

WEEKLY MARKET UPDATE

2019.12.09 - 12.13

MACROECONOMIC UPDATE OF MONGOLIA

Mongolia's economic outlook in November 2019

General government budget

In the first 11 months of 2019, total equilibrated revenue and grants of the General government budget amounted to MNT 9.7 trillion and total expenditure and net lending amounted to MNT 9.2 trillion, resulting a surplus of MNT 486.7 billion in the equilibrated balance.

In November 2019, equilibrated revenue and grants of the General government budget reached MNT 842.9 billion, decreased by MNT 252.0 billion or 23.0% from the previous month and total expenditure and net lending reached MNT 901.7 billion, decreased by MNT 132.5 billion or 12.8% from the previous month.

General government budget expenditure and net lending was comprised 78.2% of current expenditure, 19.4% of capital expenditure and 2.4% of net lending.

Balance of payment

In the first 10 months of 2019, current and capital account balance deficit, by preliminary result, reached to USD 1.1 billion, decreased by USD 394.6 million compared to the same period of last year.

In the first 10 months of 2019, capital account surplus reached USD 77.7 million, increased by USD 1.0 million or 1.4% compared to the same period of previous year

Financial account surplus reached USD 1.6 billion, decreased by USD 112.0 million or 6.7% compared to the same period of previous year.

In the first 10 months of 2019, overall balance of payment surplus reached USD 252.8 million, which is increased by USD 304.0 million compared to the first 10 months of 2018, when overall balance of payment deficit reached USD 51.2 million.

Foreign trade

In the first 11 months of 2019, Mongolia traded with 150 countries from all over the world and total trade turnover reached USD 12.6 billion, of which USD 7.1 billion were exports and USD 5.6 billion were imports. In November 2019, exports and imports reached to USD 526.9 million and USD 519.3 million, respectively. Compared to the previous month, exports decreased by USD 55.7 million and imports increased by USD 53.5 million.

In the first 11 months of 2019, foreign trade surplus reached USD 1.5 billion, which increased by USD 362.6 million from USD 1.1 billion in the same period of 2018. In November 2019, foreign trade surplus reached to USD 7.6 million. Compared to the previous month, foreign trade surplus decreased by USD 109.2 million.

Price

In November 2019, consumer price index at the national level decreased by 0.4% from the previous month, whereas it increased by 4.6% from the end of the previous year and by 5.2% from the same period of the previous year.

In November 2019, consumer price index increased by 5.2% from the same period of previous year, which was mainly contributed by increases in prices of food and non-alcoholic beverages group by 9.5% (meat and meat products by 21.9%, non-alcoholic beverages by 4.2%), alcoholic beverages and tobacco group by 3.1%, clothing, cloth and footwear each group by 6.5%, housing, water, electricity and fuels group by 4.0% (electricity, gas and other fuels by 2.9%), and health by 3.5%.

Source: National Statistics Office of Mongolia

WORLD INDICES

Index	Country	Last Price	Change /w/
MSE TOP 20	Mongolia	19,051.38	1.96% ▲
Dow Jones	USA	28,135.38	0.43% ▲
S&P 500	USA	3,168.80	0.73% ▲
Nasdaq	USA	8,734.88	0.91% ▲
S&P/TSX	Canada	17,003.13	0.04% ▲
FTSE 100	GB	7,353.44	1.57% ▲
S&P/ASX 200	Australia	6,739.70	0.49% ▲
Nikkei 225	Japan	24,023.10	2.86% ▲
Hang Seng	Hong Kong	27,687.76	5.61% ▲

MONGOLIA RELATED BONDS

Issuer	Currency	Coupon	Last Price
Mongol 2024 (Khuraldai)	USD	8.750%	113.36
Mongol 2023 (Gerege)	USD	5.625%	103.20
Mongol 2022 (Chinggis)	USD	5.125%	102.27
Mongol 2021 (Mazalai)	USD	10.875%	109.21
DBM' 23 (Samurai)	JPY	1.520%	103.26
DBM' 2023	USD	7.250%	105.71
TDBM' 2020	USD	9.375%	102.27
MGMTGE' 2022 (Hoelun)	USD	9.750%	97.39

