

# WEEKLY MARKET UPDATE

## 2020.01.13 - 01.17



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:** Most of the major indexes moved to record highs, as investors welcomed the signing of a phase one U.S.-China trade deal and some positive economic signals.

The small-cap benchmarks regained market leadership for the first time in a month. The small utilities sector led the gains, while energy stocks trailed the rest of the market.

Stocks moved only modestly higher after the White House signing ceremony Wednesday, which was accompanied by the release of some previously withheld details of the agreement. Investors may have paid the most attention to a pledge from China to buy an additional \$200 billion of U.S. goods by the end of 2021, but some doubted that the Chinese could achieve such a target. As earlier reports suggested, the U.S. agreed in return to cut tariffs on some Chinese goods from 15% to 7.5%, but it left in place 25% tariffs on roughly \$250 billion in Chinese imports.

**Europe:** European stocks rose, as trade tensions eased, and investors welcomed strong Chinese economic data.

Poor UK economic data, together with recent dovish speeches and comments by Bank of England (BoE) Monetary Policy Committee (MPC) members, fueled speculation that an interest rate cut is in the cards at the January 30 policy meeting. The probability of a quarter-point reduction in the benchmark Bank Rate, from 0.75% to 0.50%, rose to 80%, with lower rates fully priced in three months out, according to swap contracts—which had implied little chance of a rate move the previous week.

According to a preliminary estimate from the Federal Statistics Office, German GDP expanded 0.6% in 2019 versus 1.5% in 2018. This was the slowest growth rate since 2013 and below the average of 1.3% of the past 10 years, although the economy has expanded for 10 consecutive years. Growth in 2019 was mainly supported by consumption expenditures and gross fixed capital expenditures in construction. On the production side, services and construction recorded mainly high growth rates, but manufacturing slumped primarily due to an auto industry slowdown. Exports also grew at a slower pace than in previous years, rising only 0.9%.

**Japan:** Japanese stocks generated mixed performance in the holiday-shortened trading week. Japan's stock markets were closed on Monday, January 13, to celebrate Coming of Age Day.

The Bank of Japan downgraded its economic assessment for three regions—northern Hokuriku, central Tokai, and western Chugoku—primarily due to weakness in exports. Despite the downgrades, monetary policymakers remain confident that domestic demand will largely offset the downturn.

**China:** After opening higher on Monday, China's A-share stock market eased gently ahead of the signing of the long awaited "phase one" trade deal with the U.S. on Wednesday and did not rebound after the announcement. The trade deal itself came largely as expected, with the main focus being on steps to reduce the bilateral U.S. deficit with China.

Many observers in the region viewed the deal as driven primarily by U.S. election politics and as a band-aid rather than a solution, though it may be enough to sustain the current truce. China has pledged to import much more from the U.S. and also to maintain a relatively stable renminbi.

