

MACROECONOMIC UPDATE OF MONGOLIA

The economy gains pace, but the road ahead is not smooth

Propped up by the IMF bailout programme, the economy seems stable on its feet. Just one year is left before the programme is wrapped up, and we are already ready to say 'Bye Bye Stand-By', as MMJ did in its September 2010 issue, when the previous bailout programme was about to end. Thanks to the programme, forex reserves should increase dramatically, growth should be stabilised at between 6 and 8 percent, debts should be reduced and fiscal discipline should be an accepted way of life. However, the tranche of money following the IMF's sixth review is still awaited, as some work remains to be done in regard to checking banks' capitalization and its sources. That money should have come four months ago but politics intervened.

With mineral commodities in a growth cycle, policymakers felt emboldened to make a 'strike'. Good times do encourage conflicts which are wisely avoided when things go badly. But too much politics can easily offset the positives from the growth cycle. This could be what is in store for us as the election gets nearer. Actually, the election campaign would start, even if unofficially, early in 2020, and with the two big parties going at each other with hammer and tongs, the din would possibly drown all the celebratory murmurs of the IMF programme's 'closing ceremony'.

One 'failure' of the programme can be said to be that it has not chipped away at the preeminence of the mining sector in the economy. With exports surging and prices skyrocketing, mineral revenue has been contributing far more to the economy than forecast by the IMF. That is no bad thing, though economists, experts, and donor organizations warn that mineral revenue is too dependent on factors beyond Mongolia's control to be a stable pillar of the economy. The government sees the need for diversification but has not been able to do much in that direction.

Is the economy truly out of crisis, or are we celebrating prematurely? Even the bulge in the forex kitty and the rise in banks' assets should not blind us to the fact that bigger loans are on the way. Things could get worse if the mining growth stumbles. Credit rating agency Moody's recently said, "Mongolia's GDP will moderate over this year and next, given the economy's high dependence on commodity exports to China— in particular, copper and coal — and China's moves to reduce coal consumption. Uncertainties as to the pace of investment in large mining projects and potential pressures on global commodity prices present further challenges."

It seems certain that we shall repay our huge debts through refinancing or by issuing new bonds or taking new loans. The Finance Ministry has said government loans stood at MNT 18,941.2 billion in 2018, and would rise to MNT 20,739.6 billion this year, then to MNT 22,089.1 billion in 2020, MNT 22,910.5 billion in 2021, and MNT 23,869.2 billion in 2022.

Thus, the prospects of the country's economic growth are bright, but at the same time the size of the external debt keeps getting bigger. It is true that debt will be a lower percentage of GDP, as the latter is expected to grow constantly and rapidly, but GDP does not give us the cash with which to repay loans, nor can it fully define our ability to settle debts.

Source: MongolianMiningJournal.com

WORLD INDICES

Index	Country	Last Price	Change /w/
MSE TOP 20	Mongolia	20,723.36	-0.30% ▼
Dow Jones	USA	26,922.12	1.21% ▲
S&P 500	USA	2,990.41	1.65% ▲
Nasdaq	USA	8,161.79	1.94% ▲
S&P/TSX	Canada	16,541.99	0.98% ▲
FTSE 100	GB	7,553.14	1.72% ▲
S&P/ASX 200	Australia	6,684.90	1.00% ▲
Nikkei 225	Japan	21,764.38	2.30% ▲
Hang Seng	Hong Kong	28,774.83	0.81% ▲

MONGOLIA RELATED BONDS

Issuer	Currency	Coupon	Last Price
Mongol 2024 (Khuraldai)	USD	8.750%	113.23
Mongol 2023 (Gerege)	USD	5.625%	102.03
Mongol 2022 (Chinggis)	USD	5.125%	101.07
Mongol 2021 (Mazalai)	USD	10.875%	111.19
DBM' 23 (Samurai)	JPY	1.520%	103.93
DBM' 2023	USD	7.250%	104.64
TDBM' 2020	USD	9.375%	103.76

MARKET RATES

Rates	Last	Change /w/
Libor 1M	2.370	-0.03 ▼
Libor 3M	2.310	-0.01 ▼
Libor 6M	2.210	0.01 ▲
Libor 1YR	2.190	0.01 ▲
US 2YR Bond	1.843	0.07 ▲
US 3YR Bond	1.797	0.07 ▲
US 5YR Bond	1.814	0.04 ▲
US 10YR Bond	2.020	0.01 ▲

