

WEEKLY MARKET UPDATE

2019.10.14 - 10.18

MACROECONOMIC UPDATE OF MONGOLIA

Improving Global AML/CFT Compliance: On-going Process - October 18, 2019

Paris, France, 18 October 2019 - As part of its ongoing review of compliance with the AML/CFT standards, the FATF identifies the following jurisdictions that have strategic AML/CFT deficiencies for which they have developed an action plan with the FATF. While the situations differ among each jurisdiction, each jurisdiction has provided a written high-level political commitment to address the identified deficiencies. The FATF welcomes these commitments.

A number of jurisdictions have not yet been reviewed by the FATF. The FATF continues to identify additional jurisdictions, on an ongoing basis, that pose a risk to the international financial system.

The FATF and the FATF-style regional bodies (FSRBs) will continue to work with the jurisdictions noted below and to report on the progress made in addressing the identified deficiencies. The FATF calls on these jurisdictions to complete the implementation of action plans expeditiously and within the proposed timeframes. The FATF will closely monitor the implementation of these action plans. The FATF does not call for the application of enhanced due diligence to be applied to these jurisdictions, but encourages its members to take into account the information presented below in its risk analysis.

In October 2019, Mongolia made a high-level political commitment to work with the FATF and APG to strengthen the effectiveness of its AML/CFT regime. Since the completion of its MER in 2017, Mongolia has made progress on a number of its MER recommended actions to improve technical compliance and effectiveness, including by enhancing its ML and TF risk understanding, and introducing a comprehensive institutional framework to give effect to PF TFS obligations, and enhancing its TF TFS legal framework through legislative measures and guidance. Mongolia will work to implement its action plan, including by: (1) improving sectoral ML/TF risk understanding by DNFBP supervisors, applying a risk-based approach to supervision and applying proportionate and dissuasive sanctions for breaches of AML/CFT obligations; (2) demonstrating increased investigations and prosecutions of different types of ML activity in line with identified risks; (3) demonstrating further seizure and confiscation of falsely/non-declared currency and applying effective, proportionate and dissuasive sanctions; (4) demonstrating cooperation and coordination between authorities to prevent sanctions evasion; and monitoring compliance by FIs and DNFBPs with their PF-related TFS obligations, including the application of proportionate and dissuasive sanctions..

Source: Financial Action Task Force

WORLD INDICES

Index	Country	Last Price	Change /w/
MSE TOP 20	Mongolia	18,463.58	-2.83% ▼
Dow Jones	USA	26,770.20	-0.17% ▼
S&P 500	USA	2,986.20	0.54% ▲
Nasdaq	USA	8,089.54	0.40% ▲
S&P/TSX	Canada	16,377.12	-0.23% ▼
FTSE 100	GB	7,150.57	-1.33% ▼
S&P/ASX 200	Australia	6,649.70	0.65% ▲
Nikkei 225	Japan	22,492.68	3.18% ▲
Hang Seng	Hong Kong	26,719.58	1.56% ▲

MONGOLIA RELATED BONDS

Issuer	Currency	Coupon	Last Price
Mongol 2024 (Khuraldai)	USD	8.750%	112.34
Mongol 2023 (Gerege)	USD	5.625%	101.48
Mongol 2022 (Chinggis)	USD	5.125%	100.50
Mongol 2021 (Mazalai)	USD	10.875%	109.02
DBM' 23 (Samurai)	JPY	1.520%	103.84
DBM' 2023	USD	7.250%	104.51
TDBM' 2020	USD	9.375%	102.50
MGMTGE' 2022 (Hoelun)	USD	9.750%	97.16

MARKET RATES

Rates	Last	Change /w/
Libor 1M	1.850	-0.06 ▼
Libor 3M	1.950	-0.05 ▼
Libor 6M	1.950	-0.03 ▼
Libor 1YR	1.980	0.02 ▲
US 2YR Bond	1.592	0.00 ▲
US 3YR Bond	1.574	0.01 ▲
US 5YR Bond	1.583	0.03 ▲
US 10YR Bond	1.778	0.05 ▲

