

# WEEKLY MARKET UPDATE

2019.09.23 - 09.27

## MACROECONOMIC UPDATE OF MONGOLIA

### Minister of Finance presents on projected budget of 2020

On September 27, Minister of Finance Ch.Khurelbaatar delivered a media presentation on bills on state budgets of Mongolia for 2020, which have been submitted to the Parliament for discussion.

Total budget revenue for next year is estimated at MNT 12.9 trillion and total expenditure at MNT 13.8 trillion. Taking into the consideration the total equilibrated revenue of MNT 11.7 trillion from sources of tax revenues, nontax revenues, revenues from assistance, stabilization fund, future heritage fund as well as total expenditures, which include salaries, pensions, social benefits, subsidies, loan interest payment, investment, expenses of products and services, repayments of loans, the state budget balance is expected to fall short of MNT 2 trillion, which equals to 5.1 percent of GDP.

However, the Finance Minister Ch.Khurelbaatar noted that the state budget is likely to show profitability from 2023 and the government is taking measures to reduce budget deficit gradually so that business entities and citizens are not affected.

The economic growth for next year is projected at 7-8 percent (economic growth was 7.2 percent and 7.3 percent in the first half of 2019) and inflation rate to remain the same as this year at around 8 percent. According to Finance Minister, domestic risks to the state budget performance are the possibility of Mongolia being included in an international financial grey list, drop in mineral commodity price and a risk of severe wintering.

Some key highlights from the projected state budget for 2020 are;

- Tax refunds to be issued every quarter
- No domestic or foreign bonds to be issued in order to alleviate budget deficit
- MNT 200 thousand monthly-stipend to be issued to students of the vocational centers and colleges
- In terms of mining commodities, a total of 42 million tons of coal to be sold (coal energy at USD 75 and coking coal at USD 125) and total of 1225 thousand tons of copper concentrate to be sold.
- MNT 160 billion for salaries is allocated to the budget for coordination of salary and inflation rate.
- MNT 5.4 billion to be spent for "Healthy Teeth" program.
- MNT 53 billion for rebuilding the Natural History Museum
- MNT 30 billion for rebuilding the Grand Theatre of National Arts
- MNT 4 billion for rebuilding the National Academic Drama Theatre
- MNT 4 billion for rebuilding the National Library.
- MNT 20 billion for the participation in the Tokyo Olympics
- MNT 15 billion for development of Industrial Park of Darkhan
- MNT 137 billion for Air pollution reduction
- MNT 1.3 billion for drug control.

**Source:** Montsame.mn

#### WORLD INDICES

Index	Country	Last Price	Change /w/
MSE TOP 20	Mongolia	18,976.00	-0.06% ▼
Dow Jones	USA	26,820.25	-0.43% ▼
S&P 500	USA	2,961.79	-1.01% ▼
Nasdaq	USA	7,939.63	-2.19% ▼
S&P/TSX	Canada	16,694.27	-1.22% ▼
FTSE 100	GB	7,426.21	1.11% ▲
S&P/ASX 200	Australia	6,716.10	-0.22% ▼
Nikkei 225	Japan	21,878.90	-0.91% ▼
Hang Seng	Hong Kong	25,954.81	-1.82% ▼

#### MONGOLIA RELATED BONDS

Issuer	Currency	Coupon	Last Price
Mongol 2024 (Khuraldai)	USD	8.750%	112.12
Mongol 2023 (Gerege)	USD	5.625%	101.30
Mongol 2022 (Chinggis)	USD	5.125%	100.00
Mongol 2021 (Mazalai)	USD	10.875%	109.31
DBM' 23 (Samurai)	JPY	1.520%	104.12
DBM' 2023	USD	7.250%	104.10
TDBM' 2020	USD	9.375%	102.88
MGMTGE' 2022 (Hoelun)	USD	9.750%	99.03

#### MARKET RATES

Rates	Last	Change /w/
Libor 1M	2.032	-0.01 ▼
Libor 3M	2.099	-0.04 ▼
Libor 6M	2.063	-0.01 ▼
Libor 1YR	2.043	-0.02 ▼
US 2YR Bond	1.626	-0.06 ▼
US 3YR Bond	1.571	-0.05 ▼
US 5YR Bond	1.559	-0.04 ▼
US 10YR Bond	1.680	-0.04 ▼

#### EXCHANGE RATES

Against MNT	2019.09.27	Change /w/
USD	2,667.64	-0.01% ▼
CNY	374.51	-0.50% ▼
EUR	2,912.80	-1.20% ▼
RUB	41.42	-0.93% ▼
KRW	2.23	-0.45% ▼
JPY	24.74	0.08% ▼
CAD	2,010.43	-0.02% ▼

