

# WEEKLY MARKET UPDATE

2018.06.18-06.22

## GLOBAL MARKET PERFORMANCE

**United States:** The major benchmarks were flat to lower for the week. Within the S&P 500 Index, the small real estate and utilities segments outperformed, helped by a decline in long-term bond yields, which makes their relatively high dividend payments more attractive in comparison. Industrials shares performed worst due to trade worries, dragged lower in particular by leading exporters Boeing and Caterpillar.

On Tuesday, stocks opened sharply lower after President Trump directed his administration to draw up a list of tariffs on another \$200 billion of Chinese goods.

On Thursday, stocks slumped again after German automaker Daimler lowered its outlook, citing the likelihood of lower sales for SUVs that the company makes in the U.S. and exports to China. After earlier suggesting that it might cut its tariffs on auto imports, China has recently threatened to increase them in response to the latest U.S. trade volleys.

The energy sector was rallied on Friday after OPEC ministers meeting in Vienna announced a smaller-than-expected increase in oil production.

**Europe:** Escalating trade tensions between the U.S. and Europe was one of the strongest market-driving events. Certain U.S. goods, including bourbon, cranberries, and Harley-Davidson motorcycles, were among the €2.8 billion (\$3.2 billion) worth of products that will now carry tariffs. The move came in response to new U.S. tariffs on European aluminum and steel. Trade tensions weighed on mining and technology stocks, along with auto shares.

The Bank of England voted to hold rates steady and the pound advanced versus the euro. Notably, the UK's blue chip FTSE 100 Index ended the week higher, aided in part by a rally in the energy sector.

Greece and its eurozone creditors reached a deal on debt relief. Ministers agreed to extend the maturities on some €100 billion of Greek debt by 10 years, effectively leaving the country with only small repayments until after 2030.

**Japan:** Japanese stocks declined for the week. The yen strengthened modestly, closing on Friday at ¥110.1 per U.S. dollar, which is about 2.2% stronger than the ¥112.7 level at the end of 2017.

The Japan Trade Union Confederation announced a 2.1% wage increase for its workers in the spring wage negotiations, significantly less than Prime Minister Shinzo Abe's stated goal of 3% wage growth.

**China:** China's benchmark stock index ended the week lower as China and the U.S. exchanged more barbs on trade, compounding investors' worries about China's cooling growth.

**Source:** Reuters, Troweprice

WORLD INDICES			
Index	Country	Last Price	Change /w/
MSE TOP 20	Mongolia	19,542.96	-1.42% ▼
Dow Jones	USA	24,580.89	-2.03% ▼
S&P 500	USA	2,754.88	-0.89% ▼
Nasdaq	USA	7,692.82	-0.69% ▼
S&P/TSX	Canada	16,450.14	0.83% ▲
FTSE 100	GB	7,682.27	0.63% ▲
S&P/ASX 200	Australia	6,225.20	2.15% ▲
Nikkei 225	Japan	22,516.83	-1.47% ▼
Hang Seng	Hong Kong	29,338.70	-3.20% ▼

MONGOLIA RELATED BONDS			
Issuer	Currency	Coupon	Last Price
Mongol 2024 (Khuraldai)	USD	8.7%	108.27
Mongol 2023 (Gerege)	USD	5.6%	95.32
Mongol 2022 (Chinggis)	USD	5.1%	94.51
Mongol 2021 (Mazalai)	USD	10.8%	112.07
Mongol CNY (Dimsam)	CNY	7.5%	100.06
DBM' 23 (Samurai)	JPY	1.5%	104.60
TDBM' 2020	USD	9.3%	105.71

MARKET RATES			
Rates	Last	Change /w/	
Libor 1M	2.098	0.01	▲
Libor 3M	2.339	0.01	▲
Libor 6M	2.508	0.00	▲
Libor 1YR	2.777	0.00	▲
US 6M Bond	2.079	0.02	▲
US 2YR Bond	2.529	-0.01	▼
US 3YR Bond	2.622	-0.04	▼
US 5YR Bond	2.743	-0.04	▼
US 10YR Bond	2.871	-0.04	▼