EXCHANGE RATES

Against MNT	2019.10.18	Change /w/
USD	2,679.03	0.32% ▲
CNY	378.48	0.16% ▲
EUR	2,980.42	1.29% ▲
RUB	41.89	1.01% ▲
KRW	2.27	0.89% ▲
JPY	24.66	-0.08% ▼
CAD	2,040.23	0.94% ▲

COMMODITY PRICE

Commodity	Unit	Last Price	Change /w/
Gold /spot/	USD/t oz.	1,490.05	0.07% ▲
Silver /spot/	USD/t oz.	17.55	0.06% ▲
Copper	USD/lb.	263.60	0.30% ▲
Coal	USD/MT	68.80	0.54% ▲
Crude Oil WTI	USD/bbl.	53.78	-1.68% ▼
Crude Oil Brent	USD/bbl.	59.42	-1.80% ▼

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' 1,085,508 shares worth MNT 236.7 million were traded in the secondary market.

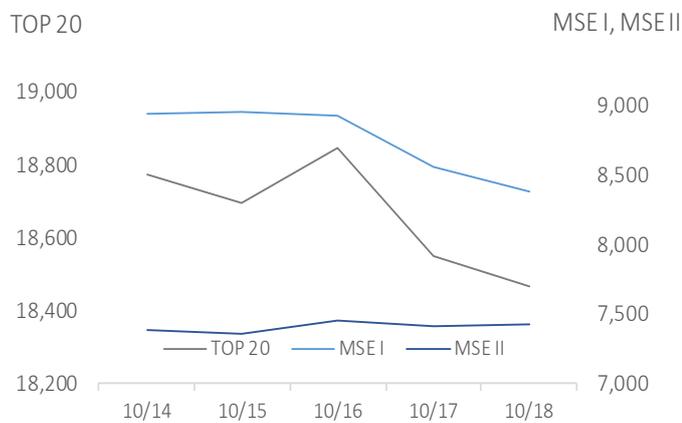
'Mongol Shiltgeen' /MNS/ company's share rose 14.81% percent to MNT 310.0 while 'MIK Holding' /MIK/ company's share fell 21.54 percent to MNT 11,290.0.

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

On the secondary market trading of Government securities, 1,772 unit of securities were traded for MNT 179.3 million

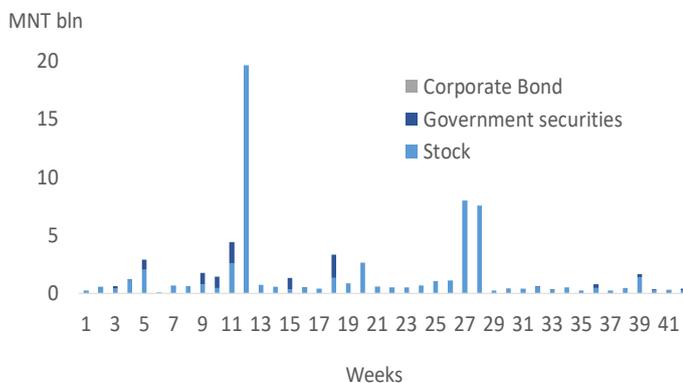
As of October 18, total market capitalization of MSE is MNT 2,405.7 billion. The TOP-20 index decreased by 2.83% to stand at 18,463.58 units.

