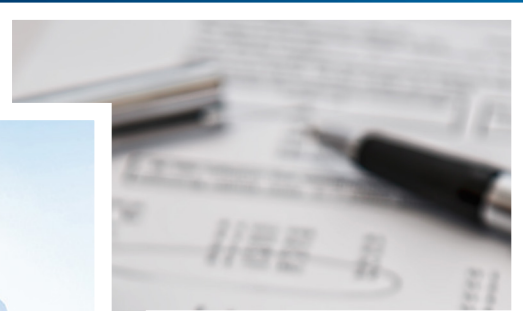


# WEEKLY MARKET UPDATE

03.09 - 03.13



Find about how the central banks of some countries are reacting to the outbreak of COVID-19 in the analyst's commentary section

## GLOBAL MARKET UPDATE

**US:** Stocks suffered a week of historic losses as worries deepened about the impact of the novel coronavirus outbreak. The declines pushed the major indexes well into bear market territory, with the Dow Jones Industrial Average falling over 28% from its recent peak to its Thursday low and the S&P 500 Index down about 27%. The onset of the bear market was the fastest in history—major indexes were setting new highs as recently as mid-February—and the Dow suffered its worst daily decline since 1987 on Thursday. The Cboe Volatility Index (VIX) reached its highest level since the financial crisis of 2008, and “circuit breakers” designed to halt trading when the S&P 500 falls by more than 7% were deployed on Monday and Thursday for the first time since 1997.

All S&P 500 sectors fell sharply, but energy shares performed worst as oil prices tumbled. Health care, technology, and communication services shares held up best. As companies and individuals continued to cancel travel and events, shares in the affected industries were dealt the heaviest blow.

**Europe:** European shares ended the week trading in a bear market after heavy selling sparked by the spreading coronavirus, the U.S. decision to restrict travel from Europe, a plunge in oil prices sparked by the collapse of the OPEC-Russia alliance, and disappointment with measures that stopped short of a coordinated fiscal stimulus. Most major indexes—including the pan-European STOXX Europe 600 Index and individual country indexes for the UK, France, Germany, and Italy—generally declined 15% to 20%.

The European Central Bank (ECB) approved fresh stimulus measures to help the eurozone economy cope with the growing cost of the coronavirus epidemic but kept interest rates unchanged, which disappointed financial markets. The ECB said it would offer fresh loans to banks, provide previously agreed liquidity facilities at even more favorable rates, and temporarily increase assets by EUR €120 billion until the end of the year.

**Japan:** Japanese stocks fell to levels not seen in more than three years. The Nikkei 225 Stock Average declined 3,319 points and closed at 17,431.05, down 26.3% for the year-to-date period.

Most observers expect the Bank of Japan (BoJ) to loosen monetary policy at its March 18–19 policy committee meeting. Plunging stocks, the strengthening yen, and concern about the coronavirus pandemic are weakening investor sentiment and curtailing business investment, which could derail Japan’s already fragile economic recovery.

**China:** Amid some of the most volatile market conditions since the global financial crisis, the Shanghai Composite Index fell 4.8%, with the CSI 300 large-cap index down 5.9%. Despite China having suffered the majority of the world’s coronavirus cases and the economy having gone into lockdown for much of February, the Shanghai Composite’s 5.3% year-to-date loss is much less than the 20.2% fall in the MSCI All Country World Index.

Observers have pointed to several potential reasons for the relative resilience. The number of new cases in China has fallen sharply and was below 50 for five consecutive days (to March 10). In contrast, the slower response of health authorities in other countries in tackling the coronavirus has led to fears of a more prolonged, complex, and potentially deeper shock to the global economy.