#### COMMODITY PRICE

Commodity	Unit	Last Price	Change /w/
Gold /spot/	USD/t oz.	1,497.01	-1.31% ▼
Silver /spot/	USD/t oz.	17.54	-2.50% ▼
Copper	USD/lb.	259.75	-0.35% ▼
Coal	USD/MT	69.82	-0.50% ▼
Crude Oil WTI	USD/bbl.	55.91	-3.75% ▼
Crude Oil Brent	USD/bbl.	61.91	-3.69% ▼

#### MONGOLIAN MACRO ECONOMIC INDICATORS

Indicators	Reference	Amount
Inflation Rate	2019. VIII	8.90%
Policy Rate	2019. VIII	11.00%
Interbank Rate	2019. VIII	11.26%
Deposit Interest Rate /MNT/	2019. VIII	11.42%
Deposit Interest Rate /Foreign currency/	2019. VIII	4.99%
Loan Interest Rate /MNT/	2019. VIII	16.94%
Loan Interest Rate /Foreign currency/	2019. VIII	10.75%

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

## MSE TRADING UPDATE

In this week, a total of 41 companies' 8,989,415 shares worth MNT 1,357.4 million were traded in the secondary market.

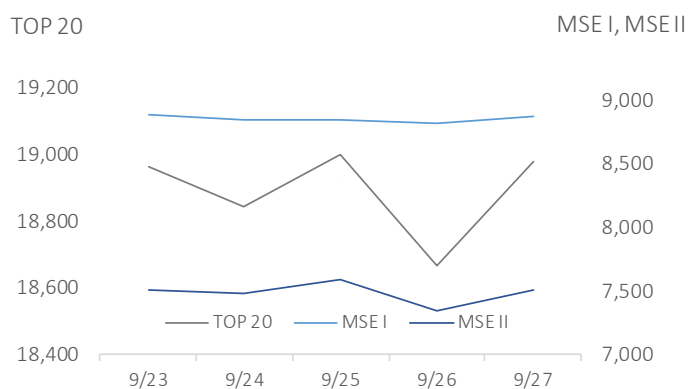
'Ulsyn Ikh Delguur' /UID/ company's share rose 14.29% percent to MNT 800.0 while 'Autoimpex' /AOI/ company's share fell 15.00 percent to MNT 1,275.0.

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

On the secondary market trading of Government securities, 3,016 units of securities were traded for MNT 302.5 million

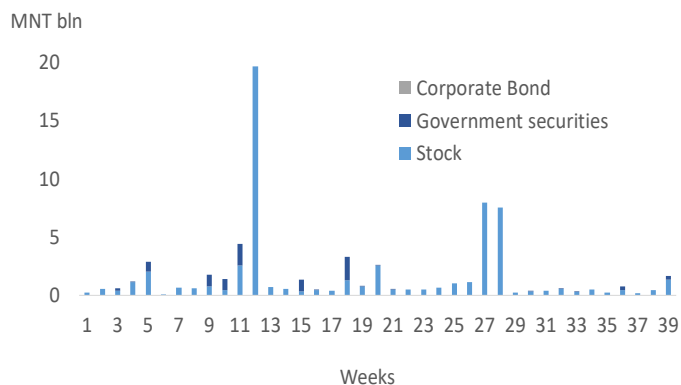
As of September 27, total market capitalization of MSE is MNT 2,452.4 billion. The TOP-20 index decreased by 2.52% to stand at 18,976.00 units.

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	1,659.9
Market Capitalization	2,452,436.5

### STOCK MARKET INDICES

Index	Last Price	Change /w/
MSE Top 20	18,976.00	0.06% ▼
MSE I Index	8,869.66	-0.12% ▼
MSE II Index	7,502.26	0.64% ▲

### ACTIVELY TRADED SECURITIES

Company	Volume	Turnover /MNT/
Ard Financial Group	417,011	557,597,292
Lendmn NBFI	7,651,369	546,330,107
Invescore NBFI	34,763	65,873,390
Ard Daatgal	42,845	30,275,524
Gobi	102,909	29,094,387

### SECURITIES WITH MOST GROWTH

Company	Last Price /MNT/	Change /w/
Ulsyn Ikh Delguur	800.00	14.29% ▲
Ard Credit NBFI	71.49	8.98% ▲
Bayangol Hotel	27,900.00	7.31% ▲
Arig Gal	3,200.00	6.67% ▲
Shivee Ovoo	2,600.00	4.25% ▲

