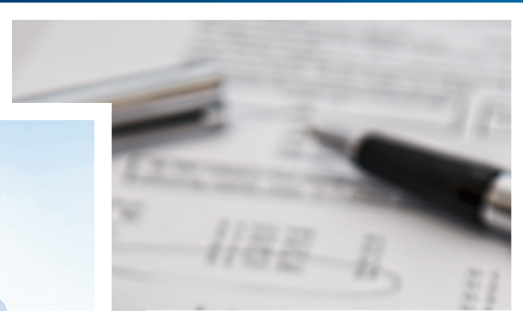


# WEEKLY MARKET UPDATE

03.23 - 03.27



On March 25, McKinsey updated its stance on the economic impact of COVID-19 and proposed two possible scenarios for how the situation would play out. Please find the proposed scenarios in the analyst's commentary section.

## GLOBAL MARKET UPDATE

**US:** Stocks rebounded from three-year lows, as investors appeared encouraged by further aggressive monetary policy actions and the passage of an unprecedented level of fiscal stimulus. On Tuesday, the Dow Jones Industrial Average had its best day since 1933, and the S&P 500 Index experienced its largest daily rally since October 2008, with all the major U.S. equity indexes surging by around 9% to 11%. By the close of business on Thursday, the Dow had marked its best three-day stretch since 1931, although the major indexes surrendered a portion of their gains to close out the week.

Heavily beaten-down energy shares outperformed as oil prices stabilized somewhat and U.S. officials put pressure on Saudi Arabia to end its price war with Russia. Airline shares also bounced back at midweek as news arrived of a \$60 billion bailout package for the industry as part of the stimulus bill, and a rebound in Boeing boosted the industrials sector. Utilities shares were also strong, while communication services shares lagged.

**Europe:** European shares rose over the week, snapping four consecutive weeks of losses, as unprecedented economic stimulus measures in Europe and the U.S. calmed markets and spurred bottom-picking. But stock markets remained well below record highs. After a week of wild gyrations, the STOXX Europe 600 Index and the German, French, and Italian benchmarks rebounded between 5% and 8%. The UK's FTSE 100 Index rose 5.95%, partly helped by a sharply weaker British pound, which favors exporters, a significant part of the benchmark.

The British pound fell to a record low against a basket of currencies of the UK's major trading partners on a stronger U.S. dollar and rising expectations of more stimulus to prop up the economy. The pound's broad effective exchange rate slid to 72.92 by the market's close Tuesday, although it then climbed to 75.54 by the end of the week, according to a daily reading made by the central bank. In the rush to buy U.S. dollars last week, the pound fell heavily to \$1.14 from \$1.31 at the beginning of March. It retraced some losses this week, climbing to \$1.19. The Bank of England held its key bank rate at 0.1% but said it was ready to increase its £645 billion bond-buying program, if needed.

**Japan:** Japanese stocks recorded strong gains for the week. The Nikkei 225 Stock Average surged 2,837 points (17.1%) and closed at 19,389.43, but the widely watched market yardstick remained down 18.0% for the year-to-date period.

The Nikkei reported that Prime Minister Shinzo Abe and his cabinet are working to implement an economic stimulus package totaling ¥56 trillion (\$500 billion) now that the fiscal budget for 2020 passed. The stimulus effort represents approximately 10% of the country's gross domestic product (GDP) and would be the largest in Japanese history.

**China:** The major indices rose until midweek before flattening off. From Monday to Friday, the Shanghai Composite rose 4.2%, and the CSI 300 large-cap index gained 5.2%.

So far, China has not delivered on major fiscal relief, though some additional stimulus is expected. New domestic projects intended to boost economic activity will be implemented at the local government level. Press reports say that after two years of fiscal deleveraging, local government infrastructure project needs have grown significantly.

Source: Troweprice.com

International indices	Country	Last Price	Change /w/
MSE TOP 20	Mongolia	17,160.90	-5.48% ▼
Dow Jones	USA	21,636.78	12.84% ▲
S&P 500	USA	2,541.47	10.26% ▲
Nasdaq	USA	7,502.38	9.05% ▲
S&P/TSX	Canada	12,687.74	7.05% ▲
FTSE 100	Great Britain	5,510.33	6.16% ▲
S&P/ASX 200	Australia	4,842.40	0.54% ▲
Nikkei 225	Japan	19,389.43	17.14% ▲
Hang Seng	Hong Kong	23,484.28	8.18% ▲

