

MACROECONOMIC UPDATE OF MONGOLIA

Tavantolgoi-Zuunbayan railway construction goes smoothly

Last weekend, President of Mongolia Kh.Battulga worked in Dornogobi province to become acquainted with the development works of Tavantolgoi-Zuunbayan railroad, being built in Mandakh soum of the province. As reflected in a document "State Policy on Railway", a 414.6 km long road from Tavantolgoi coal mine in Tsogttsegsii soum of Umnugobi province to Zuunbayan, Dornogobi province is presently under construction. Thanks to the railway, Tavantolgoi's coking coal's sole market dependency will end and around 40 deposits along the railway line, that are not under exploitation yet, will be utilized and their products will be supplied to international buyers at international market price. Also, the railway expected to help reduce widespread problems, such as degradation of pastureland, dust and soil pollution and bring positive social and economic changes to the food, agriculture and tannery industries.

Corresponding officials reported to the President that the railway construction project is continuing without hindrance. Personnel of the General Staff of the Mongolian Armed Forces and 7,781st military unit of the Mongolian army are taking part in the construction works with 8 companies as sub-contractors and 4 companies of geology and geodetic control using around 210 machinery and equipment.

D.Sumiyabazar, Minister of Mining and Heavy Industry, who accompanied the President to Dundgobi province, noted that there are 37 deposits of mineral resources of special license along the 30 km long area of the Tavantolgoi-Zuunbayan railway, including Tavantolgoi coal mine, Kharmagtai copper-gold mine, Manlai coal mine as well as Kharaat Mountain, Tukhum and Dadiin Khar Mountain and Dulaan mountain with coal, copper, gold and gypsum resources. According to the Minister, total value of the deposits mentioned here reaches MNT 6 billion. Therefore, he said that the new railway will not only carry coals from the Tavantolgoi deposit, but also it will allow transportation from other deposits in the area in order to put them into economic circulation.

During the construction project, a total of 3,700 people are estimated to be provided with employment and 1,352 machinery to be used. Furthermore, 10 thousand people and their families will earn income from supply of materials, techniques, drinking water and food throughout the project period.

During his working trip in Dornogobi, President Kh.Battulga also visited the construction site of a 15 km long railroad in Zuunbayan and an extension of Zuunbayan station, a part of the Tavantolgoi-Zuunbayan railway construction. The extension is being built at the Zuunbayan station as the railway to Tavantolgoi will be connected to the rail line at 49.4 km line of the Zuunbayan station. The extension work is being performed by military personnel of the 7781st unit of the army.

The military unit crew working at the building site told that they have done excavation and earthworks on 59,040 m3 land, over-fulfilling the scheduled works to 127 percent. Minister of Road and Transport Development B.Enkh-Amgalan said "Military troops' highly effective and responsible organization has had a great influence on the advancement in the construction. Some technical issues related to the construction will be discussed at a cabinet meeting next week".

At the end of his visit to the construction sites, President Kh.Battulga expressed his gratitude toward every person taking part in the development works and requested them to finish the project on time.

Source: Montsame.mn

WORLD INDICES			
Index	Country	Last Price	Change /w/
MSE TOP 20	Mongolia	20,395.33	-0.83% ▼
Dow Jones	USA	26,287.44	-0.75% ▼
S&P 500	USA	2,918.65	-0.46% ▼
Nasdaq	USA	7,959.14	-0.56% ▼
S&P/TSX	Canada	16,341.34	0.43% ▲
FTSE 100	GB	7,253.85	-2.07% ▼
S&P/ASX 200	Australia	6,584.40	-1.54% ▼
Nikkei 225	Japan	20,684.82	-1.91% ▼
Hang Seng	Hong Kong	25,939.30	-3.64% ▼

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	2.194	0.03	▲
Libor 3M	2.176	0.06	▲
Libor 6M	2.052	0.08	▲
Libor 1YR	1.988	0.12	▲
US 2YR Bond	1.647	-0.01	▼
US 3YR Bond	1.591	0.00	▼
US 5YR Bond	1.579	0.00	▼
US 10YR Bond	1.745	0.02	▲

EXCHANGE RATES			
Against MNT	2019.08.09	Change /w/	
USD	2,668.86	0.07%	▲
CNY	378.46	-1.56%	▼
EUR	2,986.19	0.79%	▲
RUB	40.85	-1.02%	▼
KRW	2.20	-0.90%	▼
JPY	25.19	1.00%	▲
CAD	2,018.27	0.04%	▲

COMMODITY PRICE			
Commodity	Unit	Last Price	Change /w/
Gold /spot/	USD/t oz.	1,496.95	3.89% ▲
Silver /spot/	USD/t oz.	16.98	4.78% ▲
Copper	USD/lb.	258.90	0.68% ▲
Coal	USD/MT	72.10	-3.74% ▼
Crude Oil WTI	USD/bbl.	54.50	-2.08% ▼
Crude Oil Brent	USD/bbl.	58.53	-5.43% ▼
Natural Gas	USD/MMBtu	2.12	0.00% -

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 47 companies' 1,245,672 shares worth MNT 566.0 million were traded in the secondary market.

