

WEEKLY MARKET UPDATE

2019.07.29-08.02

MACROECONOMIC UPDATE OF MONGOLIA

World Bank reaffirms support for Mongolia's reforms with USD100 million financing

On July 30, The World Bank's Board of Directors approved USD100 million in financing to help Mongolia further stabilize its economy and move it towards a more sustainable development path.

The Second Economic Management Support Operation (EMSO 2) follows on EMSO 1 approved in November 2017, and supports policy reforms aimed at restoring debt sustainability, strengthening the social protection system, and enhancing competitiveness.

Mongolia's economy has recovered strongly from the brink of a macroeconomic crisis in 2016, but underlying vulnerabilities remain. The economy grew by 6.9 percent in 2018, compared to 1.2 percent in 2016. The country's fiscal position has improved substantially, as the deficit declined from 16.4 percent of GDP in 2016 to a surplus of 2.7 percent in 2018, resulting in a reduction of Mongolia's government debt to GDP ratio by nearly 13 percentage points over this period. Poverty increased during the economic slowdown of 2014-16 and declined again only moderately during the subsequent recovery, pointing to continued challenges in the labor market and the need for stronger social support policies.

"The reforms supported by this operation are critical for sustaining economic growth, improving public finances, and enhancing competitiveness. Their adoption shows the government's commitment to continue structural reforms in Mongolia. The World Bank will continue to work with the government and with other international development partners in support of Mongolia and the Economic Recovery Program," said Martin Raiser, Country Director for China, Mongolia and Korea.

The program seeks to restore the country's debt sustainability by consolidating the adjustment already achieved and addressing structural weaknesses in the management of public sector finances. This includes improving the tax system and public investment management, helping to reduce the costs of ongoing investment projects, and tightening the management of special funds financed from the state budget. It also includes publicly disclosing the recent external reviews of the operations of the Development Bank of Mongolia and the Bank of Mongolia, as well as restructuring of the Housing Mortgage Program to expand availability of affordable housing and improve its targeting.

Another focus area is to strengthen the social protection system for poor and vulnerable groups, by promoting employment creation outside the mining sector and better targeting of social policies.

To enhance the competitiveness of the economy, the program also supports measures to improve the business and trade environment such as strengthening investor protection, streamlining permit requirements, and promoting trade facilitation reforms. Moreover, it supports economic diversification by promoting animal health management.

The EMSO series is part of a broader, coordinated effort of development partners to support the government's medium-term economic recovery program. A third operation under the EMSO series is planned, focusing among other things on completing the ongoing recapitalization of the banking sector in close coordination with the IMF. The EMSO series complements existing World Bank investment and technical assistance projects in areas such as development of non-mineral exports, employment support, fiscal stability, energy, education, ICT development, and central and local governance.

Source: Worldbank.org

WORLD INDICES

Index	Country	Last Price	Change /w/	
MSE TOP 20	Mongolia	20,565.38	1.64%	▲
Dow Jones	USA	26,485.01	-2.60%	▼
S&P 500	USA	2,932.05	-3.10%	▼
Nasdaq	USA	8,004.07	-3.92%	▼
S&P/TSX	Canada	16,271.66	-1.57%	▼
FTSE 100	GB	7,407.06	-1.88%	▼
S&P/ASX 200	Australia	6,687.40	-1.56%	▼
Nikkei 225	Japan	21,087.16	-2.64%	▼
Hang Seng	Hong Kong	26,918.58	-5.21%	▼

MONGOLIA RELATED BONDS

Issuer	Currency	Coupon	Last Price
Mongol 2024 (Khuraldai)	USD	8.750%	112.44
Mongol 2023 (Gerege)	USD	5.625%	101.14
Mongol 2022 (Chinggis)	USD	5.125%	100.32
Mongol 2021 (Mazalai)	USD	10.875%	110.30
DBM' 23 (Samurai)	JPY	1.520%	104.13
DBM' 2023	USD	7.250%	104.65
TDBM' 2020	USD	9.375%	103.08

MARKET RATES

Rates	Last	Change /w/	
Libor 1M	2.228	-0.01	▼
Libor 3M	2.239	-0.03	▼
Libor 6M	2.130	-0.07	▼
Libor 1YR	2.110	-0.09	▼
US 2YR Bond	1.635	-0.21	▼
US 3YR Bond	1.589	-0.22	▼
US 5YR Bond	1.578	-0.26	▼
US 10YR Bond	1.768	-0.29	▼