Bond	Currency	Coupon	Last price
Mongol 2024 (Khuraldai)	USD	8.750%	94.27
Mongol 2023 (Gerege)	USD	5.625%	89.53
Mongol 2022 (Chinggis)	USD	5.125%	89.56
Mongol 2021 (Mazalai)	USD	10.875%	98.91
DBM' 23 (Samurai)	JPY	1.520%	102.39
DBM' 2023	USD	7.250%	85.86
TDBM' 2020	USD	9.375%	97.06
MGMTGE' 2022 (Hoelun)	USD	9.750%	90.31

Rates	Last	Change /w/
Libor 1M	0.989	0.06 ▲
Libor 3M	1.450	0.25 ▲
Libor 6M	1.072	0.08 ▲
Libor 1YR	0.969	0.04 ▲
US 2YR Bond	0.238	-0.06 ▼
US 3YR Bond	0.285	-0.04 ▼
US 5YR Bond	0.378	-0.04 ▼
US 10YR Bond	0.650	-0.16 ▼

Exchange rates	2020.03.27	Change /w/
USD	2,775.43	0.17% ▲
CNY	391.56	-0.29% ▼
EUR	3,061.02	2.15% ▲
RUB	35.69	0.48% ▲
KRW	2.28	1.79% ▲
JPY	25.51	0.83% ▲
CAD	1,976.52	1.45% ▲

Commodity	Unit	Last price	Change /w/
Gold /spot/	USD/t oz.	1,628.16	8.64% ▲
Silver /spot/	USD/t oz.	14.47	14.67% ▲
Copper	USD/lb.	217.20	0.02% ▲
Coal	USD/MT	70.68	5.76% ▲
Crude Oil WTI	USD/bbl.	21.51	-4.10% ▼
Crude Oil Brent	USD/bbl.	24.93	-7.60% ▼

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

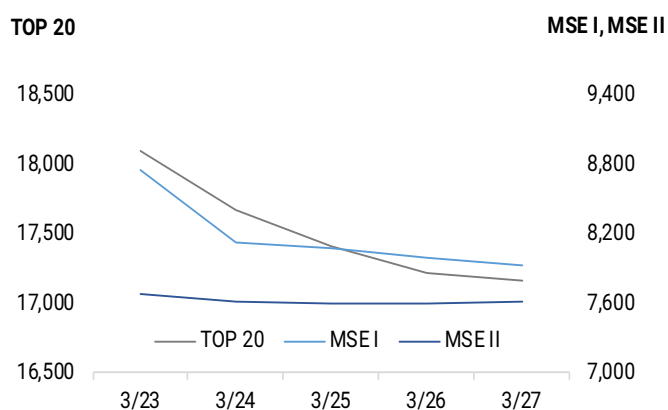
In this week, a total of 52 companies' 4,674,014 shares worth MNT 1,437.5 million were traded in the secondary market.

"Khar Khorum Properties" /AMT/ company's shares rose 31.37 percent to MNT 185.80, while "Remicon" /RMC/ company's share fell 21.16 percent to MNT 21.27.

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

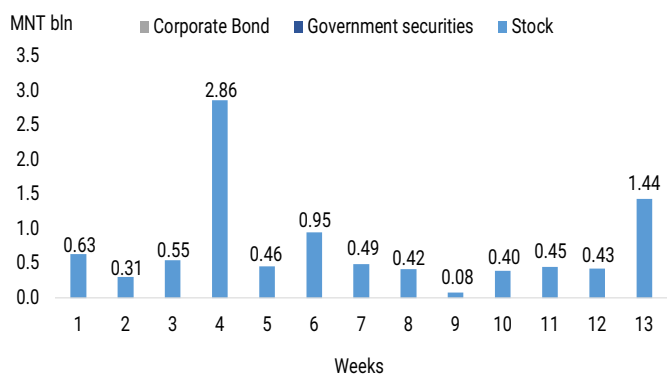
As of March 27, total market capitalization of MSE is MNT 2,482.6 billion. The TOP-20 index decreased by 5.48% to stand at 17,160.90 units.

MSE Indices



Source: Mongolian Stock Exchange

Trading Value /weekly/



Source: Mongolian Stock Exchange

### Market Review

Market Review	Total amount /MNT mln/
Total Value	1,437.5
Market Capitalization	2,482,643.1

### Market Indices

Market Indices	Last Price	Change /w/
MSE Top 20	17,160.90	-5.48% ▼
MSE I Index	7,922.20	-10.26% ▼
MSE II Index	7,621.13	-0.66% ▼

### Actively Traded Securities

Actively Traded Securities	Volume	Amount/MNT/
Frontier Land Group	2,097,323	629,268,760
Mongol Post	555,945	339,821,463
APU	132,066	79,353,958
Ard Financial Group	112,825	67,363,561
Invescore NBF1	2,582	52,938,789