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	416.0
Market Capitalization	2,405,728.3

STOCK MARKET INDICES

Index	Last Price	Change /w/
MSE Top 20	18,463.58	-2.83% ▼
MSE I Index	8,383.49	-7.27% ▼
MSE II Index	7,416.19	-0.28% ▼

ACTIVELY TRADED SECURITIES

Company	Volume	Turnover /MNT/
Ard Financial Group	44,775	58,006,821
APU	54,742	27,931,153
Ard Credit NBFI	354,756	24,824,480
Tavantolgoi	2,908	18,649,400
Invescore NBFI	9,412	18,233,798

SECURITIES WITH MOST GROWTH

Company	Last Price /MNT/	Change /w/
Mongol Shiltgeen	310.00	14.81% ▲
UB-BUK	439.00	9.75% ▲
Ard Financial Group	1,346.00	7.34% ▲
Remicon	25.49	5.72% ▲
Monos Khuns	67.49	4.80% ▲

SECURITIES WITH MOST DECLINE

Company	Last Price /MNT/	Change /w/
MIK Holding	11,290.00	-21.54% ▼
Sharyn Gol	1,100.00	-13.66% ▼
Bulteech Uils	1,100.00	-13.45% ▼
Technicimport	9,000.00	-11.76% ▼
Tumriin Zavod	7,640.00	-6.72% ▼

MOST ACTIVE BROKERAGE FIRMS

Company	Trading amount /MNT/
Novel Investment	274,485,024
Ard Securities	157,868,320
Standard Investment	109,668,222
Bumbat-Altai	68,612,878
Golomt Capital	35,348,819

COMPANIES WITH HIGHEST MARKET CAPITALIZATION

Company	Last Price /MNT/	Market Cap. /MNT mln/
APU	506.40	538,902
Tavan Tolgoi	6,405.00	337,321
MIK Holding	11,290.00	233,808
Gobi	274.00	213,751
Invescore NBFI	2,043.00	146,540

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	52	5,250,440	100,970	100,970	156	15.140%
2	ZGEB-BD-31/01/20-A0202-18	1,720	174,029,600	100,000	102,360	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
33	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

Erdene Resource Development Corporation announces C\$8 million financing package led by the European Bank for Reconstruction and Development

Erdene Resource Development Corp. (TSX:ERD; MSE:ERDN) ("Erdene" or the "Company") announced a C\$8 million financing package, led by the European Bank for Reconstruction and Development (the "EBRD"). Erdene has entered into a definitive Loan Agreement ("Loan Agreement") for a US\$5 million (C\$6.6 million) Convertible Loan ("Loan") with the EBRD. Additionally, Erdene intends to complete a coincident non-brokered private placement of units of the Company for maximum proceeds of C\$1.6 million. Proceeds of the financing package will be used to fund the independent Feasibility Study ("FS") and Front-end Engineering and Design ("FEED") of the Company's Khundii Gold Project (the "Project"), exploration, acquisition, and for general working capital purposes.

Source: Mongolian Stock Exchange

"Berkh Uul" JSC has held its shareholders' meeting

"Berkh Uul" JSC /MSE: BEU/, has organized its shareholders' meeting on October 18, 2019.

This meeting was initiated by Resource Holding S.A.R.L in order to relieve the current Board of Directors from duty and to elect a new Board of Directors.

The meeting's record date is September 27, 2019. In other words, if an investor had the ownership of the share at that date, the investor would have had voting right.

Source: Mongolian Stock Exchange



"Shinest" JSC has published its financial report of the third quarter of 2019

"Shinest" JSC /MSE: NRS/, a company which operates in the forestry sector, has published its financial statements of the third quarter of 2019 on the website of the MSE.

As of 30 September, 2019, "Shinest" JSC has operated with a revenue of MNT 183.1 million and a net loss of MNT 287.5 million.

The company's shares are listed on tier III of the MSE with the last trade of 134 shares taking place in 21 November, 2018 with a price of MNT 100 per share.

Source: TDB Capital SC



Mongolia Added to Watch List by Agency Policing Money Laundering

Mongolia has been included on a list of countries monitored by an international agency that polices anti-money laundering activities and terrorism financing.

Joining Mongolia as additions on the Financial Action Task Force's watch list were Iceland and Zimbabwe, according to a FATF statement released by email Friday from Paris.

"Each jurisdiction has developed an action plan with the FATF to address the most serious deficiencies," according to the statement. "The FATF welcome their high-level political commitment to this action plan."