Source: Troweprice.com

International indices	Country	Last Price	Change /w/
MSE TOP 20	Mongolia	18,606.08	-1.30% ▼
Dow Jones	USA	23,185.62	-10.36% ▼
S&P 500	USA	2,711.02	-8.79% ▼
Nasdaq	USA	7,874.88	-8.17% ▼
S&P/TSX	Canada	13,716.33	-15.20% ▼
FTSE 100	Great Britain	5,366.11	-16.97% ▼
S&P/ASX 200	Australia	5,539.30	-10.89% ▼
Nikkei 225	Japan	17,431.05	-15.99% ▼
Hang Seng	Hong Kong	24,309.07	-7.03% ▼

Bond	Currency	Coupon	Last price
Mongol 2024 (Khuraldai)	USD	8.750%	98.45
Mongol 2023 (Gerege)	USD	5.625%	90.15
Mongol 2022 (Chinggis)	USD	5.125%	90.02
Mongol 2021 (Mazalai)	USD	10.875%	99.08
DBM' 23 (Samurai)	JPY	1.520%	103.33
DBM' 2023	USD	7.250%	104.63
TDBM' 2020	USD	9.375%	99.49
MGMTGE' 2022 (Hoelun)	USD	9.750%	91.30

Rates	Last	Change /w/
Libor 1M	0.800	-0.06 ▼
Libor 3M	0.840	-0.06 ▼
Libor 6M	0.820	-0.06 ▼
Libor 1YR	0.822	-0.02 ▼
US 2YR Bond	0.270	-0.06 ▼
US 3YR Bond	0.330	-0.05 ▼
US 5YR Bond	0.411	-0.02 ▼
US 10YR Bond	0.673	0.14 ▲

Exchange rates	2020.03.13	Change /w/
USD	2,767.52	0.11% ▲
CNY	396.07	-0.46% ▼
EUR	3,096.72	-0.35% ▼
RUB	37.90	-7.43% ▼
KRW	2.27	-2.16% ▼
JPY	26.15	0.08% ▲
CAD	1,998.93	-3.11% ▼

Commodity	Unit	Last price	Change /w/
Gold /spot/	USD/t oz.	1,529.83	-8.60% ▼
Silver /spot/	USD/t oz.	14.72	-15.15% ▼
Copper	USD/lb.	246.40	-3.77% ▼
Coal	USD/MT	65.60	-1.01% ▼
Crude Oil WTI	USD/bbl.	31.73	-23.13% ▼
Crude Oil Brent	USD/bbl.	33.85	-25.23% ▼

Indicators	Reference	Amount
Inflation Rate	2020. I	5.6%
Policy Rate	2020. I	11.00%
Interbank Rate	2020. I	10.86 %
Deposit Interest Rate /MNT/	2020. I	11.42%
Deposit Interest Rate /Foreign currency/	2020. I	4.74%
Loan Interest Rate /MNT/	2020. I	17.06%
Loan Interest Rate /Foreign currency/	2020. I	10.30%