### Securities with most growth

Securities with most growth	Last Price /MNT/	Change /w/
Khar Khorum Properties	185.80	31.37% ▲
Darkhan Guril Tejeel	5,700.00	16.83% ▲
Kherlen Khivs	41.40	15.00% ▲
Gutal	20,400.00	13.27% ▲
Lendmn NBF1	30.96	8.78% ▲

### Securities with most decline

Securities with most decline	Last Price /MNT/	Change /w/
Remicon	21.27	-21.16% ▼
Juulchin Duty Free	65,050.00	-20.67% ▼
APU	513.31	-17.52% ▼
Merex	15.00	-16.67% ▼
Mongol Alt	5,550.00	-14.62% ▼

### Most Active Brokerage Firms

Most Active Brokerage Firms	Amount/MNT/
Ard Securities	865,564,618
BDSec	755,214,033
Euroasia Capital Mongolia	628,779,550
Standard Investment	104,101,812
Masdaq	96,731,127

### Top 5 Companies With Largest Market Capitalization

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



The 6th regular meeting of the Financial Regulatory Commission in 2020 was organized electronically. During the meeting, the FRC resolved issues related to issuing, extending, suspending, revoking the licenses and changed the name, shareholder structure of insurance companies, securities companies, non-bank financial institutions, savings and credit cooperatives.

Source: Financial Regulatory Commission

## NEWS ON JOINT STOCK COMPANIES

### “Frontier land group” JSC bought back its shares from “BDSec” JSC.

“BDSec” /MSE: BDS/ JSC has previously offered to sell the share of “Frontier Land Group” JSC, back to the company. As a result, on October 2019, “Frontier Land Group” /MSE: MDR/ JSC’s board has decided to buy back its shares by selling its assets. The transaction finally took place on March 26, 2020.

On that day, “Frontier Land Group” /MSE: MDR/ JSC’s 2,097,323 share worth MNT 629.3 million were traded.

Source: MarketInfo.mn

### “Khar Khorum Properties” JSC will split its shares by 1:10 ratio.

“Khar Khorum Properties” /MSE: AMT/ JSC, a company listed on the tier III of the MSE, is planning to split its shares by 1:10 ratio.

The company currently has 15.79 million shares with a nominal price of MNT 100 per share. As a result of the split, the company will have 157.87 million shares with a nominal price of MNT 10.

According to the Company Law, this decision has to be approved by shareholders. The company has announced that it will hold its annual general meeting on April 29, 2020.

Source: MarketInfo.mn

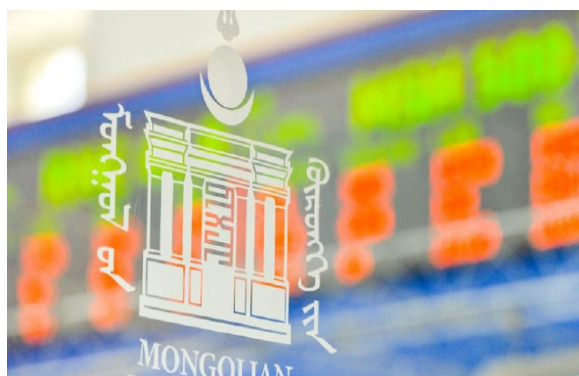
### “Aduunchuluun” JSC will decrease its loss in 2020

In 2019, “Aduunchuluun” /MSE: ADL/ JSC operated with a plan to extract 585 thousand tons of coal. However, the company was only able to meet 54% of the plan, extracting 315.4 thousand tons of coal.

The company’s main buyer for the last few years was “Eastern Region Energy System” SOE and the company exclusively buying coal from “Aduunchuluun” JSC. However, recently “Mongol Alt” JSC has started mining at the Dornod MAK coal mine at the Aduunchuluun deposit, which is posing new challenge for the company.

Therefore, the company’s management has stated that it intends to work with the Energy Regulatory Commission to increase the price of coal supplied to the plant this year.

Source: MarketInfo.mn



### OTHER NEWS

Amendments to the “Trading Rules” approved by the Resolution No. 2020/07 of the Board of Directors of the Mongolian Stock Exchange on February 7, 2020, was certified by order No. 123 of March 19, 2020 of the Chairman of the FRC.

The amendment includes detailed regulations on the MSE’s commercial transaction confirmation and termination, as well as the trading of asset-backed securities, ETF, and their trading fees.

Source: Mongolian Stock Exchange

## OTHER NEWS

### HIGHLIGHTS

The World Bank mobilized USD 2.2 million to help strengthen Mongolia's hospital services in the wake of the COVID-19 pandemic. The funding will be used to purchase the most needed medical diagnostic equipment in the country.

This immediate financing is being provided under the ongoing E-health project which seeks to improve integration and utilization of health information and e-health solutions for better health service delivery in selected pilot sites.