The northeast Asian country between Russia and China has worked to address weaknesses in its technical compliance of the task force's standards since 2017. Meanwhile, its economy is in recovery following a bailout from the International Monetary Fund in 2017. Fund disbursement from the IMF program have been withheld since the end of last year as the central bank reviews a process of re-capitalizing its commercial banks.

Placement on the so-called "gray list" puts uncertainty on the country's economy and its banks, as well as its local currency, the tugrik.

The FATF identifies North Korean and Iran as "high risk" jurisdictions, while previously monitored jurisdictions include Botswana, Cambodia, and Pakistan.

Source: Bloomberg.com



COMMODITY MARKET NEWS

Rio Tinto releases third quarter production results

Rio Tinto chief executive J-S Jacques said “We have delivered improved production across the majority of our products in the third quarter, with a solid result at our Pilbara mines driving increased sales of iron ore into robust markets. Our strong value over volume approach, coupled with our focus on operational performance and disciplined allocation of capital, will continue to deliver superior returns to shareholders over the short, medium and long term.”

Operational update:

-Third quarter production at Iron Ore Company of Canada was 3% higher than the corresponding quarter of 2018 and 17% higher than the previous quarter, reflecting a return to normal operating conditions following the flooding incident which impacted June.

-On 25 September 2019, Rio Tinto announced the signing of a Memorandum of Understanding with China Baowu Steel Group and Tsinghua University to develop and implement new methods to reduce carbon emissions and improve environmental performance across the steel value chain.

-Third quarter exploration and evaluation spend was \$177 million, 62% higher than the same period of 2018, primarily reflecting increased activity on advanced projects.

Source: RioTinto.com

Harvesting of vegetables completes

As of this week 233.5 thousand crops have been harvested nationwide, of which 167 thousand tons are vegetables, 70.2 thousand tons of fodder and 51 thousand tons of oil plants, reported the Ministry of Food, Agriculture and Light Industry.

As of today, harvesting of potato and vegetables has been complete whilst the grain crops' is running at over 70 percent. It is intended to complete by the end of this week, said Ts.Bolorchuluun, head of the Crop Policy Implementation Coordination Department, the MOFALI.

This year, 512.0 thousand hectares were cultivated, including 364.8 thousand hectares for grain of which 340.0 thousand hectares were for wheat; 14.8 thousand hectares for potatoes, 8.0 thousand hectares for vegetables, 82.4 thousand hectares for oil plants and 42.0 thousand hectares for fodder plants.

Source: Montsame.mn



Norway's \$1 trillion fund builds Rio stake after dirty mine sold

After freezing out Rio Tinto Group for more than a decade for owning a highly polluting copper mine, one of the world's biggest sovereign wealth funds has brought the company back into the fold.

Norway's \$1 trillion wealth fund built a 1.4% stake in the world's No. 2 miner by the end of September, according to Bloomberg data. That puts the fund among the top 10 holders of Rio Tinto shares, the data show.

The investment demonstrates the value of meeting the increasingly aggressive environmental goals set by some of the largest money managers. Norway's wealth fund is at the forefront of those efforts, and said earlier this year it would stop investing in companies that mine more than 20 million tons a year of thermal coal, the most polluting fuel. Miners including Glencore Plc and Anglo American Plc are set to fall foul of this rule.

Norway refused to buy Rio Tinto stock for more than a decade because of the environmental damage caused by its Grasberg mine in Indonesia, one of the world's biggest copper and gold projects. In June, the fund said it had revoked that exclusion, after a recommendation from its Council on Ethics.

Rio agreed to sell its stake in Grasberg last year for \$3.5 billion. The mine, operated by U.S. company Freeport-McMoRan Inc., is highly contentious. Every year it dumps tens of millions of tons of mining waste into an Indonesian river system and will continue to do so for years to come.

Rio has sought to burnish its environmental credentials, becoming increasingly vocal on the subject. After offloading its last coal mine in 2018, the company has sought to distinguish itself from rivals that still have fossil-fuel exposure.

Source: Mining .com

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