MARKET RATES

Rates	Last	Change /w/
Libor 1M	1.737	0.02 ▲
Libor 3M	1.899	0.01 ▲
Libor 6M	1.902	0.02 ▲
Libor 1YR	1.963	0.04 ▲
US 2YR Bond	1.614	-0.01 ▼
US 3YR Bond	1.633	-0.01 ▼
US 5YR Bond	1.667	0.00 ▲
US 10YR Bond	1.835	0.00 ▼

EXCHANGE RATES

Against MNT	2019.12.13	Change /w/
USD	2,726.12	0.16% ▲
CNY	390.30	0.82% ▲
EUR	3,047.53	0.81% ▲
RUB	43.59	2.06% ▲
KRW	2.33	1.75% ▲
JPY	24.87	-0.68% ▼
CAD	2,071.99	0.32% ▲

COMMODITY PRICE

Commodity	Unit	Last Price	Change /w/
Gold /spot/	USD/t oz.	1,476.33	1.11% ▲
Silver /spot/	USD/t oz.	16.93	2.15% ▲
Copper	USD/lb.	278.10	2.06% ▲
Coal	USD/MT	68.33	-0.71% ▼
Crude Oil WTI	USD/bbl.	60.07	1.47% ▲
Crude Oil Brent	USD/bbl.	65.22	1.29% ▲

MONGOLIAN MACRO ECONOMIC INDICATORS

Indicators	Reference	Amount
Inflation Rate	2019. X	7.60%
Policy Rate	2019. X	11.00%
Interbank Rate	2019. X	11.06%
Deposit Interest Rate /MNT/	2019. X	11.48%
Deposit Interest Rate /Foreign currency/	2019. X	4.82%
Loan Interest Rate /MNT/	2019. X	16.90%
Loan Interest Rate /Foreign currency/	2019. X	10.61%

Source: National Statistical Office, Bank of Mongolia, Bloomberg

MSE TRADING UPDATE

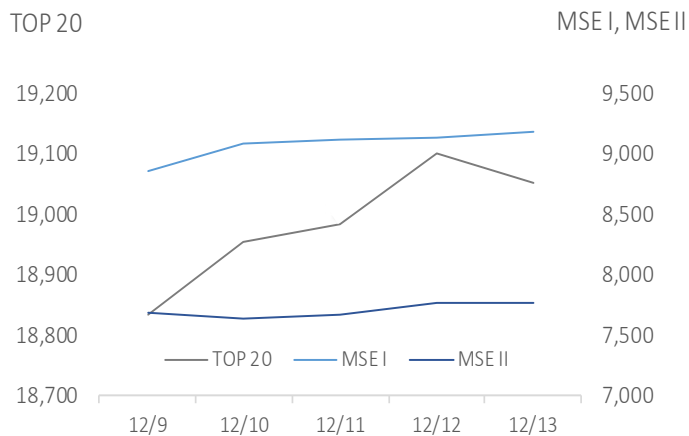
In this week, a total of 43 companies' 1,293,792 shares worth MNT 333.7 million were traded in the secondary market.

'Darkhan Guril Tejeel' /DAR/ company's share rose 32.21 percent to MNT 2,791.0 while 'Standart Agricultural Group' /SOH/ company's share fell 16.94 percent to MNT 99.7.

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

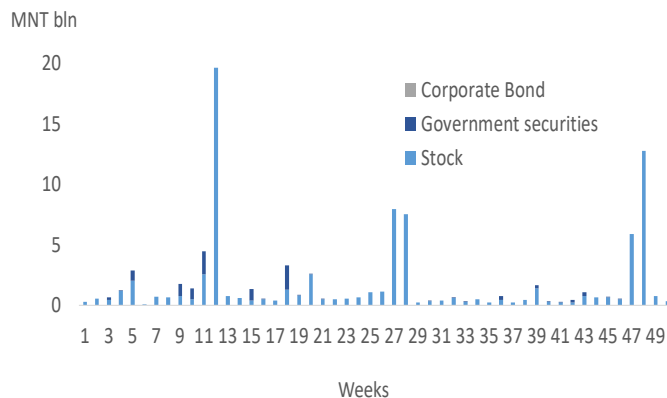
As of December 13, total market capitalization of MSE is MNT 2,615.4 billion. The TOP-20 index decreased by 1.96% to stand at 19,051.38 units.