EXCHANGE RATES

Against MNT	2019.07.05	Change /w/
USD	2,658.59	0.03% ▲
CNY	386.50	0.17% ▲
EUR	2,995.70	0.69% ▲
RUB	41.81	0.07% ▲
KRW	2.27	0.88% ▲
JPY	24.60	-0.16% ▼
CAD	2,034.82	0.74% ▲

COMMODITY PRICE

Commodity	Unit	Last Price	Change /w/
Gold /spot/	USD/t oz.	1,399.45	-0.72% ▼
Silver /spot/	USD/t oz.	15.00	-2.06% ▼
Copper	USD/lb.	266.10	-1.93% ▼
Coal	USD/MT	77.12	12.04% ▲
Crude Oil WTI	USD/bbl.	57.51	-1.64% ▼
Crude Oil Brent	USD/bbl.	64.23	-3.49% ▼
Natural Gas	USD/MMBtu	2.42	4.76% ▲

MONGOLIAN MACRO ECONOMIC INDICATORS

Indicators	Reference	Amount
Inflation Rate	2019. V	7.90%
Policy Rate	2019. V	11.00%
Interbank Rate	2019. V	11.03%
Deposit Interest Rate /MNT/	2019. V	11.60%
Deposit Interest Rate /Foreign currency/	2019. V	4.93%
Loan Interest Rate /MNT/	2019. V	17.10%
Loan Interest Rate /Foreign currency/	2019. V	10.60%

Source: National Statistical Office, Bank of Mongolia, Bloomberg

MSE TRADING UPDATE

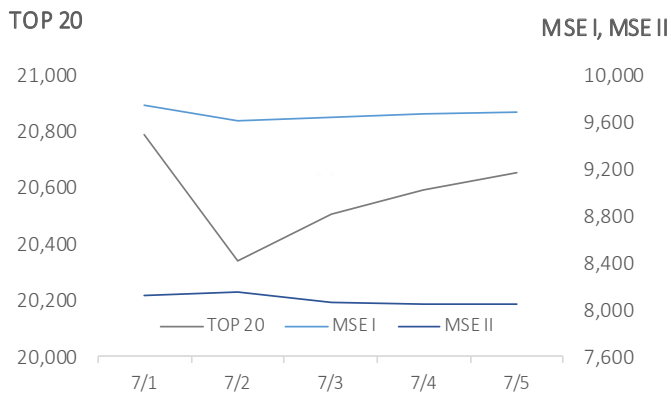
In this week, a total of 54 companies' 2,355,707 shares worth MNT 7,951.3 million were traded in the secondary market.

'Darkhan Guril Tejeel' /DAR/ company's share rose 51.95 percent to MNT 1,597.0 while 'Niislel Urguu' /NUR/ company's share fell 26.22 percent to MNT 3,700.0.

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

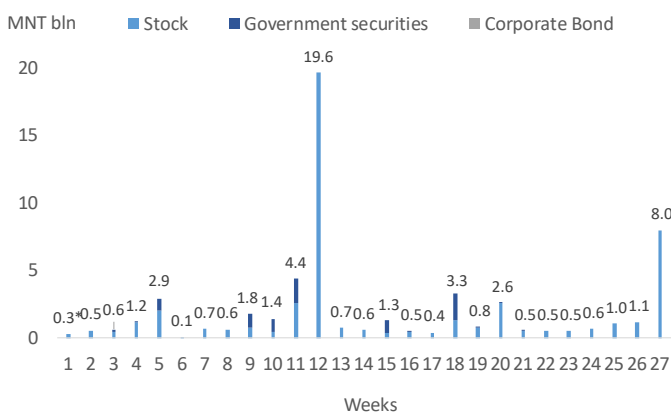
As of July 5, total market capitalization of MSE is MNT 2,593.9 billion. The TOP-20 index decreased by 0.30% to stand at 20,723.36 units.

