

WEEKLY MARKET UPDATE

2019.08.26 - 08.30

MACROECONOMIC UPDATE OF MONGOLIA

ADB to upgrade two new border crossing points to improve trade facilitation in Mongolia

The Asian Development Bank (ADB) has approved a USD 27 million loan as additional financing to expand the scope of an ongoing cross-border trade facilitation project in Mongolia, which will now include two new border crossing points (BCPs).

“Improving the efficiency and transparency of trade processes is essential to facilitate trade and transport in Mongolia,” said ADB’s Regional Cooperation Officer in Mongolia Mrs. Unurjargal Dalaikhuu. “ADB’s support will help the government remove bottlenecks and reduce trade costs through the rehabilitation and provision of border facilities in the BCPs.”

As a landlocked country between the People’s Republic of China (PRC) and the Russian Federation, a large share of Mongolia’s gross domestic product is linked to foreign trade. From 2009 to 2017, exports increased from about USD 1.9 billion to USD 6.2 billion. Over that same period, imports increased from USD 2.1 billion to USD 4.3 billion.

The newly approved additional financing for the ongoing Regional Improvement of Border Services Project will further upgrade BCPs in Bichigt, bordering the PRC in the east; and Borshoo, which borders the Russian Federation in the west. The project will replicate the development initiatives of the ongoing project, which is already upgrading facilities and equipment of the BCPs in Altanbulag and Sukhbaatar, located in the northern part of Mongolia.

Additionally, ongoing work to improve the communications infrastructure for the Customs Automated Information System as well as the preparatory work for a single window system for the BCPs in Altanbulag and Sukhbaatar will be replicated to the two additional BCPs. Technical knowledge and capacity of relevant border agencies for all BCPs under the project, meanwhile, will be enhanced. The Government of Mongolia expects these two additional BCPs to become gateways for Mongolia’s bilateral and transit trade with and through the PRC and the Russian Federation. The trade turnover in Bichigt is forecasted to double to USD 400 million by 2026, including USD 95 million in imports, while trade turnover in Borshoo will triple to USD 95 million, mostly through increased imports.

ADB is committed to achieving a prosperous, inclusive, resilient, and sustainable Asia and the Pacific, while sustaining its efforts to eradicate extreme poverty. In 2018, it made commitments of new loans and grants amounting to USD 21.6 billion. Established in 1966, it is owned by 68 members—49 from the region.

Source: Montsame.mn

WORLD INDICES

Index	Country	Last Price	Change /w/
MSE TOP 20	Mongolia	19,665.97	0.74% ▲
Dow Jones	USA	26,403.28	3.02% ▲
S&P 500	USA	2,926.46	2.79% ▲
Nasdaq	USA	7,962.88	2.72% ▲
S&P/TSX	Canada	16,442.07	2.52% ▲
FTSE 100	GB	7,207.18	1.58% ▲
S&P/ASX 200	Australia	6,604.20	1.24% ▲
Nikkei 225	Japan	20,704.37	-0.03% ▼
Hang Seng	Hong Kong	25,724.73	-1.74% ▼

MONGOLIA RELATED BONDS

Issuer	Currency	Coupon	Last Price
Mongol 2024 (Khuraldai)	USD	8.750%	104.19
Mongol 2023 (Gerege)	USD	5.625%	102.58
Mongol 2022 (Chinggis)	USD	5.125%	109.64
Mongol 2021 (Mazalai)	USD	10.875%	100.01
DBM’ 23 (Samurai)	JPY	1.520%	101.02
DBM’ 2023	USD	7.250%	111.70
TDBM’ 2020	USD	9.375%	102.85
MGMTGE’ 2022 (Hoelun)	USD	9.750%	99.53

MARKET RATES

Rates	Last	Change /w/
Libor 1M	2.089	-0.05 ▼
Libor 3M	2.138	-0.01 ▼
Libor 6M	2.037	-0.04 ▼
Libor 1YR	1.974	-0.05 ▼
US 2YR Bond	1.504	0.04 ▲
US 3YR Bond	1.427	0.04 ▲
US 5YR Bond	1.387	0.03 ▲
US 10YR Bond	1.496	0.02 ▲

EXCHANGE RATES

Against MNT	2019.08.30	Change /w/
USD	2,672.00	0.02% ▲
CNY	374.11	-0.76% ▼
EUR	2,949.35	-0.26% ▼
RUB	40.19	-1.28% ▼
KRW	2.21	0.00% -
JPY	25.10	0.20% ▲
CAD	2,008.42	0.11% ▲

COMMODITY PRICE

Commodity	Unit	Last Price	Change /w/
Gold /spot/	USD/t oz.	1,520.38	-0.43% ▼
Silver /spot/	USD/t oz.	18.38	5.46% ▲
Copper	USD/lb.	255.15	0.55% ▲
Coal	USD/MT	65.85	-2.15% ▼
Crude Oil WTI	USD/bbl.	55.10	1.72% ▲
Crude Oil Brent	USD/bbl.	60.43	1.84% ▲