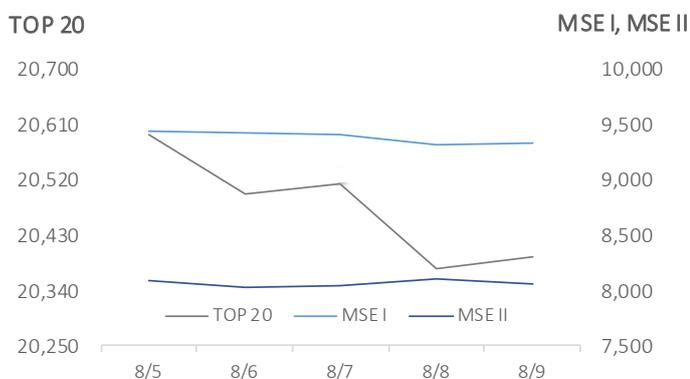
'Buunii Hudaldaa' /BHL/ company's share rose 15.00% percent to MNT 345.0 while 'Standart Agriculture Group' / SOH/ company's share fell 23.08 percent to MNT 150.0.

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

On the secondary market trading of Government securities, 533 units of securities were traded for MNT 53.7 million.

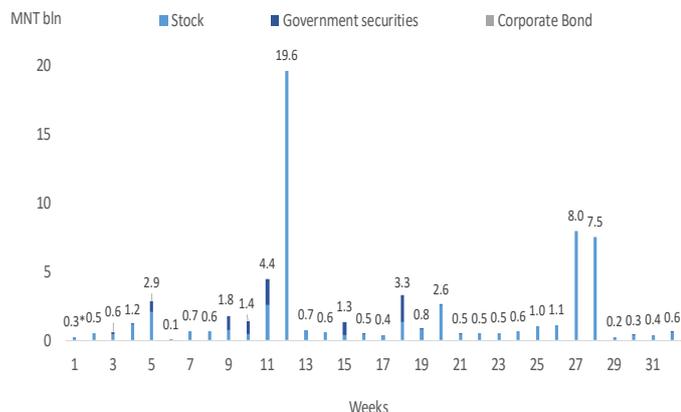
As of August 9, total market capitalization of MSE is MNT 2,561.6 billion. The TOP-20 index decreased by 0.83% to stand at 20,395.33 units.

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	619.8
Market Capitalization	2,561,595.8

STOCK MARKET INDICES

Index	Last Price	Change /w/
MSE Top 20	20,395.33	-0.83% ▼
MSE I Index	9,329.75	-1.01% ▼
MSE II Index	8,059.26	-0.98% ▼

ACTIVELY TRADED SECURITIES

Company	Volume	Turnover /MNT/
Ard Financial Group	102,454	199,327,858
Gobi	248,467	77,368,348
Mongol Basalt	149,521	52,752,369
BDSec	56,801	47,428,900
APU	83,322	46,219,928

SECURITIES WITH MOST GROWTH

Company	Last Price /MNT/	Change /w/
Buunii Hudaldaa	345.00	15.00% ▲
Khurd	3,721.00	14.99% ▲
Mongol Shiltgeen	340.00	14.29% ▲
Merex	25.50	13.03% ▲
BDSec	900.00	8.04% ▲

SECURITIES WITH MOST DECLINE

Company	Last Price /MNT/	Change /w/
Standart Agriculture Group	150.00	23.08% ▼
Khar Tarvagatai	7,600.00	-14.85% ▼
Noyot Khairkhan	363.00	-14.59% ▼
Mongolian Post	536.00	-12.85% ▼
Genco Tour Bureau	63.10	-9.99% ▼

MOST ACTIVE BROKERAGE FIRMS

Company	Trading amount /MNT/
Ard Securities	243,636,943
BDSec	178,779,239
Bumbat-Altai	128,569,049
Golomt Capital	99,464,951
Gauli	90,398,448

COMPANIES WITH HIGHEST MARKET CAPITALIZATION

Company	Last Price /MNT/	Market Cap. /MNT mln/
APU	549.59	584,864
Tavan Tolgoi	6,700.00	352,857
MIK Holding	13,900.00	287,860
Gobi	300.00	234,034
Invescore NBF1	1,891.00	135,637

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
1	ZGEB-BD-20/06/20-A0260-15.14	533	53,747,720	100,840	100,840	156	15.140%

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	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 'Erdene Resource Development Corporation' JSC

'Erdene Resource Development Corporation' JSC (TSX:ERD; MSE:ERDN) has announced that the Mineral Resource and Petroleum Authority of Mongolia issued Mining License MV-021444 for Erdene's Bayan Khundii resource on August 5, 2019.