Source: Troweprice.com

International indices	Country	Last Price	Change /w/
MSE TOP 20	Mongolia	19,100.15	-0.77% ▼
Dow Jones	USA	29,348.10	1.82% ▲
S&P 500	USA	3,329.62	1.97% ▲
Nasdaq	USA	9,388.94	2.29% ▲
S&P/TSX	Canada	17,559.02	1.88% ▲
FTSE 100	Great Britain	7,674.56	1.14% ▲
S&P/ASX 200	Australia	7,064.10	1.95% ▲
Nikkei 225	Japan	24,041.26	0.80% ▲
Hang Seng	Hong Kong	28,883.04	0.85% ▲
Bond	Currency	Coupon	Last price
Mongol 2024 (Khuraldai)	USD	8.750%	114.72
Mongol 2023 (Gerege)	USD	5.625%	103.66
Mongol 2022 (Chinggis)	USD	5.125%	102.55
Mongol 2021 (Mazalai)	USD	10.875%	108.77
DBM’ 23 (Samurai)	JPY	1.520%	103.12
DBM’ 2023	USD	7.250%	107.45
TDBM’ 2020	USD	9.375%	101.61
MGMTGE’ 2022 (Hoelun)	USD	9.750%	98.47
Rates		Last	Change /w/
Libor 1M		1.654	-0.02 ▼
Libor 3M		1.819	-0.02 ▼
Libor 6M		1.845	-0.03 ▼
Libor 1YR		1.923	-0.04 ▼
US 2YR Bond		1.559	-0.01 ▼
US 3YR Bond		1.567	-0.02 ▼
US 5YR Bond		1.620	-0.01 ▼
US 10YR Bond		1.822	0.00 ▲
Exchange rates		2020.01.17	Change /w/
USD		2,746.22	0.27% ▲
CNY		400.42	1.34% ▲
EUR		3,058.33	0.53% ▲
RUB		44.67	0.02% ▲
KRW		2.37	0.42% ▲
JPY		24.92	-0.32% ▼
CAD		2,106.97	0.47% ▲
Commodity	Unit	Last price	Change /w/
Gold /spot/	USD/t oz.	1,557.24	-0.33% ▼
Silver /spot/	USD/t oz.	18.04	-0.41% ▼
Copper	USD/lb.	284.55	1.14% ▲
Coal	USD/MT	70.68	-4.64% ▼
Crude Oil WTI	USD/bbl.	58.54	-0.85% ▼
Crude Oil Brent	USD/bbl.	64.85	-0.20% ▼
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

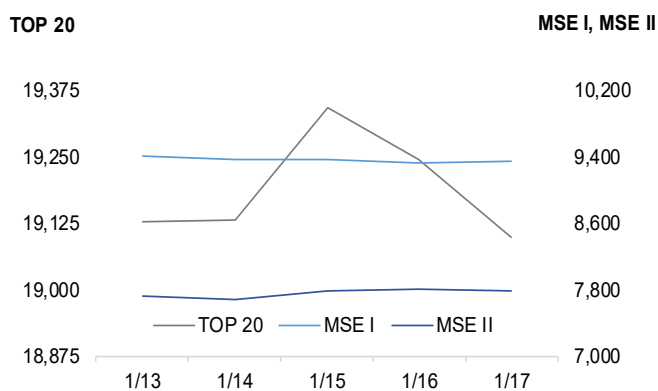
In this week, a total of 51 companies' 6,718,763 shares worth MNT 545.5 million were traded in the secondary market.

"Aduun Chuluun" /ADL/, "Mongol Daatgal" /CHE/ and "Frontier Land Group" /MDR/ companies' shares rose 15.00 percent to MNT 1,357.0, MNT 80.50 and 389.85 respectively, while 'Darkhan Nekhii' /NEH/ company's share fell 14.09 percent to MNT 12,010.0.

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

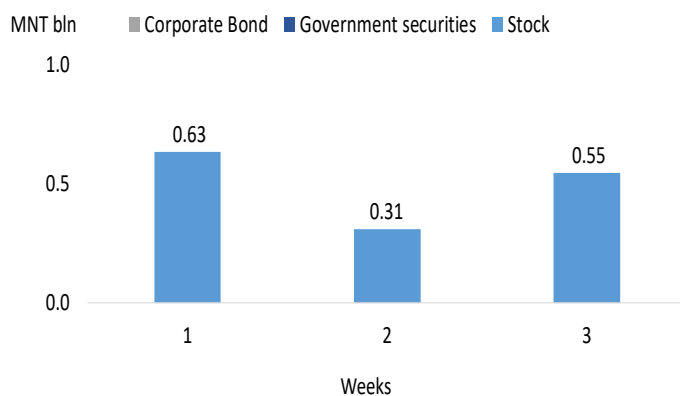
As of January 17, total market capitalization of MSE is MNT 2,664.1 billion. The TOP-20 index decreased by 0.77% to stand at 19,100.15 units.