MSE Indices



Source: Mongolian Stock Exchange

Trading Value /week by week/



*Excluded the trade value of December 31, 2018

Source: Mongolian Stock Exchange

STOCK MARKET REVIEW

Review	Total amount /MNT mln/
Total Value	7,951.4
Market Capitalization	2,593,917.4

STOCK MARKET INDICES

Index	Last Price	Change /w/
MSE Top 20	20,723.36	-0.30% ▼
MSE I Index	9,694.74	-0.50% ▼
MSE II Index	8,063.65	-0.65% ▼

ACTIVELY TRADED SECURITIES

Company	Volume	Turnover /MNT/
Mongolian Mortgage Corporation	488,750	7,297,037,500
BDSec	284,595	221,407,890
Tavan Tolgoi	16,545	122,097,700
Mongol Basalt	183,524	54,516,674
Invescore NBF1	24,233	43,741,598

SECURITIES WITH MOST GROWTH

Company	Last Price /MNT/	Change /w/
Darkhan Uul Tejeel	1,597.00	51.95% ▲
Khunnu Management	372.08	32.25% ▲
Bayan Aldar	1,322.00	32.20% ▲
E-Monie	1,954.00	32.03% ▲
Khurd	3,236.00	15.00% ▲

SECURITIES WITH MOST DECLINE

Company	Last Price /MNT/	Change /w/
Niislel Urguu	3,700.00	-26.22% ▼
Bukhur	2,475.00	-22.66% ▼
Technicimport	11,980.00	-14.43% ▼
Telecom Mongolia	400.00	-11.11% ▼
Darkhan Khuns	3,940.00	-8.37% ▼

MOST ACTIVE BROKERAGE FIRMS

Company	Trading amount /MNT/
TDB Capital	14,639,775,510
BDSec	544,721,326
Ard Securities	109,939,531
Golomt Capital	89,302,971
Gauli	88,793,156

COMPANIES WITH HIGHEST MARKET CAPITALIZATION

Company	Last Price /MNT/	Market Cap. /MNT mln/
APU	572.42	609,159
Tavan Tolgoi	7,390.00	389,196
Mongolian Mortgage Corporation	14,500.00	300,285
Gobi	292.00	227,793
Invescore NBF1	1,777.00	127,461

GOVERNMENT SECURITY TRADING

Government securities /primary market/

Nº	Name	Volume	Turnover /MNT/	Minimum /MNT/	Maximum /MNT/	Weeks	Annual interest rate
-	-	-	-	-	-	-	-

