



WEEKLY MARKET UPDATE

2019.08.19 - 08.23

MACROECONOMIC UPDATE OF MONGOLIA

Fitch on Mongolia 2019 discusses Mongolia's mining and banking sector outlook

International credit rating agency Fitch ratings organized "Fitch on Mongolia 2019" forum in Ulaanbaatar on August 21. Being hosted for the third year, the forum brought together analysts and guests from leading institutions to discuss about opportunities and challenges the Mongolian economy faces today. This year, the Fitch on Mongolia 2019 focused on the Mongolia's economic and banking sector, its policy challenges as well as mining industry of the country.

Apart from analysts from the Fitch Ratings, delegates from the financial and banking institutions of Mongolia, such as Bank of Mongolia, Development Bank of Mongolia, Khan Bank, Trade and Development Bank of Mongolia, Ministry of Finance, Ministry of Mining and Heavy Industries took part in the event to introduce about the policy environment of the economic and financial fields of Mongolia and challenges and opportunities of doing business in Mongolia.

At the panel discussion under the theme "Views on Mongolia's economic and banking sector outlook, and policy challenges", guests touched on several issues, including macroeconomic developments and policy priorities, external financing challenges for the sovereign and banks, bank asset quality trends, banking sector capital needs and banks' growth strategy and challenges. Speakers and guests of the discussion agreed that the Mongolian economy is still dependent on investment and funding from the outside market, which makes the country's financial environment vulnerable to exchange rate changes. In addition, the developing vibrant democracy sometimes can be too vibrant because of its political instability. Another discussion was held to weigh on the developments and challenges of the Mongolian mining sector, policy framework for mining and non-financial corporates in Mongolia and capital market access for Mongolian corporates.

As the government of Mongolia has long announced the sectors of mining, agriculture and tourism are the three crucial areas to focus on towards the economy development, the participating analysts noted that the country's potential of export is great. For instance, the renewable energy field of Mongolia has big opportunities for further growth, which includes its ambition to export energy produced from renewable sources to China. Moreover, the ongoing development of the road and transportation of Mongolia is helping to tackle the challenges of the high cost of transportation, which is a disadvantage during price downturns of the mining commodities. Another promising opportunity for export of Mongolia exists with the US bill "Third Neighbor Trade Act", which allows duty-free export of the cashmere and other light industry products.

While the participants of the forum acknowledged that domestic political stability and policy certainty would contribute most to attracting investment in Mongolia, government officials also presented about the government policy and measures being taken in order to build the economic development and reduce the impacts of the global commodity price on the export products of Mongolia.

Also at the event, Andrew Fennell, Director of Asia Pacific Sovereigns of the Fitch Ratings introduced about some key rating drivers for Mongolia. As the Fitch Ratings has recently affirmed Mongolia's long-term foreign-currency issuer default rating (IDR) at 'B' with a stable outlook, the key influencing factors were the country's robust growth outlook, improving fiscal metrics and strong governance indicators as well as its narrow economic base and a volatile political landscape.

Source: Montsame.mn

WORLD INDICES

Index	Country	Last Price	Change /w/
MSE TOP 20	Mongolia	19,522.19	-2.37% ▼
Dow Jones	USA	25,628.90	-0.99% ▼
S&P 500	USA	2,847.11	-1.44% ▼
Nasdaq	USA	7,751.77	-1.83% ▼
S&P/TSX	Canada	16,037.58	-0.69% ▼
FTSE 100	GB	7,094.98	-0.31% ▼
S&P/ASX 200	Australia	6,523.10	1.84% ▲
Nikkei 225	Japan	20,710.91	1.43% ▲
Hang Seng	Hong Kong	26,179.33	1.73% ▲

MONGOLIA RELATED BONDS

Issuer	Currency	Coupon	Last Price
Mongol 2024 (Khuraldai)	USD	8.750%	111.45
Mongol 2023 (Gerege)	USD	5.625%	100.41
Mongol 2022 (Chinggis)	USD	5.125%	99.66
Mongol 2021 (Mazalai)	USD	10.875%	109.55
DBM' 23 (Samurai)	JPY	1.520%	104.15
DBM' 2023	USD	7.250%	102.25
TDBM' 2020	USD	9.375%	102.74
MGMTGE' 2022 (Hoelun)	USD	9.750%	99.78