### SECURITIES WITH MOST DECLINE

Company	Last Price /MNT/	Change /w/
Autoimpex	1,275.00	-15.00% ▼
HBOil	51.03	-14.99% ▼
Telecom Mongolia	403.00	-10.44% ▼
Nogoon Hujil Undesnii	108.00	-10.00% ▼
Negdel		
Remicon	23.02	-7.92% ▼

### MOST ACTIVE BROKERAGE FIRMS

Company	Trading amount /MNT/
Ard Securities	1,155,833,512
Mirae Asset Securities Mongolia	1,085,011,099
Gauli	629,127,483
Bumbat-Altai	91,317,028
BDSec	86,364,354

### COMPANIES WITH HIGHEST MARKET CAPITALIZATION

Company	Last Price /MNT/	Market Cap. /MNT mln/
APU	500.33	532,442
Tavan Tolgoi	6,515.00	343,114
MIK Holding	13,700.00	283,718
Gobi	280.28	218,650
Invescore NBFI	1,998.00	143,312

## GOVERNMENT SECURITY TRADING

Government securities /secondary market/

Nº	Name	Volume	Turnover /MNT/	Minimum /MNT/	Maximum /MNT/	Weeks	Annual interest rate
1	ZGEB-BD-20/06/20-A0260-15.14	210	21,036,750	100,000	100,350	156	15.140%
2	ZGEB-BD-25/04/20-A0236-16.993	2,100	210,735,000	100,000	100,700	156	16.993%
3	ZGEB-BD-27/03/20-A0225-18	706	70,741,200	100,000	100,400	156	18.000%

## 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	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
32	SUU	Suu	5,706.4	1,143.4	20.0%	3.3	2019.09.09	2019.04.05	from 2019.09.09



## CAPITAL MARKET NEWS

### Special license of some securities companies have been revoked.

Due to the FRC's decision to raise the minimum equity requirements for securities companies, companies need MNT 1 billion, MNT 100 million and MNT 200 million for underwriting, brokerage, and dealer licenses respectively.

According to resolution No. 250 of August 28, 2019 by the FRC, the licenses for underwriting and dealer activities of the latter mentioned securities companies, that haven't increased their equity, have been revoked.

1. "ACE&T Capital SC" LLC's dealer and underwriting licenses
2. "Tenger Capital SC" LLC's dealer and underwriting licenses
3. "Bloomsbury Securities SC" LLC's underwriting license
4. "MIBG SC" LLC's underwriting license
5. "FCX SC" LLC's underwriting license
6. "Bluesky Securities SC" LLC's dealer license
7. "Bats SC" LLC's dealer license
8. "ZGB SC" LLC's dealer license
9. "Undurkhaan SC" LLC's dealer license
10. "MASDAQ SC" LLC's dealer license were revoked

The MSE has a total of 51 member securities companies and due to this resolution, the number of securities companies with underwriting license and dealer license are now 19 and 39 respectively.

**Source:** MarketInfo.mn, Mongolian Stock Exchange

### The Financial Regulatory Commission is implementing a project to strengthen the capital market's capability

Within the scope of the "Strengthening the Capacity of Mongolian Capital Market Phase II" project which is being jointly implemented by the Financial Regulatory Commission and the Japan International Cooperation Agency (JICA), research on the development of corporate bond, construction of policy advices, study on rating agencies, legal regulations on over the counter markets and the principles of the system has been agreed to be conducted and has started implementation in March, 2019.

Within the framework of this project, from 17 September to 20 September, representatives from Japan's and Bangladesh's rating agencies have conducted training about rating agencies' documentation, ethical standards, grading designs, sector comparisons and grading theoretical methodologies to experts participating in the capital markets.

Additionally, a consultant team selected by JICA with main purpose to aid in corporate bond market, held a meeting with state and private companies to study the current situation of the corporate bond market and exchange views on corporate bond markets.

**Source:** Financial Regulatory Commission

### Announcement to purchase shares of "Atar Urguu" jsc

According to the provision 22.11 of the Securities Market Law which states that an offer to purchase the shares of a company shall be made by a shareholder of the company alone or together with its connected persons, or else a person that is not a shareholder, making an offer for the purchase of all or more than a controlling block of the shares of the company on a voluntary basis, "Tavan Bogd Invest" LLC has made an offer to purchase the whole common shares or 174,136 shares of "Atar Urguu" JSC, a Tier 2 company, on the 26th of September 2019.