EXCHANGE RATES

Against MNT	2019.08.02	Change /w/	
USD	2,666.99	0.06%	▲
CNY	384.47	-0.77%	▼
EUR	2,962.76	-0.19%	▼
RUB	41.27	-2.23%	▼
KRW	2.22	-1.33%	▼
JPY	24.94	1.67%	▲
CAD	2,017.47	-0.26%	▼

COMMODITY PRICE

Commodity	Unit	Last Price	Change /w/	
Gold /spot/	USD/t oz.	1,440.83	1.55%	▲
Silver /spot/	USD/t oz.	16.20	-1.19%	▼
Copper	USD/lb.	257.15	-4.23%	▼
Coal	USD/MT	74.90	1.12%	▲
Crude Oil WTI	USD/bbl.	55.66	-0.96%	▼
Crude Oil Brent	USD/bbl.	61.89	-2.47%	▼
Natural Gas	USD/MMBtu	2.12	-2.30%	▼

MONGOLIAN MACRO ECONOMIC INDICATORS

Indicators	Reference	Amount
Inflation Rate	2019. VI	8.10%
Policy Rate	2019. VI	11.00%
Interbank Rate	2019. VI	11.13%
Deposit Interest Rate /MNT/	2019. VI	11.48%
Deposit Interest Rate /Foreign currency/	2019. VI	4.95%
Loan Interest Rate /MNT/	2019. VI	17.10%
Loan Interest Rate /Foreign currency/	2019. VI	10.68%

Source: National Statistical Office, Bank of Mongolia, Bloomberg

MSE TRADING UPDATE

In this week, a total of 43 companies' 1,479,564 shares worth MNT 377.5 million were traded in the secondary market.

'MIK Holding' /MIK/ company's share rose 27.04% percent to MNT 14,000.0 while 'Undurkhaan' /ONH/ company's share fell 27.50 percent to MNT 2,262.0.

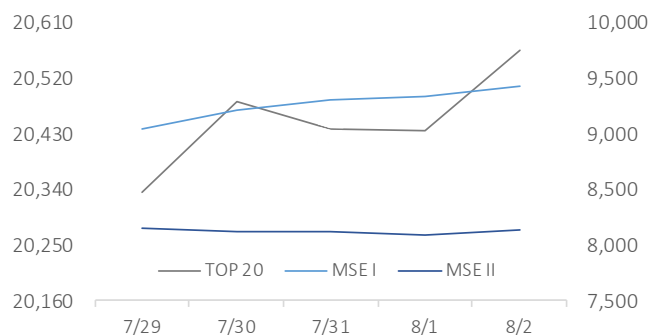
No government securities were traded on the primary and secondary markets market during this week.

As of August 2, total market capitalization of MSE is MNT 2,529.1 billion. The TOP-20 index increased by 1.64% to stand at 20,565.38 units.

MSE Indices

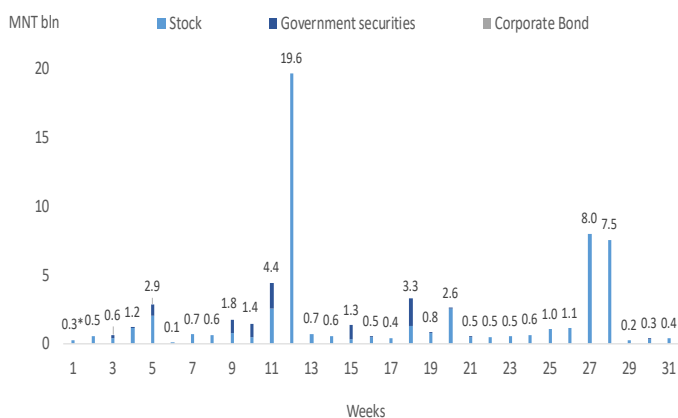
TOP 20

MSE I, MSE II



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	377.5
Market Capitalization	2,529,099.9

STOCK MARKET INDICES

Index	Last Price	Change /w/
MSE Top 20	20,565.38	1.64% ▲
MSE I Index	9,425.36	5.61% ▲
MSE II Index	8,138.89	-0.38% ▼

ACTIVELY TRADED SECURITIES

Company	Volume	Turnover /MNT/
Gobi	377,192	134,383,208
Mongol Basalt	494,119	30,410,078
Tavantolgoi	90,110	25,997,225
APU	338,708	23,665,698
Invescore NBFI	36,412	20,499,483

SECURITIES WITH MOST GROWTH

Company	Last Price /MNT/	Change /w/
MIK Holding	14,000.00	27.04% ▲
Darkhan Guril Tejeel	1,836.00	14.97% ▲
Gobi	319.57	12.43% ▲
Erdene Resource	534.00	11.62% ▲
Development Corporation		
Arig gal	3,458.00	8.06% ▲