Source: National Statistical Office, Bank of Mongolia, Bloomberg

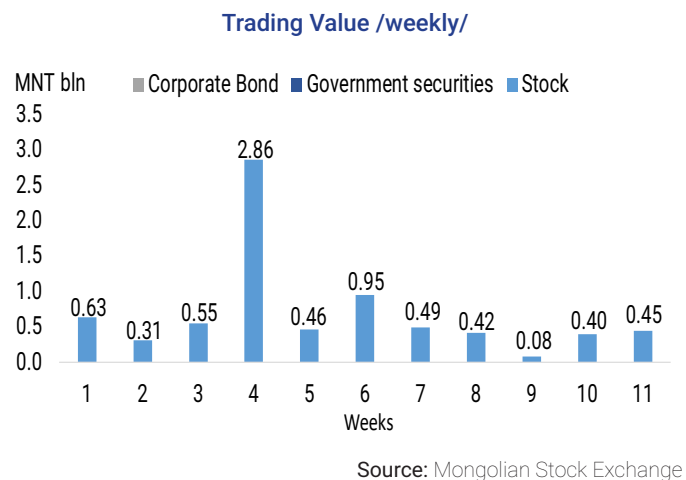
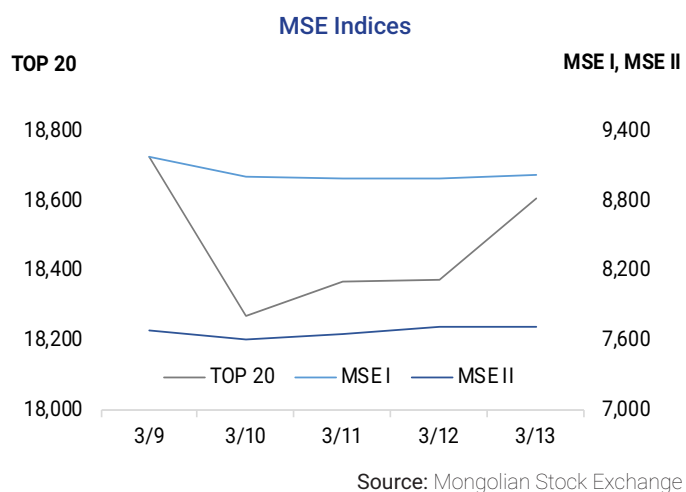
## MSE TRADE UPDATE

In this week, a total of 48 companies' 1,394,833 shares worth MNT 448.6 million were traded in the secondary market.

"Mongol Daatgal" /CHE/ company's shares rose 26.05 percent to MNT 1,500.00, while 'Juulchin Duty Free' /SUL/ company's share fell 16.82 percent to MNT 73,200.00.

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

As of March 13, total market capitalization of MSE is MNT 2,736.1 billion. The TOP-20 index decreased by 1.30% to stand at 18,606.08 units.



Market Review		Total amount /MNT mln/
Total Value		448.6
Market Capitalization		2,736,103.8
Market Indices		Last Price
MSE Top 20	18,606.08	-1.30% ▼
MSE I Index	9,031.30	-1.74% ▼
MSE II Index	7,722.98	-0.14% ▼
Actively Traded Securities		Volume
Invescore NBFI	64,074	165,316,954
Ard Financial Group	46,248	67,344,798
APU	61,072	39,155,789
Ard Credit NBFI	420,433	30,812,696
Ard Daatgal	43,033	30,013,386
Securities with most growth		Last Price /MNT/
Mongol Daatgal	1,500.00	26.05% ▲
Gutal	17,550.00	15.08% ▲
Khar Khorum Properties	89.70	15.00% ▲
Tushig Uul	600.00	10.14% ▲
Ard Financial Group	1,583.00	7.76% ▲
Securities with most decline		Last Price /MNT/
Juulchin Duty Free	73,200.00	-16.82% ▼
Bayanteeg	25,000.00	-12.28% ▼
Erdene Resource Development	480.00	-9.43% ▼
Buhug	1,500.00	-9.09% ▼
Lendmn NBFI	34.98	-7.29% ▼
Most Active Brokerage Firms		Amount/MNT/
Invescore Capital		298,689,368
Ard Securities		286,455,842
TDB Capital		86,391,626
Standard Investment		38,628,578
BDSec		27,400,773
Top 5 Companies With Largest Market Capitalization		Last Price /MNT/
APU	640.18	681,268
Tavan Tolgoi	6,500.00	342,324
MIK Holding	14,400.00	298,214
Invescore NBFI	2,609.00	187,138
Gobi	211.00	164,604