MARKET RATES

Rates	Last	Change /w/
Libor 1M	2.140	-0.03 ▼
Libor 3M	2.144	0.01 ▲
Libor 6M	2.080	0.06 ▲
Libor 1YR	2.029	0.08 ▲
US 2YR Bond	1.459	-0.03 ▼
US 3YR Bond	1.384	-0.06 ▼
US 5YR Bond	1.352	-0.08 ▼
US 10YR Bond	1.480	-0.10 ▼

EXCHANGE RATES

Against MNT	2019.08.23	Change /w/
USD	2,671.55	-0.05% ▼
CNY	376.98	-0.63% ▼
EUR	2,957.14	-0.18% ▼
RUB	40.71	0.59% ▲
KRW	2.21	0.00% -
JPY	25.05	-0.52% ▼
CAD	2,006.20	-0.11% ▼

COMMODITY PRICE

Commodity	Unit	Last Price	Change /w/
Gold /spot/	USD/t oz.	1,526.96	0.89% ▲
Silver /spot/	USD/t oz.	17.43	1.82% ▲
Copper	USD/lb.	253.75	-2.22% ▼
Coal	USD/MT	67.30	-1.10% ▼
Crude Oil WTI	USD/bbl.	54.17	-1.28% ▼
Crude Oil Brent	USD/bbl.	59.34	1.19% ▲

MONGOLIAN MACRO ECONOMIC INDICATORS

Indicators	Reference	Amount
Inflation Rate	2019. VII	7.70%
Policy Rate	2019. VII	11.00%
Interbank Rate	2019. VII	10.99%
Deposit Interest Rate /MNT/	2019. VII	11.44%
Deposit Interest Rate /Foreign currency/	2019. VII	4.98%
Loan Interest Rate /MNT/	2019. VII	16.99%
Loan Interest Rate /Foreign currency/	2019. VII	10.75%

MSE TRADING UPDATE

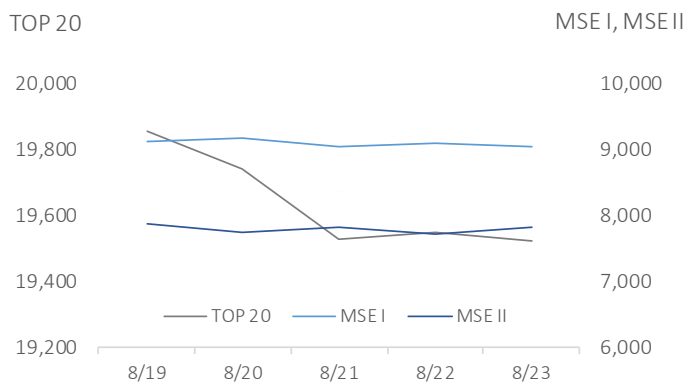
In this week, a total of 38 companies' 1,058,977 shares worth MNT 501.5 million were traded in the secondary market.

'Khurd' /HRD/ company's share rose 15.00% percent to MNT 4,279.0 while 'Frontier Land Group' /MDR/ company's share fell 14.09 percent to MNT 189.0.

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

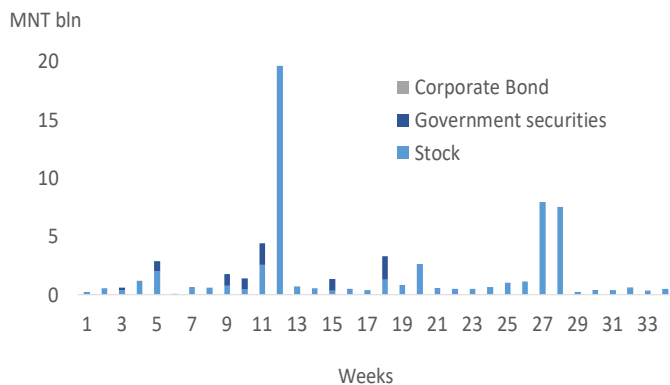
As of August 23, total market capitalization of MSE is MNT 2,499.8 billion. The TOP-20 index decreased by 2.37% to stand at 19,522.19 units.

