

# WEEKLY MARKET UPDATE

2020.01.06 - 01.10



TDB Capital SC offers its clients the opportunity to have the fastest access to securities trades using a trading system directly linked to the Mongolian Stock Exchange.

## GLOBAL MARKET UPDATE

**US:** The large-cap benchmarks and the technology-heavy Nasdaq Composite Index pushed further into record territory, as the prospects for a wider armed conflict between the U.S. and Iran appeared to diminish. Technology stocks outperformed, helped by continued strength in Apple following a report of stronger-than-expected iPhone sales in China. A sharp rise in the shares of cloud software firm Salesforce.com also boosted the sector. The apparently stabilizing situation in the Middle East reversed the previous week's spike in oil prices and weighed on energy shares.

Traders reported that Wall Street began the week in a "wait and see" mode after equities slumped the previous Friday following the death of Iranian Major General Qasem Soleimani in a U.S. drone strike. Stock futures then slid Tuesday evening due to Iranian retaliation involving rocket attacks on two U.S. air bases in Iraq. Within hours, however, confidence returned following news that the Iranian strikes had not caused any casualties, while reports surfaced that Iran was willing to de-escalate if the U.S. did not respond. A White House press conference on Wednesday further reassured investors, with President Donald Trump stating that "Iran appears to be standing down." Tensions appeared to continue de-escalating throughout the remainder of the week, helping stocks reach new highs.

**Europe:** European stocks rose as Middle East tensions faded and traders anticipated that the U.S. and China would sign an interim trade deal.

Business activity in the eurozone firmed slightly more than expected in December, as gains in the service sector partially offset another decline in manufacturing, an IHS Markit purchasing managers' survey showed. The eurozone consumer price index rose 1.3% in December from a year earlier, a six-month high, due to strong consumer spending in the runup to Christmas.

German exports fell by a more-than-expected 2.3% in November and exceeded a decline in imports. As a result, the trade surplus narrowed to EUR €18.2 billion from EUR €21.3 billion in October. German industrial production rebounded in November, snapping two months of declines. Output rose 1.1%, compared with a revised decline of 1% the previous month. Even so, German manufacturing orders unexpectedly fell by 1.3% in November compared with October.

**Japan:** Stocks were mostly higher in the first trading week of 2020 (equities began trading on Monday, January 6).

Thanks to Prime Minister Shinzo Abe's latest stimulus package, the Bank of Japan (BoJ) will probably upwardly revise its gross domestic product (GDP) growth forecast for the coming fiscal year.

**China:** Chinese stocks rose for the sixth straight week. For the week, the benchmark Shanghai Composite Index added 0.28%, and the large-cap CSI 300 Index, which tracks blue chips listed on the Shanghai and Shenzhen exchanges, advanced 0.44%.

Chinese equities also appeared to benefit from the pronounced seasonal strength associated with the weeklong Lunar New Year holiday, which begins relatively early this year, on January 24. The holiday has historically been the best period for mainland stocks, with an average increase, since 2002, of around 4% in the CSI 300 over a 30-day window.

