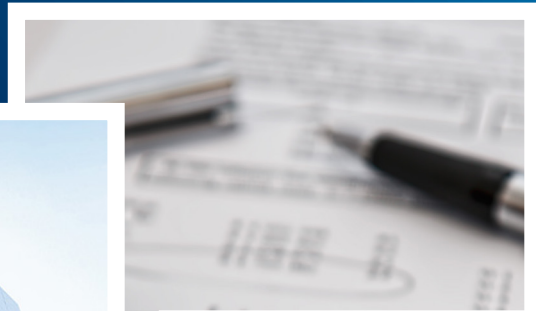


# WEEKLY MARKET UPDATE

03.16 - 03.20



This week's analyst's commentary section includes, how the outbreak of COVID-19 is affecting the bond market and what kind of measures the central banks are taking.

## GLOBAL MARKET UPDATE

**US:** Stocks suffered another week of steep losses, as concerns deepened over the novel coronavirus and its economic impact. The S&P 500 Index fell back to its lowest levels since early 2017, while the Dow Jones Industrial Average touched lows not seen since late 2016.

The downdraft was the most intense on Monday, with the Dow suffering its biggest percentage loss since 1987 and the Nasdaq Composite Index experiencing its sharpest daily decline on record, according to The Wall Street Journal. The sell-off came despite the Federal Reserve's announcement on Sunday that it would slash the federal funds target rate to the 0.00%–0.25% range and restart aggressive purchases of Treasuries and agency mortgage-backed securities. On Monday, the Cboe Volatility Index (VIX) hit its highest level on record, surpassing its peak during the financial crisis of 2008. Sharp declines on Monday and Wednesday again triggered "circuit breakers" designed to keep trading orderly. The New York Stock Exchange announced on Wednesday that it would temporarily move to fully automated trading beginning Monday, March 23.

**Europe:** European equities posted sizable losses, as countries imposed lockdowns and economies faltered, raising the prospect of a prolonged recession. However, a flood of fiscal stimulus and further interest rate cuts helped equities claw back some losses at the end of the week.

European equity markets bounced in the final two days of the week, after the BoE decided at an emergency meeting to cut the bank rate by 15 basis points (bps) to 0.10% and increase asset purchases by £200 billion. (A basis point is 0.01 percentage points.) The ECB announced that, in addition to the €120 billion of stimulus announced last week, it was creating a €750 billion Pandemic Emergency Program covering both sovereign and corporate bonds.

**Japan:** Japanese stocks produced mixed returns in the holiday-shortened trading week. Japanese markets were closed on Friday to celebrate the Vernal Equinox Day holiday. The Nikkei 225 Stock Average declined 878 points (5.0%) on Thursday and closed at 16,552.83, down 30.0% for the year-to-date period.

According to a Reuters source, Prime Minister Shinzo Abe has formed a panel of key economic ministers, including Bank of Japan (BoJ) Governor Haruhiko Kuroda, to discuss measures to boost Japan's economy, which has been severely hurt by the coronavirus epidemic.

**China:** China equity markets fell over the week. The Shanghai Composite (SHCOMP) index dropped by 4.9%, while the CSI 300 index of large-cap stocks lost 6.2%. Both indices recovered some ground on Friday, with the SHCOMP up 1.6% and the CSI 300 gaining 1.8%.

The People's Bank of China (PBoC) surprised markets by not following the Fed and 17 other central banks in cutting interest rates at its monetary policy meeting on March 20. The interest rate for five-year bank loans remains at 4.75%, which is relatively high compared with elsewhere in Asia. This possibly reflects a view that it may be better not to stimulate demand until supply has returned to normal.

Source: Troweprice.com

International indices	Country	Last Price	Change /w/
MSE TOP 20	Mongolia	18,156.69	-2.42% ▼
Dow Jones	USA	19,173.98	-17.30% ▼
S&P 500	USA	2,304.92	-14.98% ▼
Nasdaq	USA	6,879.52	-12.64% ▼
S&P/TSX	Canada	11,851.81	-13.59% ▼
FTSE 100	Great Britain	5,190.78	-3.27% ▼
S&P/ASX 200	Australia	4,816.60	-13.05% ▼
Nikkei 225	Japan	16,552.83	-5.04% ▼
Hang Seng	Hong Kong	21,709.13	-10.70% ▼