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	501.5
Market Capitalization	2,499,776.5

STOCK MARKET INDICES

Index	Last Price	Change /w/
MSE Top 20	19522.19	-2.37% ▼
MSE I Index	9,042.33	-1.99% ▼
MSE II Index	7,820.33	-1.08% ▼

ACTIVELY TRADED SECURITIES

Company	Volume	Turnover /MNT/
Ard Financial Group	154,237	211,848,412
Tavantolgoi	18,219	118,902,450
Gobi	125,443	35,575,332
APU	41,658	21,885,767
Invescore NBFI	11,109	20,890,827

SECURITIES WITH MOST GROWTH

Company	Last Price /MNT/	Change /w/
Khurd	4,279.00	15.00% ▲
Genco Tour Bureau	70.00	11.09% ▲
Mogoin Gol	7,990.00	6.53% ▲
Hermes Centre	127.54	6.28% ▲
Mongol Shevro	1,800.00	4.65% ▲

SECURITIES WITH MOST DECLINE

Company	Last Price /MNT/	Change /w/
Frontier Land Group	189.00	-14.09% ▼
Ard Financial Group	1,352.00	-9.81% ▼
BDSec	833.22	-7.42% ▼
Remicon	26.00	-7.14% ▼
Talkh Chikher	17,020.00	-5.44% ▼

MOST ACTIVE BROKERAGE FIRMS

Company	Trading amount /MNT/
Ard securities	418,456,610
BDSec	249,628,722
Standard Investment	87,322,516
TDB Capital	55,017,099
Golomt Capital	30,102,537

COMPANIES WITH HIGHEST MARKET CAPITALIZATION

Company	Last Price /MNT/	Market Cap. /MNT mln/
APU	520.00	553,374
Tavan Tolgoi	6,840.00	360,330
MIK Holding	13,700.00	283,718
Gobi	277.82	216,731
Invescore NBFI	1,909.00	136,929

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 NBFI	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	paid on 2019.06.14
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	paid on 2019.04.24
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	paid on 2019.05.27
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	from 2019.04.11
18	APU	APU	57,851.7	48,952.4	84.6%	46.0	2019.02.19	2019.04.04	paid on 2019.05.20
19	AIC	Ard Insurance	1,263.4	631.8	50.0%	25.3	2019.02.19	2019.03.15	paid on 2019.06.17
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	paid on 2019.07.19
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	paid on 2019.07.26
28	TEE	Teever Darkhan	22.3	81.7	365.5%	500.0	2019.04.17	2019.03.27	within 2019.12.31
29	ERS	Mongol Alt	6.3	39.9	631.2%	150.0	2019.04.17	2019.03.27	within 2019.12.31
30	TTL	Tavan Tolgoi	52,858.1	44,923.4	85.0%	853.0	2019.04.26	2019.04.01	paid on 2019.06.11
31	EER	Arig Gal	449.3	109.4	24.3%	32.5	2019.04.26	2019.03.27	within 2019.09.30
32	HRM	Hermes Center	481.3	447.7	93.0%	5.7	2019.08.15	2019.09.02	from 2019.09.12

CAPITAL MARKET NEWS

Semi annual report of the Mongolian Stock Exchange.

The “Mongolian Stock Exchange” state-owned company has achieved the following results in the first half year of 2019, but not limited to:

- MSE traded total of 376.9 million shares worth MNT 82.3 billion on primary and secondary markets while 79.8 thousand units of Government bonds worth MNT 7.9 billion on secondary market. In total, the market turnover reached MNT 90.2 billion which showed an increase of 16.1 percent or MNT 12.5 billion compared to the same period of last year.

- The market capitalization grew by 4.83 percent to MNT 2.6 trillion as compared to the previous year.

- MSE experienced the record number of IPOs, 4 new issues in a half year, in the reporting period. The primary market trades amounted to MNT 42.5 billion which indicates a three-fold growth.