EXCHANGE RATES			
Against MNT	2018.06.22	Change /w/	
USD	2,454.05	1.46%	▲
CNY	377.68	0.16%	▲
EUR	2,859.46	2.00%	▲
RUB	38.82	0.78%	▲
KRW	2.22	0.45%	▲
JPY	22.28	1.78%	▲

COMMODITY PRICE			
Commodity	Last Price	Change /w/	
Gold /spot/	1,268.17	-0.84%	▼
Silver /spot/	16.37	-1.21%	▼
Copper	305.70	-2.52%	▼
Coal	107.25	-3.22%	▼
Crude Oil WTI	68.39	6.23%	▲
Crude Oil Brent	74.22	1.06%	▲
Natural Gas	2.92	-3.63%	▼

MONGOLIAN MACRO ECONOMIC INDICATORS			
Indicators	Reference	Amount	
Inflation Rate	2018.IV	6.00%	
Policy Rate	2018. IV	10.00%	
Interbank Rate	2018. IV	10.00%	
Deposit Interest Rate /MNT/	2018. IV	12.80%	
Deposit Interest Rate /Foreign currency/	2018. IV	5.30%	
Loan Interest Rate /MNT/	2018. IV	19.30%	
Loan Interest Rate /Foreign currency/	2018. IV	10.20%	

**Source:** National Statistical Office, Bank of Mongolia, Bloomberg

## MSE TRADING UPDATE

In this week, a total of 54 companies' 2,963,816 shares worth MNT 828.6 million were traded.

"E-Trans Logistics" /ETR/ company's share rose 17.86 percent to MNT 82.5, while "Aduunchuluun" /ADL/ company's share fell 17.86 percent to MNT 2,200.

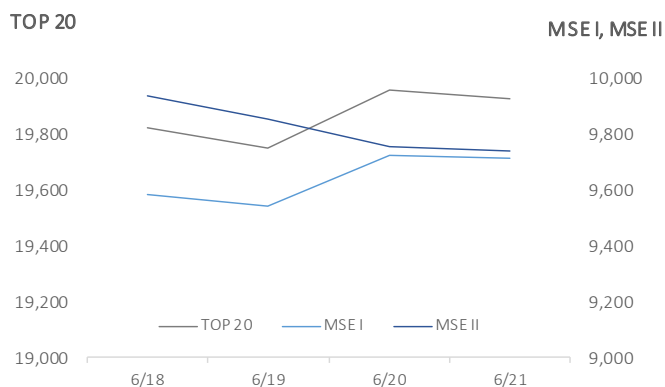
No government securities were issued on the primary market during this week.

On the secondary market of Government securities, 172 units of securities were traded for MNT 17.4 million.

No corporate bonds were traded on the secondary market.

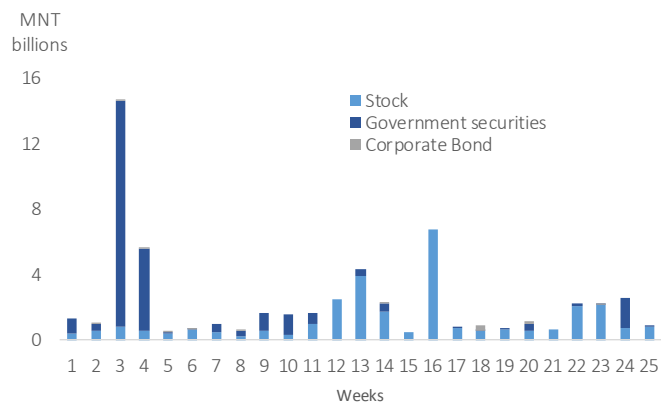
As of June 22, total market capitalization of MSE is MNT 2,439.1 billion. The TOP-20 index decreased by 1.42% to stand at 19,542.96 units.