Bond	Currency	Coupon	Last price
Mongol 2024 (Khuraldai)	USD	8.750%	87.69
Mongol 2023 (Gerege)	USD	5.625%	83.86
Mongol 2022 (Chinggis)	USD	5.125%	83.08
Mongol 2021 (Mazalai)	USD	10.875%	97.56
DBM' 23 (Samurai)	JPY	1.520%	102.53
DBM' 2023	USD	7.250%	83.24
TDBM' 2020	USD	9.375%	99.55
MGMTGE' 2022 (Hoelun)	USD	9.750%	90.38

Rates	Last	Change /w/
Libor 1M	0.929	0.13 ▲
Libor 3M	1.204	0.36 ▲
Libor 6M	0.994	0.17 ▲
Libor 1YR	0.934	0.11 ▲
US 2YR Bond	0.293	0.02 ▲
US 3YR Bond	0.323	-0.01 ▼
US 5YR Bond	0.422	0.01 ▲
US 10YR Bond	0.809	0.14 ▲

Exchange rates	2020.03.20	Change /w/
USD	2,770.76	0.12% ▲
CNY	392.69	-0.85% ▼
EUR	2,996.58	-3.23% ▼
RUB	35.52	-6.28% ▼
KRW	2.24	-1.32% ▼
JPY	25.30	-3.25% ▼
CAD	1,948.36	-2.53% ▼

Commodity	Unit	Last price	Change /w/
Gold /spot/	USD/t oz.	1,498.65	-2.04% ▼
Silver /spot/	USD/t oz.	12.62	-14.29% ▼
Copper	USD/lb.	217.15	-11.87% ▼
Coal	USD/MT	66.83	1.88% ▲
Crude Oil WTI	USD/bbl.	22.43	-29.31% ▼
Crude Oil Brent	USD/bbl.	26.98	-20.30% ▼

Indicators	Reference	Amount
Inflation Rate	2020. II	6.4%
Policy Rate	2020. II	11.00%
Interbank Rate	2020. II	10.95 %
Deposit Interest Rate /MNT/	2020. II	11.33%
Deposit Interest Rate /Foreign currency/	2020. II	4.71%
Loan Interest Rate /MNT/	2020. II	17.01%
Loan Interest Rate /Foreign currency/	2020. II	10.35%

Source: National Statistical Office, Bank of Mongolia, Bloomberg

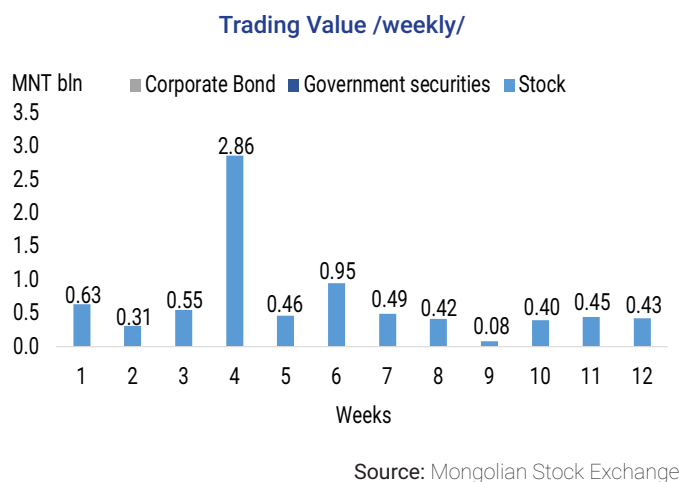
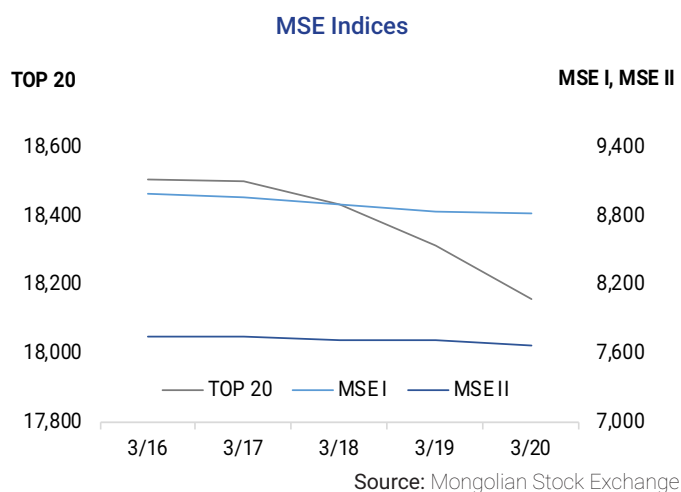
## MSE TRADE UPDATE

In this week, a total of 52 companies' 2,078,965 shares worth MNT 425.9 million were traded in the secondary market.