- In order to ensure compliance of listed companies, MSE has delisted 22 issuers who failed to perform its obligations as well as whose trade suspended for a long period.

- In order to increase professional investors and improve market liquidity, MSE drafted and adopted the Listing Rules of Closed-End Funds in June 2019 and submitted to the Financial Regulatory Commission for further approval.

- MSE organized the Capital Market Open Day event 5 provinces where more than 7000 people attended.

- As for the financial results, despite the fact that no Government securities are issued on the primary market, MSE generated operating income of MNT994.4 million and an operating expenses of MNT 716.9 million which results in a surplus of current period operations of MNT 277.4 million. It recorded a pretax loss of MNT 204.6 after recognizing an accumulated depreciation and amortization as well as service charges of MNT482.1 million related to Millennium IT system.

- Comparing to the same period of previous year total income was increased by 25.3%, trading fee by 34.6% and service fee by 24.6% respectively. A total of MNT 274.9 million of taxes and fees were paid to the state budget which was 25.1% higher than the previous year. As compared to the same period of 2018, total income, trading commission and service charges and fees rose by 25.3 percent, 34.6 percent and 24.6 percent respectively. It also paid a total of MNT274.9 million to state budgets which is an increase of 25.1 percent compared to the same period of 2018.

Source: Mongolian Stock Exchange

Attention to the shareholders of ‘Ard Financial Group’ JSC

According to the Resolution No.: 19/11 of Board of Directors Meeting of ‘Ard Financial Group’ JSC dated on August 9, 2019, ‘Ard Financial Group’ JSC has announced to conduct external voting.

Shareholders may participate in the external voting by themselves or by proxy voting through their brokerage companies by submitting forms.

Source: Mongolian Stock Exchange

‘Lendmn NBFI’ JSC holds public reporting event at the MSE

‘Lendmn NBFI’ JSC, a Tier 1 listed company, presented its semi-annual financial and operational report to public on August 16, 2019 at the Mongolian Stock Exchange. During the reporting period, the company aimed at increasing the scope of e-loan and its payment services, with the following major achievements:

- The LendMn open platform was introduced to public and also it introduced new online stores, discount coupons, international money transfer services as well as donation system into the app.

- Comparing to the same period of previous year, the number of contracted customers, number of lending and total amount of loan increased by 2.5-fold, 4.6-fold and 5-fold respectively.

- Net income rose by 2-fold reaching MNT2.56 billion.

- With regards to the stock trading, on average MNT12.6 million of stocks were traded on a daily basis through the Mongolian Stock Exchange, which amounted to 8.48% of the total trades conducted on the Mongolian Stock Exchange during the reporting period.

The Company has announced that it plans to sell its shares by issuing depositary receipts on the Korean market in the future.

Source: Mongolian Stock Exchange

‘Tavantolgoi’ JSC presents its 2019 semi-annual report to public at the MSE

‘Tavantolgoi’ JSC, a Tier 1 listed company, presented its semi-annual financial and operational report to public on August 16th, 2019 at MSE. During the reporting period:

- The company sold 1.1 million tonnes of coal and its sales revenue increased by 36.7% to MNT123.7 billion compared to same period of last year. Net income rose by 19% reaching MNT 23.0 billion.

- With regards to the composition of the sales, coking coal, low coking coal and non-coking coal compose 53%, 23% and 7% respectively. The remaining percentage belongs to coal supplied to domestic market. Cost of goods sold increased due to the climate and geology condition.

- The company also contributed MNT38.9 billion to the local and State budget.

Source: Mongolian Stock Exchange



COMMODITY MARKET NEWS

Construction of railway from Tavantolgoi deposits and Gashuusukhait port to resume

Last July, the Government of Mongolia made a decision to resume the construction work of the railway Tavantolgoi-Gashuusukhait, which has been stopped due to issues concerning railway gauge, connection point and funding. The government will finance the construction, which is planned to complete by December 2020. During a presentation meeting "Development and investment of Tavantolgoi-Gashuusukhait railway" held on August 25, officials gave an update on the railway construction.