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/	Date of resolution	Record date	Payment date
1	HRM	Hermes Center	783.4	298.5	38.1%	3.8	2019.01.25	2019.02.18	paid on 2019.03.18
2	LEND	LendMN NBF1	2,560.3	800.0	31.2%	1.0	2019.01.30	2019.02.22	paid on 2019.03.28
3	MBW	Mongol Basalt	217.2	56.4	26.0%	1.0	2019.02.01	2019.03.25	paid on 2019.06.14
4	BTG	Bayanteeg	1,771.4	1,000.0	56.5%	3,958.7	2019.02.11	2019.03.04	from 2019.06.01
5	SUL	Juulchin Duty Free	1,384.5	653.6	47.2%	10,000.0	2019.02.12	2019.04.10	from 2019.05.31
6	GOV	Gobi	17,764.2	5,304.8	29.9%	6.8	2019.02.13	2019.03.28	from 2019.04.25
7	ADU	Khuvsgul Altan Duulga	399.2	1,888.1	473.0%	120.0	2019.02.13	2019.04.01	from 2019.05.01
8	TCK	Talkh Chikher	1,975.9	204.7	10.4%	200.0	2019.02.14	2019.04.03	from 2019.07.01
9	MMX	Makhimpex	778.6	456.1	58.6%	120.0	2019.02.14	2019.04.03	from 2019.10.01
10	BUK	UB-BUK	566.4	131.5	23.2%	1.0	2019.02.14	2019.04.05	from 2019.05.01
11	TAH	Takhi Ko	799.1	128.5	16.1%	108.0	2019.02.15	2019.04.05	paid on 2019.04.24
12	BNG	Bayangol Hotel	3,433.1	150.2	4.4%	355.0	2019.02.16	2019.04.05	from 2019.09.01
13	MNP	Mongol Post	1,560.3	468.1	30.0%	4.7	2019.02.18	2019.04.05	from 2019.05.01
14	HRD	Khurd	751.1	74.4	9.9%	550.0	2019.02.18	2019.03.04	within 2019.06.01
15	MNDL	Mandal Insurance	3,868.3	624.3	16.1%	100.0	2019.02.18	2019.04.10	paid on 2019.05.27
16	GTL	Gutal	2,225.8	1,257.7	56.5%	777.0	2019.02.18	2019.03.13	from 2019.05.06
17	TEX	Technicimport	2,702.0	723.4	26.8%	500.0	2019.02.18	2019.03.11	from 2019.04.11
18	APU	APU	57,851.7	48,952.4	84.6%	46.0	2019.02.19	2019.04.04	paid on 2019.05.20
19	AIC	Ard Insurance	1,263.4	631.8	50.0%	25.3	2019.02.19	2019.03.15	paid on 2019.06.17
20	GHC	Gan Khiits	20.3	12.1	59.7%	50.0	2019.02.19	2019.03.22	from 2019.10.01
21	HUV	Khuvsgul Geology	107.4	14.4	13.4%	100.0	2019.02.19	2019.04.03	from 2019.04.29
22	HHS	Khuvsgul Khuns	11.3	2.6	23.4%	10.0	2019.02.19	2019.04.03	from 2019.05.15
23	TAL	Talyn Gal	255.9	34.7	13.6%	50.0	2019.02.25	2019.03.26	N/A
24	BRC	Barilga Corporation	1,311.0	40.1	3.1%	985.0	2019.02.26	2019.03.18	on 2019.03.18
25	UBH	Ulaanbaatar Khivs	235.6	48.6	20.6%	120.0	2019.02.26	2019.03.18	within 2019.05.31
26	DSS	Darkhan Selengiin Tsakhilgaan Tugeekh Suljee	11.5	11.4	99.2%	1.1	2019.03.01	2019.03.21	from 2019.07.02
27	ADL	Aduunchuluun	547.1	409.7	74.9%	130.0	2019.03.11	2019.04.03	within 2019.12.31
28	TEE	Teever Darkhan	22.3	81.7	365.5%	500.0	2019.04.17	2019.03.27	within 2019.12.31
29	ERS	Mongol Alt	6.3	39.9	631.2%	150.0	2019.04.17	2019.03.27	within 2019.12.31
30	TTL	Tavan Tolgoi	52,858.1	44,923.4	85.0%	853.0	2019.04.26	2019.04.01	paid on 2019.06.11
31	EER	Arig Gal	449.3	109.4	24.3%	32.5	2019.04.26	2019.03.27	within 2019.09.30

CAPITAL MARKET NEWS

“Bayalag Sumber JSC” has introduced its shareholders’ extraordinary meeting

“Bayalag Sumber” JSC /MSE:BAJ/, listed in the Classification III of the MSE, has started making several changes due to a change in shareholders’ structure.

The company has introduced resolutions of the extraordinary shareholders’ meeting held on July 1, 2019. During the meeting the company changed its name to “Global Life Technology” JSC, approved amendments made to the company charter and operational plan for the company.

89.6% of total shares have been purchased by a Chinese company called “Khukhuu Agrotech” LLC.

Source: Mongolian Stock Exchange

Attention to companies listed on the Mongolian Stock Exchange

According to article 20.1.6 of section 20 of the Law on Securities Market and article 10.2 of section 10 of the Law on Accounting, joint stock companies listed in the Mongolian Stock Exchange are required to submit their semi-annual financial reports to the Mongolian Stock Exchange by July 20.

Companies not fulfilling their legal obligations in due time will be informed to the public and to the Financial Regulatory Commission. If the violations are to be repeated, penalties stated in “Regulation on information transparency in securities issuers” and MSE’s other related regulations will be imposed.

Source: Mongolian Stock Exchange

In the first half of the year, 35% of the total trade were made by foreign investors

The first half year of 2019 has passed. Professional participants of the capital market have been keen on attracting foreign investment in the domestic market. Therefore, there has been an aim to create a favorable legal environment for foreign investors.

In the first half year of 2019, securities worth MNT 90 billion were traded in the Mongolian capital market, of which 35 percent were made by foreign investors.

However, this investment has entered the market in the form of strategic investment in IPOs and large block trading.