MSE Indices



Source: MSE

Trading Value /week by week/



Source: MSE

### STOCK MARKET REVIEW

Review	Total amount /MNT mln/
Total Value	2,607.4
Market Capitalization	2,439,056.1

### STOCK MARKET INDICES

Index	Last Price	Change /w/
MSE Top 20	19,542.96	-1.42% ▼
MSE I Index	9,524.44	-0.60% ▼
MSE II Index	9,604.13	-3.35% ▼

### ACTIVELY TRADED SECURITIES

Company	Volume	Turnover /MNT/
BDSec	1,609,903	1,610,068,990
LendMN	680,901	266,697,753
Erdene Resources	193,777	128,960,949
APU	184,058	107,036,981
Tavan Tolgoi	8,274	82,271,870

### SECURITIES WITH MOST GROWTH

Company	Last Price /MNT/	Change /w/
E-Trans Logistics	82.50	17.86% ▲
Khuvsgul Altan Duulga	215.18	15.00% ▲
Lux Zanadu Group	880.57	15.00% ▲
Khurd	1,851.00	14.97% ▲
Darkhan Guril Tejeel	780.00	13.97% ▲

### SECURITIES WITH MOST DECLINE

Company	Last Price /MNT/	Change /w/
Aduunchuluun	2,200.00	-16.98% ▼
HBOil	57.00	-13.56% ▼
Gutal	19,560.00	-13.07% ▼
Mogoin Gol	8,000.00	-13.04% ▼
Moninjbar	150.00	-11.76% ▼

### MOST ACTIVE BROKERAGE FIRMS

Company	Trading amount /MNT/
BDSec	3,709,973,265
Gauli	245,610,730
Golomt Capital	194,559,468
TDB Capital	190,949,666
Standart Investment	145,708,337

### COMPANIES WITH HIGHEST MARKET CAPITALIZATION

Company	Last Price /MNT/	Market Cap. /MNT mln/
APU	577.71	614,788
Tavan Tolgoi	10,020.00	527,705
Mongolian Mortgage Corporation	10,500.00	217,448
Gobi	23,820.00	185,823
Suu	209.97	72,230

## GOVERNMENT SECURITY TRADING

Government securities /secondary market/

Nº	Name	Volume	Turnover /MNT/	Minimum /MNT/	Maximum /MNT/	Weeks	Annual interest rate
1	ZGEB-BD-04/07/19-A0266-14.82	72	7,200,000	100,000	100,000	104	14.820
2	ZGEB-BD-11/04/19-A0230-18	100	10,175,000	101,750	101,750	104	18.000

## CORPORATE BOND TRADING

Corporate bond /secondary market/

Nº	Name	Volume	Turnover /MNT/	Minimum /MNT/	Maximum /MNT/	Weeks	Annual interest rate
-	-	-	-	-	-	-	-

## DIVIDEND INFORMATION

Nº	Ticker	Company name	Dividend per share /MNT/	Total dividend /MNT mln/	Date of resolution	Record date	Payment date	Distribution
1	ERS	Mongol Alt	150.00	39.88	2018.04.27	2018.04.05	within 2018.12.31	N/A
2	TEE	Teever Darkhan	500.00	81.67	2018.04.27	2018.04.05	within 2018.12.31	N/A
3	TTL	Tavan Tolgoi	2,410.00	126,923.13	2018.04.16	2018.04.03	paid on 2018.06.12	MCSD account
4	EER	Arig Gal	21.33	74.21	2018.04.25	2018.04.02	from 2018.09.01	N/A
5	BDL	Mogoin gol	100.00	82.96	2018.04.26	2018.01.18	N/A	N/A
6	DSS	Darkhan Selengiin tsakhilgaan tugeekh suljee	56.60	7.66	2018.03.07	2018.03.27	from 2018.07.02	N/A
7	TAL	Talyn Gal	50.00	34.71	2018.03.05	2018.04.26	within 2018.12.31	N/A
8	BRC	Barilga Corporation	700.00	28.46	2018.02.24	2018.03.16	N/A	N/A
9	AND	And Energy	1.27	99.15	2018.02.24	2018.03.16	N/A	N/A
10	SUL	Juulchin Duty Free	10,000.00	653.62	2018.02.23	2018.04.11	from 2018.05.01	at the company
11	GTL	Gutal	1,270.00	83.01	2018.02.19	2018.03.18	from 2018.07.06	N/A
12	BNG	Bayangol Hotel	355.00	150.19	2018.02.19	2018.04.06	from 2018.09.01	at the company
13	APU	APU	10.00	10,641.82	2018.02.19	2018.03.29	paid on 2018.05.17	MCSD account
14	BTG	Bayanteeg	100.00	25.26	2018.02.19	2018.03.12	within 2018.06.01	MCSD account
15	MIE	Materialimpex	10.00	13.68	2018.02.19	2018.03.26	paid on 2018.04.17	MCSD account
16	HRD	Khurd	497.00	67.23	2018.02.15	2018.02.23	within 2018 .06.30	N/A
17	SUU	Suu	3.00	1,032.00	2018.02.14	2018.04.05	paid on 2018.06.04	MCSD account
18	MNP	Mongol Post	3.68	366.48	2018.02.13	2018.04.13	paid on 2018.06.05	MCSD account
19	MMX	Makhimpex	100.00	380.07	2018.02.13	2018.04.05	from 2018.10.01	at the company
20	TCK	Talkh Chikher	170.00	174.03	2018.02.12	2018.04.06	from 2018.07.01	at the company
21	GHC	Gan Khiits	100.00	24.25	2018.02.09	N/A	N/A	N/A
22	ADL	Aduunchuluun	130.00	409.67	2018.02.07	2018.03.01	N/A	MCSD account
23	TAH	Takhi Ko	108.00	128.52	2018.02.05	2018.03.30	within 2018.05.01	MCSD account
24	UBH	Ulaanbaatar Khivs	100.00	40.48	2018.02.05	2018.02.26	from 2018.05.01	MCSD account
25	GOV	Gobi	220.00	1,716.25	2018.02.02	2018.03.27	paid on 2018.04.24	at the company
26	HRM	Hermes Center	5.00	392.72	2018.01.24	2018.02.15	paid on 2018.04.12	MCSD account