SECURITIES WITH MOST DECLINE

Company	Last Price /MNT/	Change /w/
Undurkhaan	2,262.00	-27.50% ▼
Merex	22.56	-27.23% ▼
Ulaanbaatar Khivs	17,000.00	-26.09% ▼
Bayan Aldar	1,000.00	-24.36% ▼
Autoimpex	1,890.00	-14.86% ▼

MOST ACTIVE BROKERAGE FIRMS

Company	Trading amount /MNT/
Golomt Capital	93,557,630
TDB Capital	85,954,863
Gauli	77,091,647
BDSec	74,954,023
Bumbat-Altai	70,572,734

COMPANIES WITH HIGHEST MARKET CAPITALIZATION

Company	Last Price /MNT/	Market Cap. /MNT mln/
APU	552.73	588,205
Tavan Tolgoi	6,550.00	344,957
MIK Holding	14,000.00	289,930
Gobi	319.57	249,301
Invescore NBFI	1,830.00	131,262

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 NBFI	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	paid on 2019.07.19
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	paid on 2019.07.26
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

Attention to the shareholders of 'Jinst Uvs' JSC

The decision of the shareholders meeting of 'Jinst Uvs' JSC of April 28, 2019 on merger with 'Ard Financial Group' closed JSC, was approved by the FRC Resolution No.: 102 dated on May 08, 2019.

Consequently, the operation of 'Jinst Uvs' JSC has stopped as the rights and obligation of the company has been transferred to 'Ard Financial Group' JSC and the official name of the company has been changed to 'Ard Financial Group' JSC /AARD/ upon the related changes have been registered at the State Registration Office.

Source: Mongolian Stock Exchange

Mongol Basalt: Revenue growth of 75% in the first half

"Mongol Basalt" JSC /MSE:MBW/, main domestic producer of insulating material, has published its financial report of the first half of 2019.

The company operated with a revenue of MNT 1.1 billion and a net profit of MNT 123.3 million or with MNT 2.2 earnings per share. Compared to the first half of last year the revenue increased by MNT 479.0 million or 74 percent.

"Mongol Basalt" JSC's CEO Mrs Enkhgerel.A announced that, in the first half of 2019, the company has renewed its technology and equipment as well as developed its products and standards.

The company's share was included in the TOP 20 index at the start of 2019, thus representing the market's direction. Since then, as of July 31st 2019, the company's share price increased by 49.3% and currently traded at MNT 360.

Notably, the company's share is being actively traded in the secondary market. This was due to foreign long term investors' interest in the company.

Currently, 70% of the total shares are held by 5 majority investors while the remaining 30% is being held by about 2,260 minority investors.

Source: MarketInfo.mn

"Darkhan Guril Tejeel" JSC has suffered a loss of 107.4 million in the first half

"Darkhan Guril Tejeel" JSC /MSE:DAR/, a company listed in classification III on the Mongolian Stock Exchange, has operated with a revenue of MNT 8 million and a net loss of MNT 107.4 million in the first half of 2019. The revenue has decreased by 54% compared to the same period last year.

As a result of the share holders' meeting held on April, the company is preparing to split the shares to 1,000 and issue additional shares.

The company's shares aren't actively traded and the last closing price of the share was MNT 1,597. 89.73% of the total shares are held by 5 majority investors while the remaining 10.27% is being held by 1,250 minority investors.

Source: MarketInfo.mn

"Darkhan Nekhii" JSC's revenue and profit decreases due to the company transferring most of its operations to its subsidiaries

"Darkhan Nekhii" JSC /MSE:NEH/, a company listed in classification I on the Mongolian Stock Exchange, has published its semi-annual financial report.

The company earned a revenue of MNT 160.8 million and a net profit of MNT 1.9 million. Compared to the same period last year, revenue and net profit decreased by 97% and 90% respectively.

The main reason for this level of decrease was a structural change that resulted in the company transferring its main operations to its subsidiaries, leaving only managerial duties.

As of July 31, 2019, the share price was at MNT 15,000 which is 17% lower year-to-date.

Source: MarketInfo.mn

"Shunkhlai Group" LLC is holding 50.84% of "APU" JSC

There have been major changes in the shareholders' structure of "APU" JSC /MSE:APU/ in the past few days and recently the company has verified these changes.

During this change, "Wit Alliance Limited" LLC and "Tuul international" LLC has transferred the ownership of "APU" JSC's shares to "Shunkhlai Group" LLC.

As a result, "Shunkhlai Group" LLC now holds 50.84% of "APU" JSC's shares.