Offering side: 'Tavan bogd invest' LLC

Offering price: MNT 60,200

Number of shares to purchase: 174,136

Starting date: September 26, 2019

Closing date: 1pm October 31, 2019

Payment date: November 01, 2019

Share ownership of the offer side: 0 shares or 0 percent

Securities Company of the offer side: "BDSec" JSC /Contact: +976-75551919-04/

Address to receive an offer: 10th floor, Khan Bank tower, Chinggis Avenue-6, Stadium Orgil-1, Khan-Uul district, Ulaanbaatar 17010, Mongolia

Email: invest@tavanbogd.com

"Atar Urguu" JSC's major investors which are "Tavan Bogd Trade" LLC, "Ulaanbaatar Guril" LLC and "Beren Group" LLC currently own 20.13%, 19.93% and 40% respectively.

"Tavan Bogd Trade" LLC also has 100% ownership of "Ulaanbaatar Guril" LLC. If "Tavan Bogd Invest" LLC take ownership of 100% of "Atar Urguu" JSC's small shareholders' shares, "Tavan Bogd Trade" LLC will have 60% ownership of "Atar Urguu" LLC.

**Source:** "TDB Capital SC" LLC



### Most Fintech: IPO has been cancelled

"Most Fintech" LLC has been approved to go public and has had 2 months remaining to gather investments.

However, sources have stated that the company has voluntarily cancelled its decision to go public. Currently, there has been no comments about the cancelation from both the company and officials.

The company was planning to gather MNT 4.9 billion from the public.

**Source:** MarketInfo.mn

## COMMODITY MARKET NEWS

### Top mining companies present at Government Open Door Day event

Within the framework of the Government Open Door Days event being held these days, Ministry of Mining and Heavy Industry is organizing an open door day event on September 25. More than 40 entities working in the mining industry, which accounts for 86 percent exports of Mongolia and one fourth of the country's total budget revenue, are taking part to introduce their activities.

Presentations on domestically-assembled eco bus by companies of the National industrial council, copper concentrate plant project by Industrial and technological park, methane gas plant project by Erdenes Methane, a subsidiary company of Erdenes Mongol LLC and Monatom were made during the event being held at the central square. Moreover, largest mining companies in Mongolia Erdenet Mining Corporation, Oyutolgoi, Erdene Tavantolgoi, Darkhan Metallurgical Plant, Monrosvetment and MAK as well as Mineral Resources Authority, Central Laboratory of Mining, University of Science and technology and Geological Research center introduced their operations.

At the open day event, CEO of Erdenes Tavan Tolgoi JSC, B.Gankhuyag gave a report on the subsidiary companies of the Erdenes Tavan Tolgoi. The company now owns 66 percent of the 'Tavantolgoi railway' LLC, a special purpose entity, by a government resolution of this year. He noted that the company now requires USD 690 million to complete a railway project.

Furthermore, Erdenes Tavantolgoi is financing a railway construction project of Tavantolgoi-Zuunbayan with MNT 750 billion by purchasing securities of the Mongolian Railways company. Another subsidiary company Erdenes Tavantolgoi owns, Erdenes Tavantolgoi Mining, whose 30 percent stake will be offered to foreign investors on stock exchanges, according to CEO B.Gankhuyag.

**Source:** Montsame.mn

### Discover Mongolia – 2019 discusses investment opportunities in Mongolia's mining industry

Minerals and mining business summit, 'Discover Mongolia-2019' took place at the Shangri-La Hotel in Ulaanbaatar.

During the key note session "Why invest in Mongolia's resource sector", 'Erdenes Mongola' LLC CEO P.Gankhuu put forward offers to domestic and foreign investors on cooperation in an area of brown coal exploration and development. Moreover, he said that Erdenes Mongol's subsidiary 'Erdenes Alt Resource' is currently developing a gold refinery and copper smelting project with investors as the country has an estimated reserve of copper that is ready for processing at around 3-4 million tons.

Deputy Director Erdenes Tavantolgoi JSC T.Tsogtbayar gave update on the company's latest activities, which include Zuunbayan railway development projects, IPO of the Erdenes Tavantolgoi Mining on international stock exchanges, and a project to build copper concentration plant with a capacity of 8-9 million tons. Throughout the nine years of operation, the company's total sales of coal reached 55.8 million tons and exploration is around 58 million tons, 13 million tons of which are explored this year.

In scope of the Discover Mongolia – 2019, a session under theme "Accessing growth with high-valuation upsides" chaired by A.Bilguun, Chairman of Board of the Mongolian National Mining Association discussed the risk of expiration of most mining (exploration) licenses within the next two years as the number of exploration licenses have been reduced in recent times while the issuance of exploration licenses has grown.

**Source:** Montsame.mn

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