## CAPITAL MARKET NEWS

### Erdene Resource Development Corporation's secondary market trading commenced on 20 June

As per official letter N91/2795 issued by FRC dated 19 June 2018, Erdene Resource Development Corporation's public offering is deemed successful and the permission is granted to commence secondary market trading effective from Wednesday, 20 June 2018.

The Erdene Resource Development Corporation is the first company that is listed at MSE via dual-listing procedure and its public offering received 66 percent oversubscription from 1,248 individuals and entities that submitted orders to buy a total of 6,478,148 shares.

**Source:** Mongolian Stock Exchange

### Securities trading suspended for "Altain Zam" JSC

Securities trading has been temporarily suspended for 'Altain Zam' JSC in accordance with the FRC State inspector's order number 38 dated 18th June 2018, due to the potential violation of the Securities markets law and other relevant regulations by increasing the market price by trading in small quantities. The securities trading is suspended until the case registration closes.

**Source:** Mongolian Stock Exchange

### And Energy JSC will distribute 5-8 percent of its net profit as dividends

Trading turnover of "And Energy" JSC's shares listed on the Mongolian Securities Exchange has reached MNT 9.7 million since June. The share price of the LED lamp producer has fallen 40 percent to MNT 40. Last week, the company has started construction of a new plant. According to the company, it's planned to be finished in August 2018. "And Energy" launched IPO and raised MNT 1.56 billion in November 2017. The company signed an agreement to purchase equipment in April. In the meantime, the company aims to provide 5 percent of the domestic lamp market in 2018-2021 by producing its products in line with international standards.

Additionally, "Energy" company supplied 1,060 products of 14 types to Erdenet Thermal Power Plant which is a state-owned company. The company earned sales revenue of MNT 944.3 million in 2017 and net profit of MNT 121.4 million.

According to the report, 60.2 percent of the company's sales are LED lamps. The remaining 39.8 percent is generated from electrical equipment, assembly, maintenance and industrial automation.

In the future, "And Energy" will distribute 5-8 percent of its annual profits as dividend.

**Source:** BloombergTv.mn

### 30 percent of Erdenes Tavan Tolgoi stake to be sold at stock exchanges

The Government plans to take certain actions to improve economic efficiency of Tavan Tolgoi mine and to establish necessary infrastructure.

Imageln order to raise the required investment, up to 30 percent of the total shares of Erdenes Tavan Tolgoi JSC will be traded in foreign and domestic stock exchanges. Moreover the Cabinet approved to immediately start construction projects of special purpose roads in routes of Tavantolgoi-Gashuunsukhait, Tavantolgoi-Zuunbayan, Tavantolgoi-Oyutolgoi-Khangai and railways in route Tavantolgoi-Gashuunsukhait, Tavantolgoi-Zuunbayan.