Source: Marketinfo.mn



On-site supervision results of “Ulsyn Ikh Delguur” JSC

Back in 2017, the Financial Regulatory Commission and “UID” JSC have signed “Agreement on improving UID JSC’s operations and independence”, which stated that “the value of the rental contract must be proportional to the current market price...”. However, “UID” JSC has signed a rental contract with “Nomin Realtor” LLC at a price lower than the market price, thus violating the agreement made with the FRC.

The inspection group concluded that as a result of it, “UID” JSC lost the chance to operate with a net profit of MNT 3.9 billion in 2016, MNT 2.4 billion in 2017 and MNT 2.6 billion in 2018 as well as distribute dividends of MNT 106 per share in 2016, MNT 65 per share in 2017 and MNT 71 per share in 2018.

In addition, “UID” JSC’s violated the Law on Settlement in National Currency by making a loan agreement with “Nomin Holding” JSC in foreign currency. Therefore, the FRC filed a case at the General Prosecutor’s Office and has begun inquiry into the case.

Furthermore, the inspection group decided to fine the company on the violations of legislations and regulations, submit the official demands of the state inspector, implement measures to protect interests of minority shareholders in accordance with relevant laws and regulations.

Source: Financial Regulatory Commission



Block trade worth MNT 7.3 billion were made on the MSE

On July 5, 2019, a block trade on shares of “MIK Holding” JSC /MSE:MIK/ took place.

488,750 shares of the company were traded at MNT 7.3 billion.

Source: TDB Capital SC LLC



COMMODITY MARKET NEWS

The average price of cashmere was at MNT 95 thousand

As of June 29, unprocessed dark cashmere is being sold at MNT 99 thousand per kilogram, according to the trade data of the Mongolian Agricultural Commodity Exchange.

The highest, lowest and average price of the commodity per kg was at MNT 120 thousand, MNT 95 thousand and MNT 102 thousand respectively.

Source: Montsame.mn

“Erdenes Mongol” announced its development strategy

“Erdenes Mongol” LLC’s management team has presented the development strategy to the public. Gankhuu.P, the CEO of “Erdenes Mongol” LLC, has stated that the approved its mid-term strategy and is aiming to develop the processing plants and implement sound investment policies. He said “The company is working to implement projects such as developing a detailed feasibility study for precious metals and gold refineries, exploring coal-mine methane, establishing an extractive plant, building a coking and steel milling complex. The Government has also transferred four mining licenses for Asgat silver and polymetal deposit to “Erdenes Mongol” LLC, and, currently, a team of engineers specializing in underground mining is working on Asgat silver and polymetal deposits and assessing the current situation of the deposit”.

Also, the CEO reported that the company is aiming provide required investments in technology reforms in the framework of ensuring the normal and reliable operation of the Baganuur and Shivee-Ovoo mines, which provide more than 90% of the energy consumption in the central region of Mongolia. Within the framework of the “Export Credit Line” project, jointly implemented by the Government of Mongolia and Japan’s Cooperation Bank, the technical and technological renovations of the mines are aimed at addressing the required investment.

“Erdenes Mongol” LLC has set a goal to become a major national investment company making long-term investments in mining, infrastructure and energy sectors, efficiently using natural resources, and maintaining sustainable economic growth. In order to achieve this goal, the mid-term business strategy is being implemented.

Source: ZGM.mn

OTHER NEWS



Loan interest rate decreases by 2.8 percent from previous year

The Bank of Mongolia (BOM) on July 5 reported press about actions it has undertaken in the first half of 2019.

BOM Deputy Governor B.Lkhagvasuren highlighted that the bank has stimulated economic growth by ensuring the monetary policies and inflationary expectations. In particular, the bank’s policy helped to keep inflation at the target rate of around 8 percent, increasing economic growth to 8.6 percent in the first quarter.

The ‘Legal Reform of the Banking Sector’ program continued this year. The bank’s loss accumulated in the past declined by MNT 1.2 trillion. It was also reported that foreign currency reserve reached USD 4 billion.

Moreover, the implementation of a strategy for reducing loan interest rate showed positive results, bringing the average loan interest rate to 17 percent in May, 2019, which shows a decrease of 2.8 percent compared to the same period of 2018.

BOM First Deputy Governor O.Erdenebileg informed that the bank has purchased USD 209 million worth of precious metals within the campaign ‘Gold of native country for the treasury’.

Source: Montsame.mn



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