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	333.7
Market Capitalization	2,615,395.9

STOCK MARKET INDICES

Index	Last Price	Change /w/
MSE Top 20	19,051.38	1.96% ▲
MSE I Index	9,176.12	4.04% ▲
MSE II Index	7,757.89	1.11% ▲

ACTIVELY TRADED SECURITIES

Company	Volume	Turnover /MNT/
Ard Financial Group	77,828	136,697,070
APU	145,406	87,089,743
Suu	80,473	17,151,948
Ard Credit NBFI	180,631	13,883,423
Lendmn NBFI	277,842	12,010,932

SECURITIES WITH MOST GROWTH

Company	Last Price /MNT/	Change /w/
Darkhan Guril Tejeel	2,791.00	32.21% ▲
Materialimpex	8,300.00	22.06% ▲
Autoimpex	1,550.00	16.98% ▲
Khuduugin Teever	4,600.00	15.00% ▲
Ard Financial Group	1,899.00	11.12% ▲

SECURITIES WITH MOST DECLINE

Company	Last Price /MNT/	Change /w/
Standart Agricultural Group	99.67	-16.94% ▼
Nogoon Khugjil Undesnii Negdel	90.00	-12.20% ▼
Ulsyn Ikh Delguur	975.00	-11.36% ▼
Makhimpex	2,200.00	-10.17% ▼
Hermes Centre	128.92	-3.79% ▼

MOST ACTIVE BROKERAGE FIRMS

Company	Trading amount /MNT/
Ard Securities	271,248,019
Golomt Capital	116,644,346
TDB Capital	66,194,347
BDSec	63,243,529
Standard Investment	32,467,012

COMPANIES WITH HIGHEST MARKET CAPITALIZATION

Company	Last Price /MNT/	Market Cap. /MNT mln/
APU	608.29	647,331
Tavan Tolgoi	6,670.00	351,277
MIK Holding	14,000.00	289,930
Gobi	255.45	199,930
Invescore NBFI	2,172.00	155,793

GOVERNMENT SECURITY TRADING

Government securities /secondary market/

Nº	Name	Volume	Turnover /MNT/	Minimum /MNT/	Maximum /MNT/	Weeks	Annual interest rate
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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	paid on 2019.10.21
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	paid on 2019.09.18
33	SUU	Suu	5,706.4	1,143.4	20.0%	3.3	2019.09.09	2019.04.05	paid on 2019.10.24

CAPITAL MARKET NEWS

Regulatory environment created for enabling the creation of Closed-end fund

“Closed-end Fund Listing Rules” was approved by the MSE Board of Directors Resolution no.2019/07 of June 28, 2019 and by the FRC Resolution no.537 of November 13, 2019. MSE organised a seminar to provide detailed information about the newly approved rules to the market participants such as the asset management companies and securities firms.

“Closed-end Fund Listing Rules” has special importance in that it creates the opportunity for closed-end investment funds to be listed on the MSE and be publicly traded while providing professional fund management services to the investors, channelling a significant portion of their assets under management to the local stock market, and forming the basis of the much-needed long-term institutional investor in the market.

The seminar covered the main concepts and international practices related to the listing and trading of closed-end funds as well as the listing procedure by the FRC and MSE and the ongoing obligations as a listed fund.

Source: Mongolian Stock Exchange

“APU” JSC increases its distribution channels in Russia

“APU” JSC /MSE: APU/, the main player in domestic alcoholic beverage market, is regularly providing shareholders with information about its main export markets which are Russia and China.

For example, we previously reported that in early November, the company began selling products in more than 200 locations in 17 cities in Russia. Due to this information, the market price of its stock increased from MNT 500.1 to MNT 608.3 or 17.08% as of December 13, 2019.

Last week, “APU” JSC /MSE: APU/ announced that it would cooperate with Russia’s “Tatspirom” JSC and signed agreements in Kazan.

As part of the agreement, “Tatspirom” JSC will sell “APU” JSC’s products in its home country, while APU will produce and sell “Tundra” brand products in the domestic market.

Source: MarketInfo.mn

“Gobi” JSC temporarily assigns a member of the Board

“Gobi” JSC /MSE: GOV/ has announced that it will be temporarily appointing a new member to the board due to a member of the Board resigning.

Specifically, Shagdarsuren Z, an independent member of the Board, has resigned, and a decision has been made by the Board to temporarily appoint Jargalmaa A instead.