Source: Troweprice.com

International indices	Country	Last Price	Change / w/
MSE TOP 20	Mongolia	19,248.79	-1.35% ▼
Dow Jones	USA	28,823.77	0.66% ▲
S&P 500	USA	3,265.35	0.94% ▲
Nasdaq	USA	9,178.86	1.75% ▲
S&P/TSX	Canada	17,234.49	0.99% ▲
FTSE 100	Great Britain	7,587.85	-0.45% ▼
S&P/ASX 200	Australia	6,929.00	2.90% ▲
Nikkei 225	Japan	23,850.57	0.82% ▲
Hang Seng	Hong Kong	28,638.20	0.66% ▲
Bond	Currency	Coupon	Last price
Mongol 2024 (Khuraldai)	USD	8.750%	115.22
Mongol 2023 (Gerege)	USD	5.625%	104.20
Mongol 2022 (Chinggis)	USD	5.125%	102.79
Mongol 2021 (Mazalai)	USD	10.875%	109.14
DBM’ 23 (Samurai)	JPY	1.520%	103.06
DBM’ 2023	USD	7.250%	107.09
TDBM’ 2020	USD	9.375%	101.85
MGMTGE’ 2022 (Hoelun)	USD	9.750%	97.49
Rates		Last	Change / w/
Libor 1M		1.677	-0.04 ▼
Libor 3M		1.838	-0.04 ▼
Libor 6M		1.872	-0.02 ▼
Libor 1YR		1.967	0.00 ▲
US 2YR Bond		1.570	0.06 ▲
US 3YR Bond		1.583	0.06 ▲
US 5YR Bond		1.632	0.06 ▲
US 10YR Bond		1.820	0.05 ▲
Exchange rates		2020.01.10	Change / w/
USD		2,738.92	0.11% ▲
CNY		395.12	0.72% ▲
EUR		3,042.26	-0.30% ▼
RUB		44.66	1.55% ▲
KRW		2.36	0.85% ▲
JPY		25.00	-1.38% ▼
CAD		2,097.18	-0.63% ▼
Commodity	Unit	Last price	Change / w/
Gold /spot/	USD/t oz.	1,552.20	2.76% ▲
Silver /spot/	USD/t oz.	18.06	1.65% ▲
Copper	USD/lb.	278.70	-1.50% ▼
Coal	USD/MT	69.47	0.32% ▲
Crude Oil WTI	USD/bbl.	63.05	2.15% ▲
Crude Oil Brent	USD/bbl.	68.60	0.65% ▲
Indicators		Reference	Amount
Inflation Rate		2019. XI	5.2%
Policy Rate		2019. XI	11.00%
Interbank Rate		2019. XI	11.20%
Deposit Interest Rate /MNT/		2019. XI	11.49%
Deposit Interest Rate /Foreign currency/		2019. XI	4.80%
Loan Interest Rate /MNT/		2019. XI	16.88%
Loan Interest Rate /Foreign currency/		2019. XI	10.58%

Source: National Statistical Office, Bank of Mongolia, Bloomberg

## MSE TRADE UPDATE

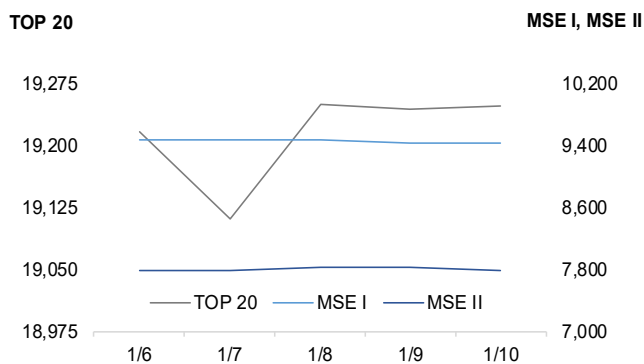
In this week, a total of 42 companies' 2,281,238 shares worth MNT 308.3 million were traded in the secondary market.

'Invescore NBFI' /INV/ company's share rose 17.40 percent to MNT 2,584.0 while 'UB-BUK' /BUK/ company's share fell 25.00 percent to MNT 300.0.

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

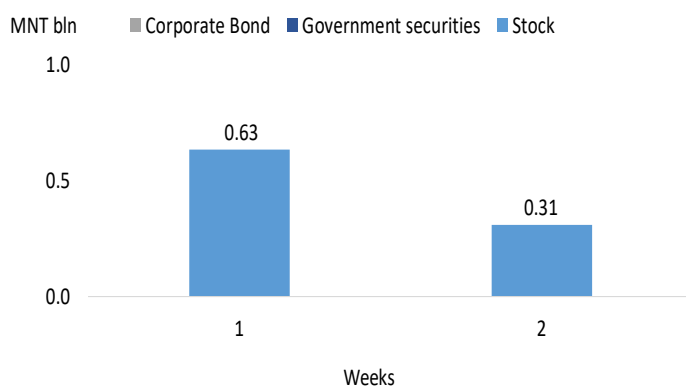
As of January 10, total market capitalization of MSE is MNT 2,666.5 billion. The TOP-20 index decreased by 1.35% to stand at 19,248.79 units.