MSE Indices



Source: Mongolian Stock Exchange

Trading Value /weekly/



Source: Mongolian Stock Exchange

Market Review		Total amount /MNT mln/	
Total Value		545.5	
Market Capitalization		2,664,137.1	
Market Indices		Last Price	Change /w/
MSE Top 20		19,100.15	-0.77% ▼
MSE I Index		9,356.59	-0.84% ▼
MSE II Index		7,797.74	0.22% ▲
Actively Traded Securities		Volume	Amount/MNT/
Lendmn NBFI		5,750,982	266,219,309
Ard Financial Group		39,382	64,655,752
Invescore NBFI		13,448	35,197,902
Monos Khuns		307,502	21,420,946
Tumen Shuvuut		125,397	18,875,432
Securities with most growth		Last Price /MNT/	Change /w/
Aduun Chuluun		1,357.00	15.00% ▲
Mongol Daatgal		80.50	15.00% ▲
Frontier Land Group		389.85	15.00% ▲
Sor		1,150.00	15.00% ▲
Tav		20,100.00	14.86% ▲
Securities with most decline		Last Price /MNT/	Change /w/
Darkhan Nekhii		12,010.00	-14.09% ▼
Genco Tour Bureau		69.00	-13.75% ▼
Darkhan Guril Tejeel		4,879.00	-12.88% ▼
Teever Darkhan		7,800.00	-9.57% ▼
Khuvsgul Altan Duulga		650.00	-6.74% ▼
Most Active Brokerage Firms		Amount/MNT/	
Mirae Asset Securities Mongolia		522,061,809	
Ard Securities		137,784,955	
Golomt Capital		80,007,517	
BDSec		51,507,208	
TDB Capital		45,658,721	
Top 5 Companies With Largest Market Capitalization		Last Price / MNT/	Market Cap. /MNT mln/
APU		614.66	654,110
Tavan Tolgoi		6,495.00	342,060
MIK Holding		15,000.00	310,640
Gobi		260.06	202,876
Invescore NBFI		2,652.00	190,222

### Government securities /secondary market/

Nº	NAME	VOLUME	TURNOVER /MNT/	MINIMUM /MNT/	MAXIMUM /MNT/	WEEKS	ANNUAL INTEREST RATE
-	-	-	-	-	-	-	-

## CAPITAL MARKET UPDATE

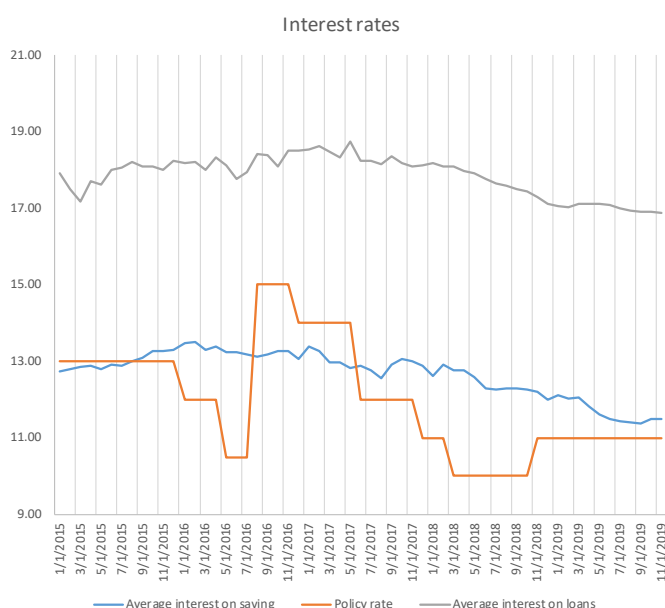
## HIGHLIGHT



- Training on anti-money laundering and terrorism financing has been organized.
- The FRC is cooperating with the World Bank.
- The FRC's first meeting of 2020 was held.
- 2 more investment funds were registered.
- Discussion on "Corporate bond market's development and regulatory environment" took place.