Source: MarketInfo.mn

"Shariin Gol" JSC operated with a loss of MNT 500.0 million

The main coal provider to Darkhan-Selenge power plants, "Shariin Gol" JSC /MSE:SHG/, has published its financial report for the first half of 2019.

The company operated with a revenue of MNT 27.6 billion, up by MNT 6.7 billion compared to the same period last year.

However, the company has suffered a loss of MNT 507 million due to increasing operational cost and cost of goods sold.

As of August 2, 2019, the share price stands at MNT 1,551 which has increased by 13.9% year-to-date.

Source: MarketInfo.mn



COMMODITY MARKET NEWS

Jean-Sebastien Jacques: Oyu Tolgoi is a global scale project, I am not worried about assessment.

Rio Tinto's revenue surged 12 percent to USD 4.9 billion from the same period of the previous year due to the iron ore shortage and a rise in its price.

About 60 percent of Rio Tinto's revenue consists of iron ore business. However, according to the company's director Jean-Sebastien Jacques, the company was not operating in full capacity during the reporting period. It was 8 percent less than planned. In the first half of the year, Pilbara mining had to be reduced due to unfavorable climatic conditions in Australia. This led to the production and sale of relatively low quality iron ore. Iron ore prices rose 65 percent year-to-date. The company announced to distribute USD 1 billion dividend due to this favorable business condition.

Despite delay in Oyu Tolgoi's underground construction and increase in its costs, Rio Tinto's CEO reported that he is not worried about the assessment of the Oyu Tolgoi project. Costs increased by USD 1.9 billion, and the commission period may be delayed by 2.5 years. This unpleasant information led to a sharp fall in the company's stock price.

In connection with this, the New York Stock Exchange has warned Turquoise Hill Resources as stock prices of the company was below USD 1 for over 30 days. Stock price on the Toronto Stock Exchange fell more than 50 percent over the past month.

Source: BloombergTv.mn

Pure cashmere yarns are being produced in 11 colors and exported

National producer "Ulemj Cashmere" LLC produces "U" brand new cashmere yarn.

In particular, 100% of its pure cashmere yarns are produced in 11 colors and were introduced to the domestic and foreign markets.

Sosordulam.M, director of "Ulemj Cashmere", said "Value added cashmere, called "white gold" worldwide, is exported to the international markets. We have established a primary cashmere processing plant. In addition, 100% pure cashmere yarn is sold in conjunction with the contracting companies".

Source: Montsame.mn

Turquoise Hill announces financial results and review of operations for the second quarter of 2019

Loss in Q2'19 was \$736.7 million compared with income of \$204.4 million in Q2'18. The principal reason for this change is the impairment charge of \$0.6 billion recorded in Q2'19. The other reason is the \$0.4 billion difference in deferred tax asset recognition in Q2'19 when compared to Q2'18. Both items were impacted by the Company's update on the Oyu Tolgoi underground project which was affected by a range of possible further delays to sustainable first production now expected between May 2022 and June 2023, compared with the previous estimate of Q1'21.

2019 operational guidance for copper in concentrates remains in the 125,000 to 155,000 tonnes range while the upper production range of gold in concentrates has been increased from 220,000 to 230,000 ounces.

Preliminary estimates indicate that sustainable first production could be delayed by 16 to 30 months compared with the Q1'21 estimate in the original feasibility study guidance in 2016, and the development capital spend for the project may increase by \$1.2 billion to \$1.9 billion over the \$5.3 billion previously disclosed. According to the company, it currently expect to have enough liquidity to fund our operations and underground development through the end of 2020. Taking into consideration the estimated impacts of recently announced increases to underground development capital as well as delays to first sustainable production, the Company expects to need incremental financing to sustain its underground development beyond 2020. Additionally, Oyu Tolgoi is currently undertaking a feasibility study and is in discussions with the Government to progress the construction of a coal-fired power plant and related infrastructure at Tavan Tolgoi. While it is necessary to await the completion of this study to reliably estimate the associated cost, and further to await the outcome of related negotiations to determine the quantum of Oyu Tolgoi's funding requirement, there is a provision under the existing project finance documentation to increase Oyu Tolgoi's current total debt capacity of \$6.0 billion to assist in funding an expansion facility, such as a Tavan Tolgoi-based power plant and related infrastructure.

After the announcement of Oyu Tolgoi underground project delay, share price of Turquoise Hill Resources decreased approximately by 40 percent. Over last month, share price fell twice. Although the company operated with losses last quarter, revenue increased by 12 percent.

Source: BloombergTv.mn

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