It is also planned to hold negotiations with the neighbor countries on transit transportation, down payment, port usage, infrastructure development, investment and sales conditions and to build the deposit-based power plant.

The Cabinet decided to submit a Parliamentary resolution draft, which reflected these issues to Parliament immediately.

In this way, the policy and legal environment for the development of Tavan Tolgoi coal deposit will be established. The Government believes, consequently it will lead to increase of the economic benefits of the deposit and the price growth of the shares owned by citizens, competitiveness growth by producing value added products and selling them on the international market, and infrastructure development.

**Source:** Montsame.mn

### MSE: 46 companies to distribute a total of MNT 146 billion dividends from 2017 net profit

All companies listed in Tier I have distributed dividends. Tavan Tolgoi JSC has distributed MNT 126.9 billion and allocated MNT 1.2 billion to its 1,500 shareholders' accounts. The company has decided to distribute 90 percent of its 2017 net profit. As of May, 2018, 3 shareholders own 87.7 percent of total shares, and 1,837 small shareholders own the rest 12.3 percent of total shares.

APU JSC, which has been distributing dividends for the last 20 years, allocated dividends to shareholders' accounts in May. 6.3 percent of total shares of APU JSC are owned by small shareholders. The company declared a 100 for 1 stock split in 2008 and a 10 for 1 stock split in 2016.

In 2015 and 2016, 27 companies distributed dividends, but 26 companies has distributed dividends in 2017. These 26 companies distributed MNT 146 billion from 2017 net profit.

Within the latest IPOs, 'Itools' JSC announced to distribute dividends from 2018 net profit.

**Source:** BloombergTv.mn



## COMMODITY MARKET NEWS

### Aspire Mining returns 'high-quality' results from Mongolian coking coal testing

Coal explorer Aspire Mining (ASX: AKM) has announced "outstanding" results from pilot coke oven testing of a bulk coal sample taken near its Nuurstei coking coal project in Mongolia.

The testing was undertaken by ALS Laboratories at their Wacol Queensland facilities in Australia, with the results returned to Aspire on Friday.

Aspire claims testing delivered high quality results based on the sample's coke strength reactivity (CSR) and coke reactivity index (CRI).

According to the company, the results confirmed the presence of premium hard coking coal at Nuurstei which, once washed, would be very competitive against the best available coking coals on the market.

"These coke results demonstrate that coal from Nuurstei will be potentially sought after by Japanese and Korean steel producers, as well as from Chinese steel mills where higher quality inputs into the steel industry are being sought," Aspire executive chairman David Paull said.

"It also demonstrates that Mongolia can supply premium coking coals to the world's steel industry," he added.

Aspire holds a 90% interest in the 'Nuurstei' coking coal project. The company is working towards an initial road-based production operation as the project is close to existing infrastructure (town, road, rail and services), although it hopes to eventually connect the project to the proposed Erdenet to Ovoot Railway.

**Source:** BloombergTv.mn

### Xanadu Mines closes fully subscribed AUD 10 million brokered private placement

Xanadu Mines Ltd listed on the Australian Stock exchange has successfully completed a share placement to domestic and international institutional and sophisticated investors to raise AUD 10 million at 17 cents per share. The company received strong support from existing shareholders and demand from new investors, driven by the recent exploration success at its flagship Kharmagtai copper-gold project in Mongolia.

Xanadu chief executive officer Dr Andrew Stewart said: "The placement enables us to further strengthen our share register and balance sheet, allowing Xanadu to complete the resource drilling program at Kharmagtai unencumbered, and provide an updated mineral resource estimate before the end of 2018.

Share price of "Xanadu Mines" increased by 2.7 percent to AUD 0.19 after this announcement.

**Source:** BloombergTv.mn

### Enkhbat.E: Funding issue still the biggest stumbling block to gold mining companies

Bank of Mongolia purchased 6.3 tons of gold year to date, which is 10 percent higher from the same period of the previous year.

The BoM is planning to purchase 22 tons of gold by the end of this year. It is planning to build gold sample laboratories in Bayankhongor and Darkhan-Uul provinces in order to encourage gold miners and individuals to sell their gold to the central bank. These laboratories will start operating in September – October.