Diagnostic equipment procured under this funding include 15 stationary and 12 mobile digital X-ray equipment and 41 ultrasound machines. Deliveries are expected in the beginning of April.

Source: Worldbank.org



### MACROECONOMIC NEWS

The Government of Mongolia has announced a total of MNT 5.1 trillion in financing to support the economy during the pandemic. In particular, 159 billion MNT will be allocated for the current measures.

To support businesses and companies, the Social Insurance premiums for companies are cancelled from April 1 to October 1. The package includes decisions not to levy income tax on companies with an income of less than MNT 1.5 billion and to eliminate personal income tax in the aforementioned period..

Source: BloombergTV.mn

### COMMODITY MARKET NEWS

From the beginning of the year to March 23, coal exports fell by 55% to 2.9 million tons, according to the General Administration of Customs.

Exports through Gashuunsukhait port was 1.47 million tons of coal, a decrease of 53.6% from the previous year, while exports through Shiveekhuren port decreased 74.4% or 718.5 thousand tons of coal. According to the General Customs Administration, 128.7 thousand tons of hard coal was exported through Khovd's Bulgan port, a decrease of 41.1% from the same period last year.

During the same period, exports of copper concentrate decreased by 13.6% to 283.9 thousand tons, according to the General Administration of Customs. Oyu Tolgoi's copper concentrate exports through the Gashuunsukhait port decreased by 24.8% from the beginning of the year to March 23, reaching 139.5 thousand tons.

Source: BloombergTV.mn



## ANALYST'S COMMENTARY

### COVID-19 AND THE BOND MARKET

Based on new information that emerged last week, we have significantly updated and simplified our earlier scenarios. A number of respected institutions are now projecting very high case counts. The most pessimistic projections typically give the virus full credit for exponential growth but assume that humans will not respond effectively—that is, they assume that many countries will fall into the third archetype described earlier. We believe this is possible but by no means certain. The scenarios below outline two ways that the interplay between the virus and society's response might unfold and the implications on the economy in each case. Exhibit 3 lays out a number of critical indicators that may provide early notice of which scenario is unfolding.

#### Delayed recovery

**Epidemiology:** In this scenario, new case counts in the Americas and Europe rise until mid-April. Asian countries peak earlier; epidemics in Africa and Oceania are limited. Growth in case counts is slowed by effective social distancing through a combination of national and local quarantines, employers choosing to restrict travel and implement work-from-home policies, and individual choices. Testing capacity catches up to need, allowing an accurate picture of the epidemic. The virus proves to be seasonal, further limiting its spread. By mid-May, public sentiment is significantly more optimistic about the epidemic. The Southern Hemisphere winter sees an uptick in cases, but by that point, countries have a better-developed playbook for response. While the autumn of 2020 sees a resurgence of infections, better preparedness enables continued economic activity.

**Economic impact:** Large-scale quarantines, travel restrictions, and social-distancing measures drive a sharp fall in consumer and business spending until the end of Q2, producing a recession. Although the outbreak comes under control in most parts of the world by late in Q2, the self-reinforcing dynamics of a recession kick in and prolong the slump until the end of Q3. Consumers stay home, businesses lose revenue and lay off workers, and unemployment levels rise sharply. Business investment contracts, and corporate bankruptcies soar, putting significant pressure on the banking and financial system.

Monetary policy is further eased in Q1 but has limited impact, given the prevailing low interest rates. Modest fiscal responses prove insufficient to overcome economic damage in Q2 and Q3. It takes until Q4 for European and US economies to see a genuine recovery. Global GDP in 2020 falls slightly.

#### Prolonged contraction

**Epidemiology:** In this scenario, the epidemic does not peak in the Americas and Europe until May, as delayed testing and weak adoption of social distancing stymie the public-health response. The virus does not prove to be seasonal, leading to a long tail of cases through the rest of the year. Africa, Oceania, and some Asian countries also experience widespread epidemics, though countries with younger populations experience fewer deaths in percentage terms. Even countries that have been successful in controlling the epidemic (such as China) are forced to keep some public-health measures in place to prevent resurgence.

**Economic impact:** Demand suffers as consumers cut spending throughout the year. In the most affected sectors, the number of corporate layoffs and bankruptcies rises throughout 2020, feeding a self-reinforcing downward spiral.

The financial system suffers significant distress, but a full-scale banking crisis is averted because of banks' strong capitalization and the macroprudential supervision now in place. Fiscal and monetary-policy responses prove insufficient to break the downward spiral.

The global economic impact is severe, approaching the global financial crisis of 2008–09. GDP contracts significantly in most major economies in 2020, and recovery begins only in Q2 2021.

Source: McKinsey & Company

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