"Khar Khorum Properties" /AMT/ company's shares rose 57.67 percent to MNT 141.43, while "Lendmn NBF1" /LEND/ company's share fell 18.64 percent to MNT 28.46.

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

As of March 20, total market capitalization of MSE is MNT 2,691.0 billion. The TOP-20 index decreased by 2.42% to stand at 18,156.69 units.



Market Review	Total amount /MNT mln/
Total Value	425.9
Market Capitalization	2,690,957.5

Market Indices	Last Price	Change /w/
MSE Top 20	18,156.69	-2.42% ▼
MSE I Index	8,828.15	-2.25% ▼
MSE II Index	7,671.77	-0.66% ▼

Actively Traded Securities	Volume	Amount/MNT/
Ard Financial Group	80,288	121,138,833
Khar Khorum Properties	682,582	88,984,983
APU	132,066	82,695,136
Gobi	112,825	23,670,014
Tavantolgoi	2,582	16,790,620

Securities with most growth	Last Price /MNT/	Change /w/
Khar Khorum Properties	141.43	57.67% ▲
Juulchin Duty Free	82,000.00	12.02% ▲
BDSec	897.04	11.92% ▲
Erdene Resource Development	525.00	9.38% ▲
Standart Agriculture Group	80.00	3.90% ▲

Securities with most decline	Last Price /MNT/	Change /w/
Lendmn NBF1	28.46	-18.64% ▼
Kherlen Khivs	36.00	-7.69% ▼
Shivee Ovoo	2,000.00	-6.98% ▼
Ulsyn Ikh Delguur	1,258.00	-6.68% ▼
Mongol Shevro	1,690.00	-6.11% ▼

Most Active Brokerage Firms	Amount/MNT/
Ard Securities	284,362,688
SG Capital	152,802,198
BDSec	84,756,465
Apex Capital	60,423,525
Standard Investment	53,341,317

Top 5 Companies With Largest Market Capitalization	Last Price /MNT/	Market Cap. /MNT mln/
APU	622.32	662,261
Tavan Tolgoi	6,500.00	342,324
MIK Holding	13,890.00	287,652
Invescore NBF1	2,600.00	186,493
Gobi	207.60	161,951

### 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



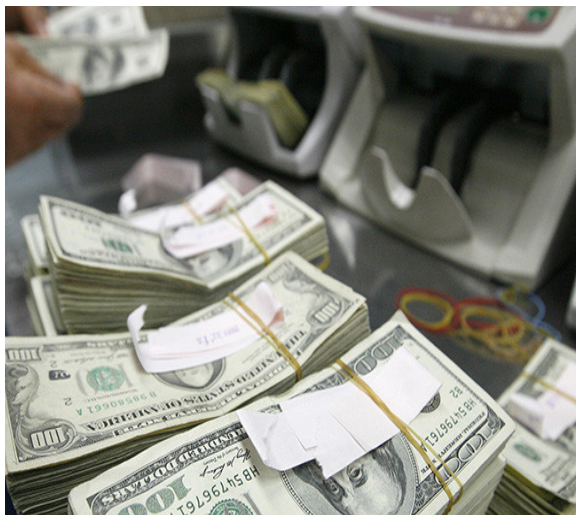
Under the Company Law, joint stock companies are required to convene their annual general meeting of shareholders before May 1 of each year. This year, due to the emergency caused by the outbreak of COVID-19, the government has banned all events, gatherings and meetings until March. In connection with this, the Financial Regulatory Commission has provided joint stock companies with recommendations for conducting the shareholders meeting in digital form.

### NEWS ON JOINT STOCK COMPANIES

- According to “Gan Kherlen” /MSE: HZB/ JSC’s Board of Directors’ Resolution No. 01/20 of February 16, 2020, the company will issue a total dividend of MNT 14.9 million or MNT 150 per share from its net profit of 2019.
- “Gan Kherlen” JSC /MSE: HZB/ is planning to exit the capital market by changing its shareholders’ structure.
- “Lendmn NBF1” /MSE: LEND/ JSC’s share price decreased by 10.11% and reached MNT 28.46 on March 20, 2020. This was the lowest price of the company’s share since the start of the secondary market trade.
- Erdene Resource Development Corp. (TSX:ERD; MSE:ERDN) announced operating and financial results for the year ended December 31, 2019, and provides an update on its Khundii Gold Project, including potential impacts of the novel coronavirus (COVID-19).



