019.02.14	2019.04.03	from 2019.10.01
10	BUK	UB-BUK	566.4	131.5	23.2%	1.0	2019.02.14	2019.04.05	from 2019.05.01
11	TAH	Takhi Ko	799.1	128.5	16.1%	108.0	2019.02.15	2019.04.05	within 2019.05.01
12	BNG	Bayangol Hotel	3,433.1	150.2	4.4%	355.0	2019.02.16	2019.04.05	from 2019.09.01
13	MNP	Mongol Post	1,560.3	468.1	30.0%	4.7	2019.02.18	2019.04.05	from 2019.05.01
14	HRD	Khurd	751.1	74.4	9.9%	550.0	2019.02.18	2019.03.04	within 2019.06.01
15	MNDL	Mandal Insurance	3,868.3	624.3	16.1%	100.0	2019.02.18	2019.04.10	from 2019.05.01
16	GTL	Gutal	2,225.8	1,257.7	56.5%	777.0	2019.02.18	2019.03.13	from 2019.05.06
17	TEX	Technicimport	2,702.0	723.4	26.8%	500.0	2019.02.18	2019.03.11	on 2019.04.11
18	APU	APU	57,851.7	48,952.4	84.6%	46.0	2019.02.19	2019.04.04	within 2019.12.31
19	AIC	Ard Insurance	1,263.4	631.8	50.0%	25.3	2019.02.19	2019.03.15	within 2019.06.29
20	GHC	Gan Khiits	20.3	12.1	59.7%	50.0	2019.02.19	2019.03.22	from 2019.10.01
21	HUV	Khuvsgul Geology	107.4	14.4	13.4%	100.0	2019.02.19	2019.04.03	from 2019.04.29
22	HHS	Khuvsgul Khuns	11.3	2.6	23.4%	10.0	2019.02.19	2019.04.03	from 2019.05.15
23	TAL	Talyn Gal	255.9	34.7	13.6%	50.0	2019.02.25	2019.03.26	N/A
24	BRC	Barilga Corporation	1,311.0	40.1	3.1%	985.0	2019.02.26	2019.03.18	on 2019.03.18
25	UBH	Ulaanbaatar Khivs	235.6	48.6	20.6%	120.0	2019.02.26	2019.03.18	within 2019.05.31
26	DSS	Darkhan Selengiin Tsakhilgaan Tugeekh Suljee	11.5	11.4	99.2%	1.1	2019.03.01	2019.03.21	from 2019.07.02
27	ADL	Aduunchuluun	547.1	409.7	74.9%	130.0	2019.03.11	2019.04.03	within 2019.12.31

CAPITAL MARKET NEWS

Erdene provides 2018 project and financial review and announces 2019 Khundii Gold Project plan

Erdene Resource Development Corp. (TSX:ERD; MSE:ERDN) has announced the financial and operating results for the year ended December 31, 2018 and to provide update on progress and plans for its Khundii Gold Project.

The Company plans to complete the various studies and permitting to advance the Khundii Gold Project to development for a minimum 50,000 ounce per year high-grade open pit mining operation while continuing our exploration and acquisition efforts to expand the operation to more than 100,000 ounces per year.

Source: Mongolian Stock Exchange

“Mandal Insurance” JSC made MNT 27.8 billion premium income in 2018

In 2018, “Mandal Insurance” JSC had insured 71 thousand entities and made MNT 27.8 billion in premiums.

It’s a 23 percent growth from last year. Moreover, the company exceeded 2018 sales plans by 13 percent.

Six main insurance products accounted for 91 percent of the premium income. For example, construction insurance accounted for 20 percent, while health insurance covered 18 percent, and 17 percent was from automobile insurance.

The company informed that in the reporting period, over 7000 customers were reimbursed at a total amount of MNT 4.3 billion. Total reimbursement cost declined by 8 percent compared to the previous year. As revenues increased, and costs decreased “Mandal Insurance” JSC had a net income of MNT 3.9 billion exceeding plans by 90 percent. “Mandal Insurance” went public on September, 2018 with an IPO.

The company is listed on the Tier 1 board of the Mongolian stock exchange, and was included in the Top 20 index starting from 2019. The company’s latest closing price was at 5,140 with a market cap of MNT 32 billion.

At the end of February, 77.2 percent of Mandal Insurance is owned by 2 majority shareholders and the remaining 22.8 percent is owned by about 800 minority shareholders.

Source: BloombergTv.mn



Mongolian Mining Corporation Announces Pricing of USD 440,000,000 9.25% Guaranteed New Senior Notes Due 2024

Mongolian Mining Corporation engages in the mining, production, transportation, and sale of coking coal products. The company owns and operates the Ukhaa Khudag and the Baruun Naran open-pit coking coal mines located in Southern Gobi province of Mongolia. It is also involved in the railway project management, airport operation and management, coal plant management, water exploration and supply management, and power supply project management activities; and trading of coal and machinery equipment. The company sells its products primarily in China.

The board of Mongolian Mining Corporation announced that on April 3, 2019, the Issuers and the Subsidiary Guarantors entered into a Purchase Agreement with J.P. Morgan Securities plc and Morgan Stanley & Co. International plc as Initial Purchasers in connection with the issuance by the Issuers of an aggregate principal amount of USD 440,000,000 9.25% New Senior Notes due 2024.