### Government securities /secondary market/

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

## DIVIDEND INFORMATION

Nº	TICKER	COMPANY NAME	NET PROFIT OF 2018 /MNT MLN/	TOTAL DIVIDEND AMOUNT /MNT MLN/	DIVIDEND PAYOUT RATIO	DIVIDENDS PER SHARE /MNT/	RECORD DATE	PAYMENT DATE
1	APU	APU	74,411.5	75,471.2	101.4%	71.0	DATE OF AGM	WITHIN 2020.08.31
2	MNDL	MANDAL DAATGAL	5,820.3	2,497.2	42.9%	4.0	DATE OF AGM	WITHIN 2020.06.30
3	GTL	GUTAL	2,403.7	2,436.0	101.3%	1,520.0	2020.03.13	ON 2020.05.05
4	LEND	LENDMN NBFI	4,910.2	1,200.0	24.4%	1.5	2020.02.25	ON 2020.04.30
5	ADB	ARD CREDIT NBFI	2,369.4	1,184.7	50.0%	4.2	2020.04.08	WITHIN 2020.06.30
6	AARD	ARD FINANCIAL GROUP	715.9	1,000.0	139.7%	35.0	2020.04.07	WITHIN 2020.04.30
7	TUM	TUMEN SHUVUUT	3,232.9	960.0	29.7%	4.8	DATE OF AGM	ON 2020.06.24
8	AIC	ARD DAATGAL	1,718.7	850.0	49.5%	34.0	2020.04.09	WITHIN 2020.06.30
9	JTB	GENCO TOUR BUREAU	1,253.8	799.9	63.8%	10.0	DATE OF AGM	
10	TEX	TECHNICIMPORT	2,718.2	723.4	26.6%	500.0	2020.03.1	FROM 2020.04.24
11	BUK	UB-BUK	2,465.3	526.2	21.3%	4.0	DATE OF AGM	FROM 2020.06.01
12	MMX	MAKHIMPEX	819.3	456.1	55.7%	120.0	DATE OF AGM	FROM 2020.10.01
13	MFC	MONOS KHUNS	761.9	408.9	53.7%	1.0	DATE OF AGM	WITHIN 2020.08.31
14	DSS	DARKHAN SELENGIIN TSAKHILGAAN TU- GEEKH SULJEE	581.8	391.8	67.3%	37.7	2020.03.20	
15	MNP	MONGOL POST	1,103.6	331.1	30.0%	3.3	DATE OF AGM	FROM 2020.05.01
16	HRM	HERMES CENTRE	820.0	322.0	39.3%	4.1	2020.02.28	FROM 2020.03.15
17	NEH	DARKHAN NEKHII	2,327.6	230.8	9.9%	210.0	2020.02.25	BETWEEN 2020.09.30- 2020.12.30
18	TCK	TALKH CHIKHER	2,456.0	230.3	9.4%	225.0	DATE OF AGM	FROM 2020.06.20
19	MBW	MONGOL BASALT	335.0	225.7	67.4%	4.0	2020.03.09	WITHIN 2020.06.30
20	BNG	BAYANGOL HOTEL	2,117.8	152.3	7.2%	360.0	DATE OF AGM	ON 2020.09.01
21	BDS	BDSEC	19.9	136.9	687.0%	10.0	2020.03.09	WITHIN 2020.12.31
22	EER	ARIG GAL	225.8	131.0	58.0%	38.9	DATE OF AGM	WITHIN 2020.06.30
23	TAH	TAKHI KO	489.0	128.5	26.3%	108.0	DATE OF AGM	WITHIN 2020.05.01
24	UBH	ULAANBAATAR KHIVS	298.8	121.4	40.6%	300.0	2020.03.06	BETWEEN 2020.05.01- 2020.05.15
25	HRD	HURD	722.6	72.4	10.0%	535.0	2020.03.02	WITHIN 2020.06.30
26	ATR	ATAR URGUU	280.4	60.9	21.7%	350.0	DATE OF AGM	WIHTIN 2020.08.01
27	MCH	TELECOM MONGOLIA	62.0	25.9	41.7%	1.0	DATE OF AGM	FROM 2020.06.01
28	HUV	KHUVSGUL GEOLOGY	324.7	21.6	6.7%	150.0	2020.04.03	FROM 2020.05.01
29	SUU	SUU	5,668.0	1,715.1	30.3%	5.0	2020.04.03	FROM 2020.05.01