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%

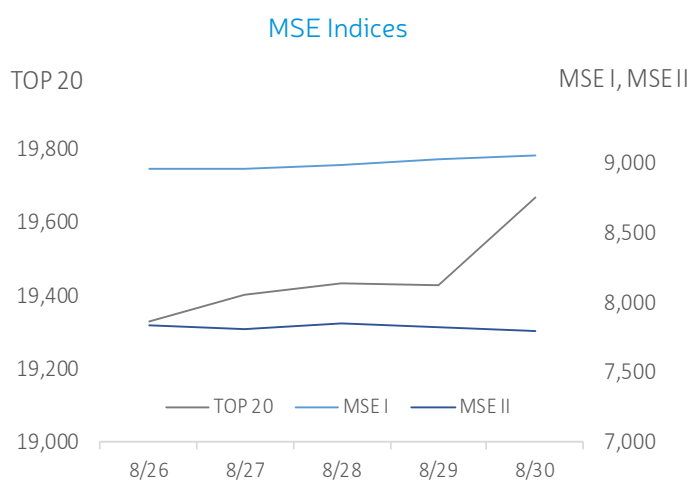
MSE TRADING UPDATE

In this week, a total of 40 companies' 836,046 shares worth MNT 218.8 million were traded in the secondary market.

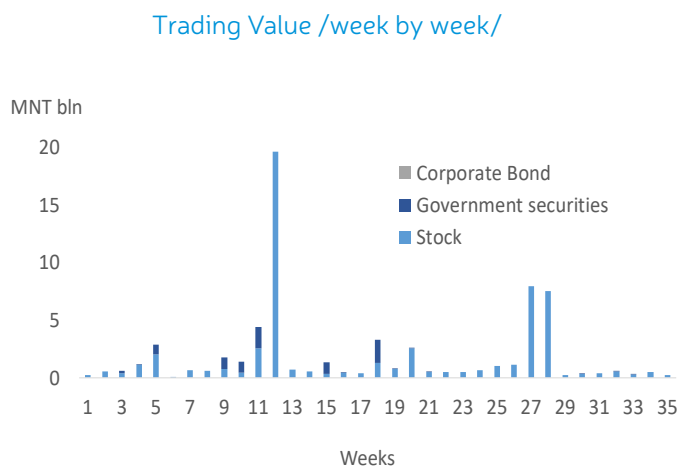
'Juulchin Duty Free' /SUL/ company's share rose 14.89% percent to MNT 100,000.0 while 'Mongol Savkhi' /UYN/ company's share fell 14.92 percent to MNT 553.0.

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

As of August 30, total market capitalization of MSE is MNT 2,493.5 billion. The TOP-20 index increased by 0.74% to stand at 19,665.97 units.



Source: Mongolian Stock Exchange



Source: Mongolian Stock Exchange

STOCK MARKET REVIEW

Review	Total amount /MNT mln/
Total Value	218.8
Market Capitalization	2,493,472.4

STOCK MARKET INDICES

Index	Last Price	Change /w/
MSE Top 20	19,665.97	0.74% ▲
MSE I Index	9,044.47	0.02% ▲
MSE II Index	7,783.50	-0.47% ▼

ACTIVELY TRADED SECURITIES

Company	Volume	Turnover /MNT/
APU	98,851	50,082,239
Ard Financial Group	38,101	48,182,160
Gobi	105,991	29,712,241
Monos Khuns	209,666	14,159,528
Tavantolgoi	2,068	13,846,540

SECURITIES WITH MOST GROWTH

Company	Last Price /MNT/	Change /w/
Juulchin Duty Free	100,000.00	14.89% ▲
Arig Gal	3,550.00	10.94% ▲
Mongolian Post	588.92	8.77% ▲
BDSec	899.51	7.96% ▲
UB-BUK	429.00	7.52% ▲

SECURITIES WITH MOST DECLINE

Company	Last Price /MNT/	Change /w/
Mongol Savkhi	553.00	-14.92% ▼
Khukh Gan	70.00	-9.09% ▼
Ard Credit NBF	68.27	-7.66% ▼
Baganuur	1,100.00	-7.56% ▼
Sharyn Gol	1,400.00	-6.67% ▼

MOST ACTIVE BROKERAGE FIRMS

Company	Trading amount /MNT/
Ard Securities	111,453,992
BDSec	47,486,132
TDB Capital	47,046,175
Novel Investment	41,438,643
Standard Investment	21,845,724

COMPANIES WITH HIGHEST MARKET CAPITALIZATION

Company	Last Price /MNT/	Market Cap. /MNT mln/
APU	508.50	541,136
Tavan Tolgoi	6,800.00	358,123
MIK Holding	13,700.00	283,718
Gobi	282.43	220,327
Invescore NBF	1,920.00	137,718

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

“Lendmn NBF” JSC appoints O.Boldbaatar as new CEO

According to the Resolution No.: 19/40 of Board Meeting of ‘LendMN NBF’ JSC dated on August 15, 2019, Mr.Boldbaatar was appointed as the CEO of ‘LendMN NBF’ JSC replacing Mr. Gantulga upon the FRC approval given by official letter No.: 7/3136 of August 23, 2019.