The construction of the 240 km long railroad with 2 stations and 5 passing loops will restart next month to continue for 28 months. During this period, a railroad with a load capacity of 25 tons, 16 bridges, 126 tunnels and 8 wildlife crossings will be built. It is deemed that the railway will transport annually around 30 tons of thermal and coking coal for exports, which further result in a two-to threefold growth of mining exploitation of the Tavantolgoi deposit, a decrease of coal transportation cost within the territory of Mongolia by USD 8 per ton and creating some 1900 jobs. Furthermore, the government will receive dividends amounting to USD 1 billion within the period of 25 years.

Tavantolgoi coal is sold at USD 70 per ton at the mine. Thanks to the railroad, the coal would be delivered to the country's border and traded at a higher price of USD 120-150 per ton. Freight train travel time between Tavantolgoi station to Gashuusukhait border crossing will be around 4 hours. Moreover, if the coal is transported to the China's ports of Huanghua and Tianjin on the assumption that agreements are made with corresponding Chinese railway companies, the price per ton would go up to USD 200-250.

In 2013-2015, around 51 percent of the lower structure of the road, 86.6 percent of the planned earthworks and 52 percent of tunnels and bridges were completed, totaling about USD 280 million. The total cost of the railway construction is USD 1.07 billion and some USD 790-830 million is required to complete the construction project.

Now, Erdenes Tavantolgoi JSC and Mongolian Railway state-owned company each own 66 and 34 percent of the Tavantolgoi Railway LLC, a company that was responsible for the construction, respectively to fund the construction. For that reason, the Erdenes Tavantolgoi JSC established a subsidiary company and working to open IPO with a view to raise capital of more than USD 1.2 billion.

According to CEO of Erdenes TavanTolgoi JSC B.Gankhuyag, the company is carrying out three large-scale projects, as the Government of Mongolia, in 2018, assigned Erdenes TavanTolgoi JSC to raise capital from international stock market and finance the constructions.

The first project of Tavantolgoi-Zuunbayan railway construction is currently ongoing with the help of military and professional organizations.

The second project is the Tavantolgoi-Gashuusukhait, which holds significant economic value. As the current transportation cost of a ton of coal is around USD 32, the railway will provide chances to decrease the cost down to USD 8.

The third project is an auto road Tavantolgoi-Gashuusukhait. The single-track road presently transports around 17 million tons of coal a year. Building another parallel road is an effort to ensure safety of drivers. Within the framework of the projects by the Erdenes-Tavantolgoi JSC, more than ten companies were newly founded, such as coke plant, power plant, IPO company and railway company, creating more than six thousand job places at the company and 21 thousand outside the company.

Speaking of the which, the Erdenes-Tavantolgoi JSC has extracted 8.4 million tons of coal and sold them for exports in the first quarter of 2019. To date, the company's sales volume reached MNT 1 billion and net income was recorded at MNT 677 billion, exceeding its initial plan by 20-50 percent.

Source: Montsame.mn

Erdenes Mongol introduced projects offering for investors

At the Boao Forum for Asia Ulaanbaatar, P.Gankhuu, CEO of Erdenes Mongol LLC presented about company's projects with high social and economic benefits as well as partnership business opportunities for local and foreign investors.

The Erdenes Mongol LLC is engaged in activities to exploit major strategic mineral deposits and to create value-added products of infrastructure, energy, transportation and logistics. For instance, the company is working on a coal and renewable energy project "Shivee Energy" to produce energy with brown coal and export to China and further Northeast Asian countries. Its subsidiary company Erdenes Steel LLC also carries out a project to produce 300 thousand tons of steel and 500 thousand tons of coke with a Chinese company. The Government of Mongolia gave the company a direction to represent Mongolia in major regional cooperation projects.

What's more, the company is also in charge of various projects that are open to foreign investors for cooperation in all of their stages, such as utilization of the Baganuur mine, building of a gold processing factory and methane exploration with Australian investors. In addition, the company is offering another project to produce electricity out of methane gas, which is reserved in the Tavantolgoi deposit, in order to solve air pollution issue.

Source: Montsame.mn

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