MSE Indices



Source: Mongolian Stock Exchange

Trading Value /weekly/



Source: Mongolian Stock Exchange

Market Review		Total amount /MNT mln/
Total Value		308.3
Market Capitalization		2,666,530.4

Market Indices	Last Price	Change /w/
MSE Top 20	19,248.79	-1.35% ▼
MSE I Index	9,435.75	-0.68% ▼
MSE II Index	7,780.47	-0.62% ▼

Actively Traded Securities	Volume	Amount/MNT/
Invescore NBFI	17,999	46,338,742
Mandal Daatgal	763,359	38,529,794
Tumen Shuvuut	232,876	35,811,878
Lendmn NBFI	820,635	33,872,468
APU	51,941	31,955,741

Securities with most growth	Last Price /MNT/	Change /w/
Invescore NBFI	2,584.00	17.40% ▲
Darkhan Guril Tejeel	5,600.00	14.78% ▲
Ulsyn Ikh Delguur	1,068.00	7.99% ▲
Remicon	30.00	7.14% ▲
Mandal Daatgal	52.06	3.95% ▲

Securities with most decline	Last Price /MNT/	Change /w/
UB-BUK	300.00	-25.00% ▼
Standard Agriculture Group	77.00	-14.44% ▼
Mongol Post	605.00	-12.32% ▼
Buteelch Uils	1,000.00	-9.09% ▼
Shivee ovoo	2,400.00	-6.25% ▼

Most Active Brokerage Firms	Amount/MNT/
BDSec	90,216,211
Golomt Capital	69,849,300
Ard Capital Group	65,116,996
TDB Capital	60,781,840
Bumbat-Altai	52,576,181

Top 5 Companies With Largest Market Capitalization	Last Price /MNT/	Market Cap. /MNT mln/
APU	616.79	656,377
Tavan Tolgoi	6,505.00	342,587
MIK Holding	15,000.00	310,640
Gobi	277.14	216,200
Invescore NBFI	2,584.00	185,345

### Government securities /secondary market/

Nº	NAME	VOLUME	TURNOVER /MNT/	MINIMUM /MNT/	MAXIMUM /MNT/	WEEKS	ANNUAL INTEREST RATE
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## CAPITAL MARKET UPDATE

### HIGHLIGHT



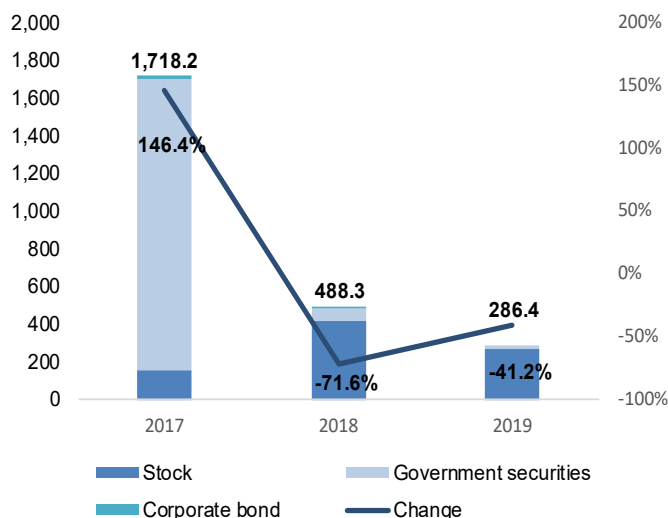
- TOP 20 index's composition has been updated based on the performance of 2019. As a result, a total of 13 companies has been kept in the index while 7 companies have been replaced.
- "The procedure for submitting information electronically to the Financial Information Office from the required entity" has been ratified.
- The Bank of Mongolia (BoM) has translated and published FATF's 40 recommendations