"Receipt of the Bayan Khundii Mining License is a major milestone in the development of the high-grade, open-pit Khundii Gold Project. Securing this license provides us long-term tenure over the Bayan Khundii resource that will form the cornerstone of the project. We are rapidly advancing towards initial production of 50,000 ounces per year, while continuing to expand resources through exploration and acquisition within the Khundii Gold District." said Peter Akerley, Erdene's President and CEO.

Source: Mongolian Stock Exchange

'Mongol Basalt' JSC presents its 2019 semi-annual financial and operational reports

'Mongol Basalt' JSC, a Tier 2 listed company, presented its semi-annual financial and operational report to public on August 7th, 2019 at the MSE.

Within the framework of expansion of the production line, 'Mongol Basalt' JSC increased its production capacity of 1.0 ton per hour to 1.5 tons per hour which resulted in an increase of total sales revenue by MNT 478.7 million or 74.9 percent reaching MNT 1.1 billion. In addition, the company is aiming at increasing the sales revenue to MNT 4 billion by implementing the expansion of the production line capacity to 2.0 tons per hour.

Source: Mongolian Stock Exchange

'APU' JSC presents its 2019 semi-annual financial and operational reports

During the public reporting event of the listed companies, Mr. Enkhbileg, Head of Finance of 'APU' JSC, presented the company's semi-annual financial and operational report to public on August 7th, 2019 at the MSE.

'APU' JSC and its 9 subsidiary companies have a total of 2,031 employees and have achieved the following results in the first half of 2019 compared to the same period of the previous year:

- The number of product types increased by 11% and 62.9 liters of products involving 308 types have been sold;
- Net sales revenue rose by 9% reaching MNT 218 billion;
- Total taxes paid to state reached MNT 140 billion, which showed an increase of 17%;
- Dividends from net profit of 2018 reached MNT 48.9 billion or MNT 46 per share, the highest dividends paid in its history of 10 years; and
- EBITDA remained stable at MNT 56 billion.

Source: Mongolian Stock Exchange

Opening bell ceremony conducted for 'Ard Financial Group' JSC

According to the FRC's approval No. 102 of the reverse takeover involving 'Jinst Uvs' (Investor Nation) JSC, a publicly listed company (MSE: JIV), and 'Ard Financial Group' JSC dated May 8, 2019, the securities trading of 'Ard Financial Group' JSC (AARD) has been started from August 08th, 2019. In relation with it, Mr. Bayarsaikhan, Deputy Chairman of FRC, Ms. Dul-Erdene, Head of Finance and Administration Department of MSE, Mr. Batbayar, Chairman of 'Ard Financial Group' JSC, and Mr. Gankhuyag, CEO of 'Ard Financial Group' JSC, visited Mongolian Stock Exchange and rang the bell to start the 6,031st securities trading of MSE.

'Ard Financial Group' JSC is a diversified financial services holding company with the aim of increasing its shareholders' equity through investing in and developing leading financial services and technology companies. The investment portfolio consists of companies such as 'Ard Insurance' JSC, 'Ard Credit' JSC, 'Ard Securities' LLC, 'Ard Life' LLC, 'Ard Assets' LLC, 'Ard Management' LLC, 'TenGer Systems' LLC, 'Mongol Post' JSC, 'GoPay' LLC, 'Nomyn Hishig' LLC, 'CryptoNation' LLC, 'Digital Exchange Mongolia' LLC (trade.mn), and 'MEC Partners' LLC (ardshop.mn). 'Ard App', 'Ard Digital Banking', 'GoPay', 'ArdCoin' are proprietary digital products based on artificial intelligence and block-chain technology. 'Ard Insurance' and 'Ard Credit' companies successfully launched their IPO on the Mongolia Stock Exchange and raised fun from the public.

Source: Mongolian Stock Exchange

Gobi cashmere brand to open online store in US

A duty-free treatment for certain imports, including cashmere products imported directly from Mongolia into the customs territory of the United States was high on the agenda during talks held within the scope of Mongolian President Kh. Battulga's recent visit to the US.

With a view to promote bilateral trade between Mongolia and US, this issue is reflected in the Third Neighbor Trade Act, which was introduced into the US Congress on April 11, 2019. If the bill is passed, it is expected that more than 40 thousand jobs to be added in the textile and apparel industry and more than 200 thousand herders will be able to increase their revenues. While Mongolia produces 48 percent of the world's raw cashmere, it manufactures only 15 percent of total finished cashmere products. The USA is ranked in the second place in terms of its purchasing power of cashmere products and the duty-free export to the USA is a huge opportunity for Mongolia to diversify its economy.