Professional and educational background of Mr. Boldbaatar:

Occupation: Financier and auditor, CPA

Work experience:

-2004-2005, Auditor at ‘Denge Denetim/Mazars’ company in Turkey

-2005-2006, Senior auditor at ‘Dalaivan Auditor’ LLC

-2006-2009, Senior auditor at ‘Ernst Young Mongolia’ LLC

-2010-2015, Senior manager, ‘PwC Mongolia’ LLC

-2015-2016, Manager at ‘PwC UK’

-2016- present, Founder and Head of finance of ‘And Global’ LLC and Chairman of ‘LendMN NBF’ JSC

Source: Mongolian Stock Exchange

MSE will be open on September 7, 2019

According to the Government Resolution of September 3, 2019 to mark September 3 of this year as a public holiday in connection with the 80th anniversary of the victory of the Khalkhiin Gol Battle, MSE will be closed on the September 3, Tuesday. The September 7, 2019, Saturday has been changed to a working day.

Source: Mongolian Stock Exchange



The Financial Regulatory Commission held its regular meeting

The FRC held its 13th General Meeting of 2019 to review and resolve 18 cases in the non-banking financial sector.

During the meeting, the special license to carry out savings and credit cooperative activities was issued to ‘Lun Myangany Orgil’ SACCO, loss adjuster license was issued to ‘Enkh Nakhia’ LLC, and ‘Serelt Dul Audit’ LLC was authorized to provide auditing services for participants in the securities market. Additionally, the Commission registered a representative office of ‘Ashid Bilguun’ LLC, resumed the license validity of several securities and insurance companies, issued insurance agent license to certain individuals, approved changes in share capital amount, and additionally issued license to carry out factoring and other activities to certain non-banking financial institutions.

During the meeting, the FRC revoked licenses of several insurance and securities companies.

Source: Financial Regulatory Commission

Second quarter overview of the financial market has been published

The Financial Regulatory Commission has organized its press conference, which introduces a quarterly review of market, securities, insurance, non-bank financial institutions and savings and credit cooperatives. The meeting presented the second quarter of 2019 in the financial sector.

Below is the summary of the Second Quarter of the Financial Market 2019

Capital Market

As of the second quarter of 2019, there are 53 brokerage companies with special licenses and 307 listed JSCs. Securities market value reached MNT 2,604.8 billion, an increase of MNT 119.9 billion or 4.8 percent compared to the same period of the previous year. During the reporting period, total trade of MNT 82.5 billion took place, making the liquidity 3.2 percent. This is an increase of 1.2 percentage points compared to the same period of the previous year.

Also, a total of MNT 90.5 billion was traded through “Mongolian Stock Exchange” JSC and “Mongolian Securities Exchange” JSC.

Insurance market

Total market capitalization increased by 25.7 percent to MNT 354.7 billion compared to the same period of the previous year. As a result of the increase in the structure of the insurance industry, the share of the insurance sector has risen to 20.7 percent in the reporting period, compared to 16.6 percent in the previous year. 76.7 percent of the total capital is the capital of ordinary insurance companies and 2.6 percent of the long-term insurance companies.

Non-bank financial institutions

There are 538 non-bank financial institutions operating in the financial market. The total asset reached MNT 1.5 trillion, which is an increase of 34.0 percent or MNT 389.4 billion compared to the same period of last year.

Total NBFIs loan outstanding grew by MNT 328.4 billion or 42.7 percent to reach MNT 1.1 trillion. 84.7 percent of the total loan outstanding was to individuals and 15.3 percent was to legal entities. The number of borrowers increased 2.4 times to 360.3 thousand compared with the same period of the previous year, while total number of clients increased by 1.6 times to 2.3 million. Monthly weighted average interest rate is 3.3 percent.

Savings and Credit Cooperative

There are 275 operating cooperative with the license of the Savings and Credit Cooperative activities which means the number of cooperatives decreased by 14 compared to the same period of last year. Total assets reached MNT 210.6 billion during the reporting period which is an increase of 19.6 percent compared to the same period of last year. Of the SCC, 90.5 percent or 249 SCCs accounted for deposit of MNT 148.4 billion.