### NEWS ON JOINT STOCK COMPANIES

- "Gobi" JSC has paid out the remainder dividends to its shareholders' accounts on December 31, 2019.
- "LendMN NBFI" JSC has been providing the "Lend Wallet" service under a license from the FRC. Due to some inconsistencies, the company approached the BoM to clarify the inconsistencies, and is in the process of submitting a request for a license as soon as matters gets cleared.
- "Ard Credit NBFI" JSC has been granted license from the FRC in 2018. However, due to the BoM starting to monitor issues related to the national payment system, the company has filed an application for an electronic money license from the BOM on September 2019.
- Shareholders who voted against the decision to consolidate "Khorgo Khaikhan" JSC with "Mongol Daatgal" LLC or did not participate in the voting have the right to require the company to redeem their shares.



Total trade of the MSE



### ANALYST COMMENTARY

In 2019, a total of 251 trading sessions were organized and 131 companies' 450.3 million shares worth MNT 133.5 billion, 0.1 million units of government securities worth MNT 9.7 billion were traded on the MSE, resulting in a total trade of MNT 143.2 billion (buy side).

Due to the suspension of November 2017, there were no primary market trade on government securities in 2018 thus resulting in the total trade of government securities on the MSE to drastically decreased. However, thanks to increase in stock trade, decrease of the total trade on the MSE was limited to 71.6% in 2018.

In 2019, due to the decrease of both stock and government securities trades, the amount traded on the MSE was 41.2% lower compared to 2018.

## OTHER NEWS

### HIGHLIGHT

- The Parliament has approved a bill to make a one-time repayment on pension loans.
- Central bank reports on outstanding pension loan balance.
- IMF: Repayment of pension loans by the state is incompatible with the "Extended Fund Facility Program".
- The number of passenger using aircraft increased by 14% in 2019.
- Sales of luxury goods in the domestic market increased by 15% in 2019
- President of the Bank of Mongolia, Mr. Lkhagvasuren B. held a meeting with US Department of Finance's Asia Region's Deputy Minister Mr. Robert Caprot.



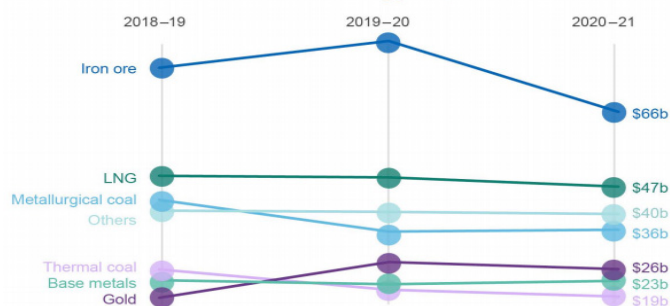
### MACROECONOMIC NEWS

- As of December 31, 2019, banks have MNT 757.9 billion of pension loans outstanding on 228.7 thousand accounts. This is a decrease of MNT 167.5 billion or 18.1% compared to the same period last year. The average pension loan per borrower is MNT 3.3 million.
- Mongolia's foreign trade profit has grown up and reached USD 1.5 billion in the first 11 months of 2019. An increase of the foreign trade profit positively affected to accumulation of foreign exchange reserves. As of November, 2019, foreign exchange reserves reached USD 4 billion. Within the scope of the "Extended Fund Facility Program" which is being carried out by the Government of Mongolia in partnership with the International Monetary Fund, foreign exchange reserves reached its highest level in its history with the Asian Development Bank disbursing USD 100 million in December, 2019 while the World Bank USD 100 million on January 3 and 6, 2020.

### COMMODITY MARKET NEWS

Australia is one of the largest exporter of coking coal and iron ore. Recently, Australia's Department of Industry, Innovation and Science has reduced its 2020 price forecast on Metallurgical coal by 7%, but increased its 2020 price forecast on iron ore by 3%. The estimate was included in the most recent quarterly (December) commodity price report published by the department.

#### Australia's resources and energy exports, A\$billion



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