The company intends to use the net proceeds from the proposed issue of the New Senior Notes to pay the tender price of the Senior Notes tendered in connection with the Senior Notes Tender Offer and the Perpetual Securities tendered in connection with the Perpetual Securities Tender Offer plus all related fees and expenses incurred. Any remaining funds are expected to be used by the Company for general corporate purposes, including to repay its indebtedness.

Source: Bloomberg.com



284.5 thousand accounts were opened in March

In March, a total of 284.5 thousand new accounts and 1,600 linked accounts were opened, according to the Mongolian Central Securities Depository. This accounts for about 70 percent of the total accounts opened in 2018. In other words, 398 thousand new accounts and 17 thousand linked accounts were opened in 2018.

Industry analysts have seen an increase in the number of people interested in the stock market due to the fact that ‘Erdenes Tavan Tolgoi’ JSC started releasing IPO-related information and many new companies from various industries started launching their IPOs. Furthermore, authorities such as the Mongolian Stock Exchange and the Mongolian Central Securities Depository distributes the concept of securities to people that live in rural area of Mongolia, which has led to an increase in account opening.

Source: BloombergTv.mn

COMMODITY MARKET NEWS

New mining projects

There are eight coal-based projects with investments of up to MNT 15-460 billion

Prices of minerals exported from Mongolia, such as coal, copper, iron ore and zinc are expected to be stable in 2019. Some of the analysts conclude that if the prices on some minerals are growing, then prices on others will not go down. Following let's take an overview of which mining deposits of Mongolia are planning to start their mining activity in 2019.

"The new coal projects are increasing as the coal market is stable," the Professional Council on Mineral Resources of Mongolia concluded. At the regular meeting of the Council held in February, the feasibility study of three coal projects was discussed.

TerraCom company has developed a feasibility study for Western Noyon Uul-1 coal mine. The mine, with a proven reserve of 2.5 million tons, will be used for five years. TerraCom listed on the Australian Stock Exchange is aiming to increase its coal exports by three million tons a year.

Additionally, the Professional Council of Mineral Resources has requested to amend the feasibility study of Sain Khuuvur and Khar Tolgoi coal mines owned by "Badmaarag Khash" company in Sukhbaatar province and "Argold" company in Gobi-Altai province.

According to the Mineral Resources and Petroleum Authority of Mongolia, eight coal projects with investments of up to MNT 15-460 billion plans to start their mining in 2019. Half of these are coal and half lignite. The largest of the brown coal deposits is the Eruult mine, with a capacity of 10 million tons and investment of MNT 460 billion. The coal mine with the largest investment amount is Dadiin Khar Tolgoi-2 deposit. An investment of MNT 21.1 billion will be invested to the deposit located in Dornogovi province and the mine will have a capacity of up to one million tons per year. As Mongolia expects to export 42 million tons of coal this year, the coal sector is expected to expand further. The coal mining licenses generate 19 percent of the country's total mining licenses.

Another major export product is iron ore. In 2018, this kind of exports increased by 1.2 million tons. Iron ore prices rose dramatically after a collapse of the iron ore mine in Vale, Brazil. In the future, the tragic accident will likely to continue affecting exports of the iron ore suppliers.

Last year, 13 Mongolian mines exported iron ore. This year, the feasibility studies of two projects have been approved. One of them is the northeastern part of the Dartsagt deposit located in Dornogobi province where ZDL company operates. Total investment is accounted for MNT 18.42 billion.

Also, the "Tsakhir Tsagaan Gol" LLC invested MNT 9.25 billion in the Maikhan Tolgoi deposit located in Khentii province and is planning to start mining this year. There are 21 gold projects that will start production in 2019.

21 gold projects will start its mining

Nine of these are located in Bayankhongor province. Mine with the largest investment is owned by 'Max Impex' LLC in Umnugobi province. According to the Feasibility Study, the invested needed is MNT 10.5 billion.

Companies listed on the stock exchanges are also interested in starting their gold project. For instance, Steppe Gold is preparing to mine Altan Tsagaan Ovoo deposit in Dornod aimag within the first half of 2019. Erdene Resource Development Corporation has requested gold mining licenses at Altan Nar and Bayan Khundii deposits. According to the feasibility study, Xanadu Mines is planning to mine Kharmagtai deposit this year.

Fluorspar is one of the high-growth products in export of Mongolia. Five feasibility studies for fluorspar mining were approved this year. Two of them are located in Dornogovi province and the rest are located in Dundgobi, Sukhbaatar and Khentii provinces. The largest of these are the Bayan-Urgun deposit in Sukhbaatar province with required investment of MNT 8.3 billion.

The main market for Mongolian fluorspar exports is China and Russia. However, the industry professionals warned that there is a lack of specialized research and infrastructure problems in this area.

Sector that is developing based on domestic demand is limestone, which is the main raw material of cement. Seven limestone deposits are going to be mined this year. According to the MRPAM, 189 new jobs will be created in this regard.

The largest of them is the Tsagaan lime deposit located in the Central province of Mongolia. Total investment to the project will be MNT 4 billion. The capacity of the mine is estimated to be 500 thousand tons of ore per year. Also, required investment of lime deposit located in Dornogovi province and Khovd provinces are MNT 1.13 billion MNT 2.45 billion respectively.

In terms of risk, key risk factor is expected to be political risk this year. Politicians who are interested in being elected are able to make any announcement regarding the mining sector. However, the market conditions are good. As a proof, 1.1 percent of the 2018 GDP was generated by the mining sector.

Source: ZGM.mn

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