The head of the Mongolian Gold Producers Association appraised the central bank's policy to increase gold mining and exploration. However, he said that funding issue is still the biggest stumbling block to gold mining companies.

**Source:** BloombergTv.mn

### Usukh Zoos LLC sells coal for CNY 680 per ton

Coal exporters emphasize that coal price is recovering. Usukh Zoos LLC which operates at Nariin Sukhait mining complex sells coal for CNY 680 per ton.

The CEO of the company said: "The coal price had a downturn trend, but it is recovering now". 'SouthGobi Sands' plans to wash its coal and export it. As a results, 800 thousand tons of coal will be concentrated and exported in 2018. Washed coal will be exported at CNY 500-600 per ton.

"Erdenes Tavan Tolgoi" JSC increased its coal price supplied to "Chalco" by 70 cents. Currently, the company is selling its Eat Tsankhi's coal at USD 60 per ton. According to the Bank of Mongolia, coal price will remain stable in 2018, but it might fall in 2019.

**Source:** BloombergTv.mn

### BNEF: In the next 30 years in the energy sector coal consumption will decrease rapidly

"Bloomberg New Energy Finance" introduced over 70 developing countries' energy sector growth report. The report noted that by 2050, the world energy sector will mainly consist of renewable energy. Countries' governments focusing more on decreasing carbon output, and increasing development of solar and wind energy sectors is the main factor. Also by 2050 a total of about USD 11.5 trillion investment will be made in the energy sector. The most, about 85% of that amount will be made in solar, wind and other pro-environment technologies. On the other hand analysts noted that in the next 30 years coal consumption will decrease rapidly. Also as electric vehicle demand increases the battery sector is set to attract USD 548 billion of investment by 2050.

**Source:** BloombergTv.mn

## OTHER NEWS



### Sales manager index reached 63.3 units in June and decreased by 0.1 units from previous month's

According to "World Economics" the sales manager index intended to predict the economic growth of Mongolia reached 63.3 units and decreased a little from previous month. Although the index decreased by 0.1 units it's still at its highest points since June 2013. Since April 5 sub-indicators have all risen above 50 units and entered growth area. For example, Mongolian sales growth index reached 66.4 units this June and reached a 5 year high point. Also in 2018, business trust index has been in growth area, however with prices rising rapidly in May caused the index to decrease in the last month. Goods and services price increase was mainly related to the depreciation of the tugrik said "World Economics".

"World Economics" noted that although the tugrik depreciated by 1.3 percent against the US Dollar in the last 2 months the Mongolian business trust index is still at a high point.

According the NSO inflation was at 6.1 percent in May. It was lower than the previous months' but was higher than by 0.1 percentage points from April. According to Mongol bank inflation is going to stabilize at around the target of 8 percent.

**Source:** National Statistical Office

### The imports of heavy duty trucks have gone up sharply as the mining sector intensified

Car imports have risen year to date. Especially, imports of heavy trucks have increased by 90 percent comparing to the same period of the previous year to 7,415 units. As a result, the import has risen by 2.5 times to USD 23.4 million. Importers highlighted that imports are rising as the mining sector intensifies. 85 percent of trucks are imported from China.

Car imports have increased by 37 percent to USD 134.1 million. This year, importers have started importing brand new cars. For instance, "Monnis Motors" has started importing "Renault" brand cars from France, "Tavan Bogd" is importing "Land-Cruiser-76" cars.

**Source:** BloombergTv.com

### BoM: Mongolia has enough foreign exchange reserves to prevent strong currency fluctuation

Bank of Mongolia (BoM) has supplied USD 88.7 million in the recent foreign exchange auction. Since June 15, banks sent about USD 290 million purchase offers 3 times but BoM decided not to participate because BoM stated in the monetary policy to follow a market based flexible currency approach. BoM noted that Mongolia has enough foreign exchange reserves to prevent strong currency fluctuations. Foreign exchange reserves reached USD 2.98 billion this April. This was 142% more compared to the previous year. Tugrik appreciated to its highest point since July of 2017 this April. Foreign exchange inflow is predicted to increase in the future. For example, BoM stated that through the IMF program, USD 836 million is expected to come this year. This is about USD 100 million more than the previous year.

**Source:** BloombergTv.com

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