Source: MarketInfo.mn

Erdene files pre-feasibility study for the Bayan khundii gold project and completes the European bank for reconstruction and development financing

Erdene Resource Development Corp. (TSX:ERD; MSE:ERDN) (“Erdene” or the “Company”) has announced the filing on SEDAR of the independent Technical Report (the “Report”) for its 100%-owned, high-grade, open-pit, Khundii Gold Project in southwest Mongolia, including a Pre-Feasibility Study (“PFS”) for its Bayan Khundii Gold Deposit (“Bayan Khundii” or “BK”) and an updated Preliminary Economic Assessment (“PEA”) for its Altan Nar Deposit (“Altan Nar” or “AN”), located 16 km from Bayan Khundii. The Report entitled “Khundii Gold Project NI 43-101 Technical Report”, of December 4, 2019, was prepared in accordance with National Instrument 43-101 Standards of Disclosure for Mineral Projects (“NI 43-101”) by Tetra Tech, Inc. (“Tetra Tech”). The Report is available under the Company’s profile at www.sedar.com and on the Company’s website at www.erdene.com.

The Company has also announced the receipt of USD5 million (CAD 6.6 million) from the European Bank for Reconstruction and Development (“EBRD”) and a further CAD 1 million from the coincident non-brokered private placement of units of the Company, under the previously announced financing package. Proceeds of these financings will be used to fund the independent Feasibility Study (“FS”), Front-end Engineering and Design (“FEED”) of the Khundii Gold Project (the “Project”), exploration, acquisition, and for general working capital purposes.

Source: Erdene.com

COMMODITY MARKET NEWS

Oyu Tolgoi announces Shaft 2 construction completion

Oyu Tolgoi LLC today celebrated the completion of Shaft 2 of the world-class OT underground project, which is a significant milestone for the project.

The ceremony was attended by national contractors who were crucial for the development of one of the world's largest and most modern shafts project and other key stakeholders.

In special remarks delivered at the celebration event by Ambassador Batsukh Galsan, Chairman of the Board of Directors of Oyu Tolgoi LLC, highlighted the great support provided by the Government of Mongolia for this remarkable achievement, which increases Mongolia's global competitiveness in terms of the mining and technology development.

Armando Torres, Chief Executive Officer of Oyu Tolgoi LLC said, "Shaft 2 construction – from sinking through to equipping – has taken three years and four months in total. Close to 50 national companies and 2,500 people worked safely on Shaft 2 for approximately 2.6 million hours to complete this critical and complex piece of infrastructure that will accelerate the underground development of our Oyu Tolgoi mine".

Shaft 2 with a depth of 1,284 metres is the main production shaft and primary access point for people and materials and provides infrastructure for the materials handling system in the underground mine. Its production hoist is the largest Koepe (Friction) rope hoist system in the world with two 60 tonne capacity skips capable of hoisting 28,000 tonnes of ore per day at a maximum speed of 59km/hr. Shaft 2 can carry 300 people per cage cycle versus a maximum of 60 people per cage cycle through Shaft 1. Shaft 2's hoist rope-up process took 23 days by a team of approximately 500 people – one of the safest and most efficient rope-ups undertaken anywhere in the world.

Shaft 2's role in the underground project

Once Shaft 2 is fully commissioned and receives state licensing, it enables the following two important steps forward for the underground mine:

- additional crews, materials and equipment to be transported and operate underground
- more rock to be removed from underground to enable further development and access to the ore body

From this point, the number of people working underground will no longer be constrained by the Service lift capacity of Shaft 1, but rather by volume of air moving through the underground via the existing ventilation (shafts 1, 2 and 5). Additional ventilation capacity is under construction with two more ventilation shafts - shaft 3 (intake) and 4 (exhaust). Currently, 700 people are able to work underground per shift.

Overview of Oyu Tolgoi shafts:

Oyu Tolgoi has five shafts in total with Shaft 1 being currently operational providing access to underground project area for people and materials. Shafts 3 and 4 are currently under construction with a depth of 1,148m and 1,149m, respectively. Both shafts will provide additional ventilation (intake and exhaust) to support life of mine operations. Shaft 5 is currently operational with a depth of 1,174m allowing ventilation capacity two-fold enabling increase in lateral development and underground construction capability. Mine Dry named 'Chandmani Operations and Service Centre' was also completed in August 2019. Mine dry is the central coordination area of the underground operation including control rooms, wash, changing and PPE facilities, meetings rooms and offices.

Source: OT.mn

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