## CAPITAL MARKET UPDATE

### HIGHLIGHT



Due to the outbreak of the novel corona virus (COVID-19), the Financial Regulatory Commission recommendeds regulatory bodies to focus protecting employees from the risks of infectious diseases, and develop a detailed plan to overcome the complications developing in the market because of the infectious diseases and quarantines. Additionally, the FRC recommends businesses and financial institutions to follow the guidelines and recommendations provided by the "Harvard Business Review" and the United States' "Center for Disease Control and Prevention".

### NEWS ON JOINT STOCK COMPANIES

- According to the enforcement letter No. 51 of State Inspector of Financial Regulatory Commission, dated on March 12, 2020, the trading of 'Kharkhorum Properties' JSC has been resumed from March 13, 2020. Trading had been temporarily stopped since January 02, 2019 due to the listing amendment.
- "Erdene Resource Development Corp" JSC (TSX: ERD; MSE: ERDN) announced that the "Mineral Resource and Petroleum Authority" of Mongolia issued mining license MV-021547 for the Altan Nar project. The mining license is valid for 30 years, with an option to extend for up to a total of 70 years. The Altan Nar mining license is the second mining license recently granted to the Company following the issuance of the Bayan hundii mining license in August 2019.



### OTHER NEWS

As the Millennium IT System was introduced to the Mongolian capital market in 2012, it enabled online trading, real-time market surveillance and introduced new types of orders and trades into the market.

Prior to 2013, investors placed their orders only by telephone or in person at a brokerage company, but the new system now allows investors to participate in the trading by all types electronic devices such as a smart phone, computer and tablet. For instance, 32.5 percent of traders (non-recurring) participated trading on Mongolian Stock Exchange by online in 2019, while, as of March 2020, 49.2 percent of traders (non-recurring) participated by online trading through 8 securities companies, which shows a dramatic increase in such a short of time.

Online trading improved the market efficiency by reducing time and costs associated with the investment in the market and Mongolian Stock Exchange is working towards improving the market liquidity and return on investment by commissioning other functions of the system.

## OTHER NEWS

### HIGHLIGHT

- Monetary policy rate has been reduced to 10%.
- Precious metals purchased by the Bank of Mongolia reached 4.9 tons.
- The Bank of Mongolia predicts a sharp slowdown in GDP if the adverse effect of COVID-19 lasts up to 6 months.
- Inflation rate was below Bank of Mongolia's target rate for 4 consecutive months, reflecting slowing economic activity.
- The Bank of Mongolia has fulfilled 100 percent the offers it received and delivered USD 36.3 million to the foreign exchange market.



### MACROECONOMIC NEWS

The Monetary Policy Committee meeting was held on the 11th of March 2020. The Committee decided to lower the policy rate by 1 percentage point to 10 percent, lowering the reserve requirement on banks' liabilities in togrog by 2 percentage points to 8.5 percent, and changing the range of interest rate corridor to be +1, -1 percentage points from the policy rate.

The Monetary Policy Committee decided to take the above mentioned comprehensive policy measures to relieve financing costs of banks, to support financial intermediation, and to stimulate economic growth by considering the current macroeconomic and financial outlook and its prospects, main driving factors, and uncertainties and risks in the domestic and external environment. The decision is aimed to ensure economic and financial stability while keeping the inflation rate around the target rate.

### COMMODITY MARKET NEWS

As of March 11, 2020, the Bank of Mongolia (BoM) purchased 4.9 tons of precious metal in total, of which 3.2 tons were gold and 1.7 tons were white silver. It means 3.7 tons more precious metal were bought compared to the same period of the previous year.