Meanwhile, the Gobi Corporation, the largest Mongolian cashmere manufacturer is to open its brand new online store "Gobi Cashmere USA" in Los Angeles, California in September this year. CEO of the company Ts. Baatarsaikhan commented on their upcoming online store "The Gobi company produces cashmere garments with the highest quality, taking advantage of the valuable raw materials of the traditional Mongolia livestock industry."

Source: Mongolian Stock Exchange

COMMODITY MARKET NEWS

Oyu Tolgoi announces performance for second quarter of 2019

On August 8, Oyu Tolgoi announced an update on its performance for the quarter ended June 30, 2019. Oyu Tolgoi and seven other mining companies joined a voluntary code of practice for responsible mining initiated by the Mongolian National Mining Association. Together the signatories will work to increase public understanding of responsible mining operations, improve the transparency, safety, environment protection and community development policies across the mining sector.

In the second quarter of 2019, Oyu Tolgoi achieved an All Injury Frequency Rate (AIFR) of 0.12 per 200,000 hours worked. Safety is a top priority as we maintain strong safety performance and culture across the workforce. Among safety training provided by the company, most notable was the occupational safety training organized for miners and residents of Zaamar soum, Tuv province.

Guided by the vision to create enduring value, knowledge and skills, Oyu Tolgoi worked continuously to expand partnership with institutes of higher education and vocational schools. Oyu Tolgoi signed a MoU with Geology and Mining School of the Mongolian University of Science and Technology to enhance the quality of the curricula and the study environment. In addition, Oyu Tolgoi was named Best Partner Organization by the National University of Mongolia. The company provided 341,919 man hours of training to nearly 13,266 employees and contractors in the second quarter.

Oyu Tolgoi LLC and Mobicom Corporation partnered with the National Police Agency to implement the “No need to speed” campaign, developed to reduce the number of deaths and injuries caused by traffic incidents in Mongolia. In addition to the MNT 280 million campaign, speedometer cameras will be installed along the road to Sainshand, Dornogovi provinces.

Oyu Tolgoi paid USD 2.4 billion in taxes, fees and other payments to the Government of Mongolia between 2010 and the second quarter of 2019 including USD 107 million in the first half of 2019.

Oyu Tolgoi collaborated with 689 suppliers in the first half of 2019, 484 of which are national businesses that account for 76 percent of total operations procurement spent. Between 2010 and the second quarter of 2019, Oyu Tolgoi spent USD 2.9 billion on national procurement of which USD 488 million was spent on procurement from Umnugovi suppliers. “Made in Umnugovi” expo was organized in Dalanzadgad under the “Made in Mongolia” strategy to support small and medium-sized enterprises.

Source: Montsame.mn

Underground development update

Turquoise Hill, in conjunction with Rio Tinto, continues to review mine design options for the completion of the underground development of the Oyu Tolgoi mine and assess the impact on overall cost and schedule for the underground development. Improved rock mass information and geotechnical data modeling has confirmed that there are stability risks associated with components of the existing mine design. Therefore, to address these risks, a number of mine design options are under consideration to complete the project. Studies to date indicate that these options may result in some of the critical underground infrastructure, such as the mid-access drive and the ore handling system, being relocated or removed. Given the further technical work that is needed, the definitive estimate review is now expected to be delivered in the second half of 2020, reflecting the preferred mine design approach.

Preliminary information now suggests that, depending on which mine design options are adopted, the first sustainable production could be achieved between May 2022 and June 2023, a delay of 16 to 30 months compared to the original feasibility study guidance in 2016. This range includes a contingency of up to eight months reflecting the unexpected and challenging geotechnical issues, complexities in the construction of shaft 2 and the detailed work still required to reach a more precise estimate.

Preliminary estimates for development capital spend for the Project, depending on the outcome of the work described above, is now USD 6.5 billion to USD 7.2 billion, an increase of USD 1.2 billion to USD 1.9 billion from the USD 5.3 billion previously disclosed.

Source: Montsame.mn

BoM purchases 7.5 tons of gold in the first seven months of 2019

As of the first seven months of 2019, Bank of Mongolia (BoM) purchased 7.5 tons of gold, which is 1.8 tons decrease or 19 percent compared with the same period of the previous year.

In July, gold purchase of BoM reached 1.5 tons of which 134 kg were from the branch in Darkhan-Uul province and 106 kg from Bayankhongor branch. The number shows decrease by 649 kg compared with the same period of previous year, which was 2.2 tons.

Throughout July, the average price for a gram of gold stood at MNT 120,680.

Source: Montsame.mn

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