### OTHER NEWS



The Bank of Mongolia (BoM) has provided USD 60.1 million through two auction this week. Specifically, on Tuesday BoM fully fulfilled all the offers from commercial banks’ and provided USD 35.1 million with different exchange rates. Also, on Thursday BoM fully fulfilled all the offers as well and provided USD 25 million with different exchange rates. The Bank of Mongolia is participating in all auctions in March and is actively supplying foreign currency in the market. From March 1 to March 19 the BoM provided USD 193 million to the market which is seven times higher than the same period of the previous year. However, the MNT have been weakening for five consecutive days standing at MNT 2,769.17 per USD. From the start of this year MNT has weakened 1.2%.

## OTHER NEWS

### HIGHLIGHT

- N.Enkhbayar: To support the economy, we must make some adjustments to the budget and free up some resources.
- Ch.Khashchuluun: The economy may fall close to or even greater than the 2009 economic downturn.
- SEC: Extended readiness period is extended to April 30.
- Fitch Solutions: The demand in China will slump this year which may result in decreased mineral imports from Mongolia.



### MACROECONOMIC NEWS

Due to the outbreak of COVID-19, Mongolia's economy is experiencing a slowdown thus resulting in a disturbance of loan repayment in banking sector. Therefore, Bank of Mongolia has decided to apply changes to the following procedures from January 31, 2020 to July 31, 2020.

1. "Asset Classification, Asset Provisioning and Disbursement Procedure"
2. "Procedure for Establishing and Monitoring Required Ratio of Banking Operations"

At the end of the specified period, it has been decided that the procedures will be reverted back to the former.

### COMMODITY MARKET NEWS

China accounts for over 80% of Mongolia's mineral exports and it is clear that Mongolia's economy is largely dependent on the country's economic situation. According to Fitch Solutions, due to the COVID-19 infection, forecast of China's real GDP growth rate was lowered from 5.9% to 4.2%. With regards to the current events, China's demand will likely decline and the imports from Mongolia may decrease. Such a situation could be a serious blow to the Mongolian economy and unemployment could increase, according to a report issued on March 19.



## ANALYST'S COMMENTARY

### COVID-19 AND THE BOND MARKET

As fears over the spread of coronavirus intensify, even the safest corner of financial markets has been swept up in the global sell-off.

Government bonds, typically seen by investors as havens from volatility elsewhere, saw their prices tumble on Wednesday at the same time as fund managers continued to dumped riskier assets like stocks.

#### Bond markets

In times of crisis, investors tend to pile into government bonds for their apparent safety. Markets followed this playbook at the start of the coronavirus outbreak, with bond yields around the world hitting record lows as prices soared.

That pattern has changed in recent days. The selling in bond markets accelerated early on Wednesday, pushing 10-year US Treasury yields above 1.2 per cent, the highest in more than two weeks and far above the record low of less than 0.4 per cent hit on March 9.

Europe's benchmark, the 10-year yield on German government debt, touched a two-month high of minus 0.23 per cent, while 10-year UK yields surged to 0.79 per cent by late afternoon in London.

#### Reason

They need cash. As the rout in equities and corporate debt continues, clients have been withdrawing money from mutual funds. To meet these redemptions, investors are being forced to dump the assets that are easiest to sell, traders say.

As some of the world's most heavily traded assets, government bonds are an obvious candidate. "A lot of people are just trying to sell whatever they can," said Seema Shah, chief strategist at Principal Global Investors.

#### Reacton of Central Banks

They have certainly been trying. The US Federal Reserve cut interest rates to near-zero and announced \$700bn of bond purchases on Sunday, and in recent days has ramped

up its interventions in short-term funding markets.

The central bank has also announced the revival of a series of crisis-era programmes to shore up liquidity across financial markets. It has agreed to step into the commercial paper market, which companies use to raise cash, and is allowing approved dealers in government debt to borrow cash against some stocks, municipal debt and higher-rated corporate bonds.

The European Central Bank announced an extra €750bn of asset purchases at an emergency meeting on Wednesday after its previous interventions failed to arrest the slide in bond prices. The ECB's move briefly pushed German yields down before the selloff resumed. Despite the scale of central bank moves, bond yields around the world are far above the troughs they reached in the early part of the coronavirus outbreak.

#### Conclusion

The bond sell-off appears to have removed the last haven available to nervous investors, who are instead sheltering in cash. Gold, another asset which usually rises amid market turmoil, has plummeted over the past two weeks.

"There's nowhere to hide now," said Ms Shah. "What you are seeing in sovereign bonds speaks to the level of malfunctioning in markets. The market is now fearful that things will go on like this, until you see infection rates peaking."

Source: Financial Times

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