The increase of precious metal purchase was caused by price growth of gold on the world market and that until the adoption of amendments to the related law, 10 percent royalty was imposed in the same period of last year. Moreover, the central bank's purchase of 1.7 tons of white silver from domestic entities since the arrival of the year also affected to the increase.

Throughout February, the average price for a gram of gold stood at MNT 140.292.94. While the announced rate by the BoM on March 11 was MNT 147,096.92 for a gram of gold and MNT 1,492.43 for a gram of silver respectively.



## ANALYST'S COMMENTARY

### COVID-19 AND POLICY RATE

The BoM's Monetary Policy Committee meeting was held on the 11th of March 2020. The Committee decided to lower the policy rate by 1 percentage point to 10 percent, lowering the reserve requirement on banks' liabilities in MNT by 2 percentage points to 8.5 percent, and changing the range of interest rate corridor to be +1, -1 percentage points from the policy rate.

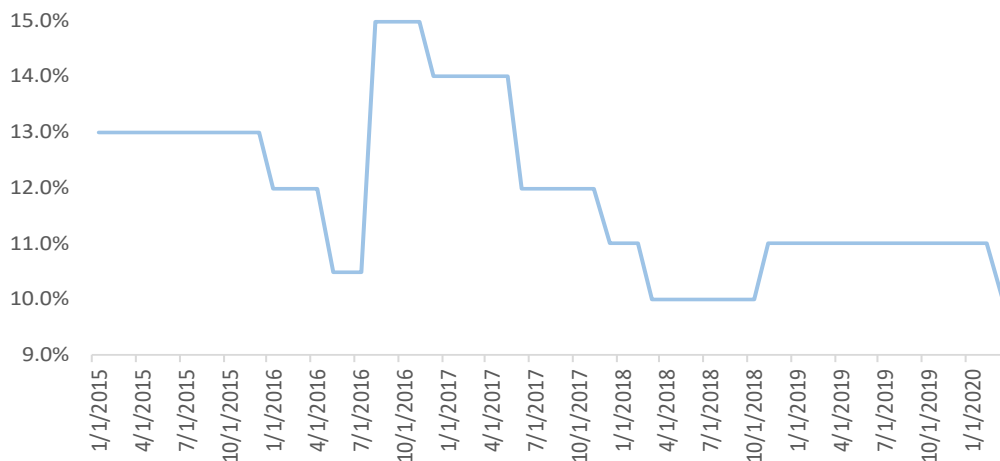
This was the first decision to change the policy rate since it was last increased in November 28, 2018. The BoM explained that the reason to lower the policy rate was due to the increased uncertainties regarding the spread of Covid-19 have emerged the risk of aggravating the slowdown in economic growth due to weaker external demand, lower commodity prices, and sluggish external and domestic economic activities. Furthermore, the impact of Covid-19 on the economy would depend on the scale of the virus' spread, length of containment period, and policy measures to prevent the spread of the virus. While the possibility of weaker export revenue looms, a continued decline in the consumer imports and a sharp fall in oil price at the global market would reduce the depreciation pressure on the exchange rate.

Also, the Federal Reserve cut US interest rates to zero before financial markets opened on Sunday and joined forces with other central banks in a bid to prevent a severe economic downturn caused by the coronavirus pandemic.

After three weeks of chaotic drops in global stock markets and alarming signs of dysfunction in the US government bond market, the Fed stepped in with tools it has not used since the financial crisis. The sweeping measures underscore the severity of the damage that the coronavirus has already caused to economic growth, and the threat the outbreak poses to financial stability. The Fed dropped its policy rate by a full percentage point to a range of 0-0.25 per cent, a level not seen since 2015.

The spread of the virus continues to have negative impact on the economies of the countries, and the counter measures are being taken promptly by the Central Banks by lowering the policy rates. The reduction in monetary policy rates has the effect of stimulating the economy by increasing the amount of money available in the market and is an indicator for the central bank's monetary policy stance.

**Figure 1. Historical policy rates (BoM)**



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