## NEWS ON JOINT STOCK COMPANIES

- Chairman of the Financial Regulatory Commission Bayarsaikhan D. met with Senior Financial Sector Specialist in charge of "Financial Stability Strengthening Project", a project being implemented with the aid of Worldbank, Ulle Lohmus and Anti-Money Laundering and Counter Terrorism Financing Specialist Steward Icona, and discussed their cooperation.
- 17 issues were discussed and resolved at the first meeting of the Financial Regulatory Commission in 2020.
- Trading of "Bayan Aldar NBF" JSC's shares was suspended.
- Trading of "Mongol Daatgal" JSC's shares was resumed.
- "Erdene Resource Development Corporation" JSC commences final feasibility studies and basic engineering modeling.
- "Invescore NBF" JSC has invested in a company from Krygzstan.



## ANALYST COMMENTARY

The Bank of Mongolia (BoM) has set the Central Bank's 7 day securities rate as the policy rate in July, 2007 and most recently the policy rate was increased to 11% on November 28, 2018.

When the BoM change its policy rate, commercial banks' interest rates on savings and loans are expected to follow suit. A change in the BoM's policy rate also reflects central bank's monetary policy's direction (expansionary, contractionary) and acts a guide for the interbank rate.

On the regular meeting on Dec 20, 2019, due to decreases in economic growth and lending, the MPC discussed the possibility of reducing the policy rate, however the rate was maintained at 11% given the uncertainty of budget performance and external environment.

## OTHER NEWS

### HIGHLIGHT

- The Vice President of the World Bank visited Mongolia.
- The outcomes of the "Extended Funding Facility" will be discussed on the World Bank's Spring Meeting.
- TRQ: In 2020, a total of USD 1.2 billion-1.3 billion investments will be made to "Oyu Tolgoi" underground project.
- Inflation has slowed in the last months of 2019 and the budget operated with a deficit.
- NSO: The shadow economy of Mongolia is between 9.2% and 15.7% of the total GDP.
- BoM increases its reserve through the purchase of precious metals from companies such as "Erdenet" and "Oyu Tolgoi".



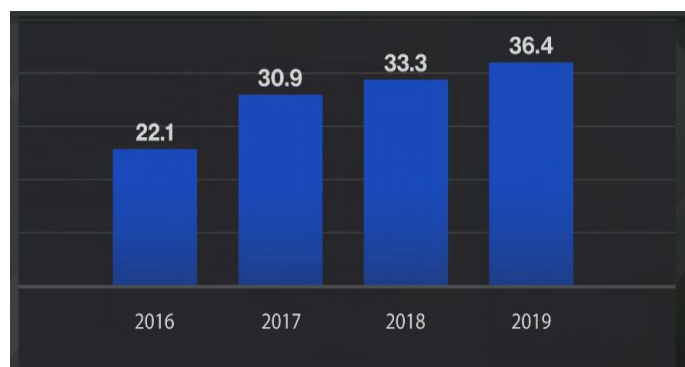
### MACROECONOMIC NEWS

- The Central Bank increased its reserves by purchasing 18.6 tons of precious metals in 2016, 20 tons in 2017, 22 tons in 2018 and 15.1 tons in 2019. Due to legal environment, last year, there was a decline in the Central Bank's gold purchases. Therefore, in addition to the purchase of precious metals in order to increase its reserve, the Central Bank has also been making transactions with major exporting companies.
- FATF has announced that Mongolia was officially included in the FATF's "gray list" on October 18, 2019. Due to this, the Central Bank has announced that it has intentions to exit the FATF's "gray list" this year. The International Cooperation agency's monitoring group's meetings are held three times a year in which the discussion of the Effectiveness report takes place. The first meeting will be held this month and Mongolia has submitted its Effectiveness report in order to get it under-review.

### COMMODITY MARKET NEWS

The Customs General Administration has announced that in 2019, Mongolia has exported 36.4 million tons of coal worth USD 3.07 billion.

Most of the exports (98%) were to China while the remaining part was to Great Britain and Singapore. In terms of ports, 20.6 million tons of coals were exported by Gashuunsukhait port, the port used by companies operating in Tavantolgoi ores.



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