The total net profit of the sector reached MNT 2.9 billion, an increase of 11.9 percent compared to the previous year and revenue grew by MNT 24.4 billion or 26 percent from the same period of last year.

Source: Financial Regulatory Commission

COMMODITY MARKET NEWS

Mongolian Mining Corporation announces 2019 Interim Results

Mongolian Mining Corporation (MMC), the largest producer and exporter of washed hard coking coal in Mongolia, today announced its unaudited interim results for the six months ended June 30, 2019.

During the reporting period, the Group generated a total revenue of USD 325.6 million, an increase of nearly 20 percent. The Group sold approximately 2.0 million tons of hard coking coal, an increase of 14.0 percent as compared to 1.7 million tons of hard coking coal sold during the same period in 2018.

The average selling price for hard coking coal was USD 147.0 per ton in the reporting period. Gross profit amounted to approximately USD 129.9 million in the period, representing an increase of 20.1 percent year-on-year; while profit attributable to equity shareholders of the Company surged by 59.4 percent to approximately USD 47.1 million.

Dr. Battengel Gotov, Chief Executive Officer of MMC, said, "We are pleased to report sound financial and operational performance for the period, highlighted by nearly 20 percent revenue growth and over 59 percent growth in profit attributable to equity shareholders. Building on the strong first half of the year, we look to continuously push our production and sales volumes by utilizing our existing coal mining and processing capacity, optimizing our transportation and logistics efficiency and expanding relations with our end-user customers' base. Also, we shall remain focused on our commitment to safe and responsible mining operations.

Source: Montsame.mn

Income from mining sector increases by 24 percent

The Ministry of Mining and Heavy Industry issued the sector's statistics for first seven months of 2019.

As of July, the sector accumulated MNT 1.7 trillion billion to the state budget as taxes, fees and royalties. MNT 22.2 billion has come from gold mining, MNT 788.7 billion from coal, MNT 53.6 billion from zinc, MNT 723.1 billion from copper, MNT 14.5 billion from iron, MNT 19 billion from fluorspar and MNT 41 billion from others minerals.

Compared the same period of the previous year, the income from major commodities increased by MNT 321.3 billion or by 24 percent, incomes from coal extraction increased by MNT 230.4 billion or by 41.3 percent, income from copper increased by MNT 97.9 billion or by 15.7 percent, income from iron increased by MNT 5.1 billion or by 53.8 percent and income from fluorspar increased by MNT 9.3 billion or by 96.9 percent.

As of July 31, 4.0 million barrel or 554,957 tons of crude oil have been extracted and 3.87 million barrel or 525,300 tons of crude oil have been exported. Bringing income worth MNT134.4 billion to the State Budget.

As of August 27, Mongolia has a 39-day reserve of oil products for domestic needs. As of July 2019, Mongolia has imported 1.2 million tons of petroleum.

Additionally, there are 2,889 registered exploration and mining licenses of mineral resources throughout the country.

Source: Montsame.mn

Fitch Ratings: Mongolian Mining Benefits from Strong Chinese Coking-Coal Demand

Mongolian Mining Corporation's (MMC, B/Stable) interim 1H2019 results reveal that the coking-coal miner's business and financial profiles remain solid on high demand from northern China, says Fitch Ratings.

Higher coking-coal sales volume saw MMC's revenue increase by 19.6% y-o-y to USD 326 million, even though the average selling price for hard coking coal was almost flat and its hard coking-coal operating cash costs increased by 3.2% y-o-y to USD 73 per ton. EBITDA, excluding one-off and non-cash items, also increased to USD 118 million, from USD 100 million, with the debt/EBITDA ratio declining to 1.9x in the last 12 months. The ratio is set to beat our expectations of more than 3.0x in 2019. Total capex increased by 36% y-o-y to USD 47 million, as MMC increased capitalised stripping costs. This is in line with our capex forecast for 2019 and regular sustaining capex was almost flat y-o-y, at roughly USD 5 million in 1H2019.

MMC boosted its 1H2019 coking-coal sales volume by 14% y-o-y to two million tons on higher Chinese consumption, which was up by 9.7% y-o-y in 1H2019 to 272 million tons. This saw Chinese coking-coal imports rise by 23% to 36 million tons; of this, Mongolia accounted for 46%, a 3 percentage point y-o-y rise. However, stock have been building at Chinese ports due to tougher customs controls, reaching a multi-year high of over 8 million tons at end-July 2019. This implies that China has been increasing imports through land transportation, benefiting companies such as MMC, which transport coal via trucks and rail to customers in Northern China.

We believe the company's flexible capex provides a sufficient buffer to continue generating free cash flow and provide downside protection against lower coking-coal prices. However, MMC's rating is constrained by its small scale, single-product focus and limited cost competitiveness outside of northern China, leaving the rating commensurate with that of Fitch-rated 'B' category regional coal miners.

Source: FitchRatings.com

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