

WEEKLY MARKET UPDATE

11.23 - 11.27



GLOBAL MARKET UPDATE

U.S: A new round of vaccine optimism and diminishing political uncertainty helped stocks build on recent gains for the holiday-shortened week. Most of the major benchmarks hit record highs, with the narrowly focused Dow Jones Industrial Average gaining the most attention by crossing the 30,000 threshold for the first time. Reopening hopes boosted cyclical shares, particularly energy stocks, while health care, utilities, consumer staples, and real estate shares lagged. The market was closed Thursday for the Thanksgiving holiday, but weekly trading volumes remained unusually elevated.

The third announcement of positive preliminary vaccine results helped markets get off to a strong start to the week. AstraZeneca announced on Monday before the start of trading that the vaccine it was developing in partnership with Oxford University was up to 90% effective for one of two dosing regimens used in the study.

Europe: European shares rose for a fourth consecutive week, fueled by positive vaccine developments, fading U.S. election uncertainties, and expectations that the U.S. Congress may compromise on a smaller economic stimulus. However, the advance lost steam after the UK and Germany extended coronavirus restrictions and vaccine euphoria waned. In local currency terms, the pan-European STOXX Europe 600 Index ended the week 0.93% higher, while Germany's DAX Index advanced 1.51%, France's CAC 40 rose 1.86%, and Italy's FTSE MIB added 2.92%. The UK's FTSE 100 Index was little changed.

Core eurozone bond yields held firm overall despite a mixed week. Germany's 10-year bund yield initially rose on more positive vaccine news. However, dovish messaging from the European Central Bank's Philip Lane ahead of the European Central Bank's (ECB) policy meeting next week reaffirmed market expectations for more stimulus, dragging yields back down to Monday's levels.

Japan: Japanese stocks surged in the holiday-shortened trading week. Japan's stock markets were closed on Monday, November 23, for Labor Thanksgiving Day. For the week, the Nikkei 225 Stock Average advanced 4.4% (1,117 points) and closed at 26,644.71, capping a 16% advance thus far this month and marking its highest level since April 1991. For the year to date, the benchmark is ahead 12.6%. The large-cap TOPIX Index and the TOPIX Small Index, broader measures of Japanese stock market performance, also recorded strong gains. The yen strengthened versus the U.S. dollar and traded near JPY 104 on Friday.

China: Chinese stocks rose for the week as solid economic data outweighed concerns about rising defaults among domestic bond issuers. The blue chip CSI 300 Index added 0.8% while the Shanghai Composite Index gained 0.9% for the week, according to Reuters. In fixed income markets, the yield on the sovereign 10-year bond ended the week roughly unchanged. In currency trading, the yuan ended broadly flat against the U.S. dollar. A recent uptick in defaults in China's high yield bond market has raised expectations that Beijing will focus on corporate sector deleveraging in the near term, as opposed to further stimulating the economy.

Source: Troweprice.com

International indices	Country	Last Price	Change /w/
MSE TOP 20	Mongolia	17,550.05	-0.20% ▼
Dow Jones	USA	29,910.37	2.21% ▲
S&P 500	USA	3,638.35	2.27% ▲
Nasdaq	USA	12,205.85	2.96% ▲
S&P/TSX	Canada	17,396.56	2.22% ▲
FTSE 100	Great Britain	6,367.58	0.25% ▲
S&P/ASX 200	Australia	6,601.10	0.95% ▲
Nikkei 225	Japan	26,644.71	4.38% ▲
Hang Seng	Hong Kong	26,819.45	1.39% ▲

Bond	Currency	Coupon	YTM
Mongol 2024 (Khuraldai)	USD	8.750%	3.50%
Mongol 2023 (Gerege)	USD	5.625%	3.24%
Mongol 2022 (Chinggis)	USD	5.125%	3.05%
Mongol 2021 (Mazalai)	USD	10.875%	1.41%
DBM' 23 (Samurai)	JPY	1.520%	1.08%
DBM' 2023	USD	7.250%	4.43%
MGMTGE' 2022 (Hoelun)	USD	9.750%	9.55%
Mongol 2026 (Nomad)	USD	5.125%	3.85%

Rates	Last	Change /w/
Libor 1M	0.155	0.00 ▲
Libor 3M	0.225	0.02 ▲
Libor 6M	0.257	0.01 ▲
Libor 1YR	0.330	-0.01 ▼
US 2YR Bond	0.152	-0.01 ▼
US 3YR Bond	0.194	-0.02 ▼
US 5YR Bond	0.366	-0.01 ▼
US 10YR Bond	0.836	0.01 ▲

Exchange rates	2020.11.27	Change /w/
USD	2,849.51	0.02% ▲
CNY	432.91	-0.07% ▼
EUR	3,398.90	0.61% ▲
RUB	37.56	-0.11% ▼
KRW	2.58	0.78% ▲
JPY	27.38	0.33% ▲
CAD	2,190.25	0.26% ▲

Commodity	Unit	Last price	Change /w/
Gold /spot/	USD/t oz.	1,787.79	-4.45% ▼
Silver /spot/	USD/t oz.	22.57	-6.63% ▼
Copper	USD/lb.	341.75	3.25% ▲
Coal	USD/MT	68.75	5.20% ▲
Crude Oil WTI	USD/bbl.	45.53	8.02% ▲
Crude Oil Brent	USD/bbl.	48.18	7.23% ▲

Indicators	Reference	Amount
Inflation Rate	2020.X	2.40%
Policy Rate	2020.X	8.00%
Interbank Rate	2020.X	7.67%
Deposit Interest Rate /MNT/	2020.X	10.65%
Deposit Interest Rate /Foreign currency/	2020.X	3.83%
Loan Interest Rate /MNT/	2020.X	16.82%
Loan Interest Rate /Foreign currency/	2020.X	10.47%

Source: National Statistical Office, Bank of Mongolia, Bloomberg

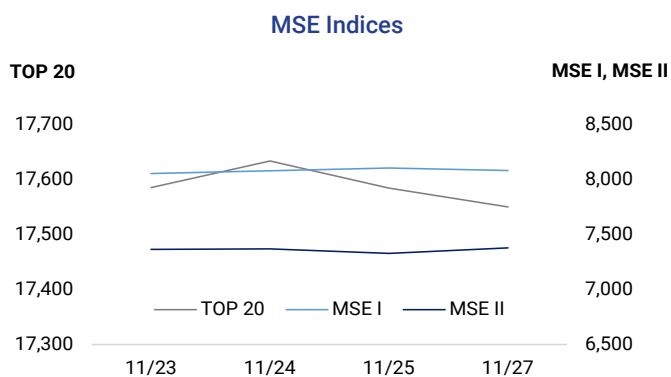
MSE TRADE UPDATE

In this week, a total of 44 companies' 743,559 shares worth MNT 168.9 million were traded in the secondary market.

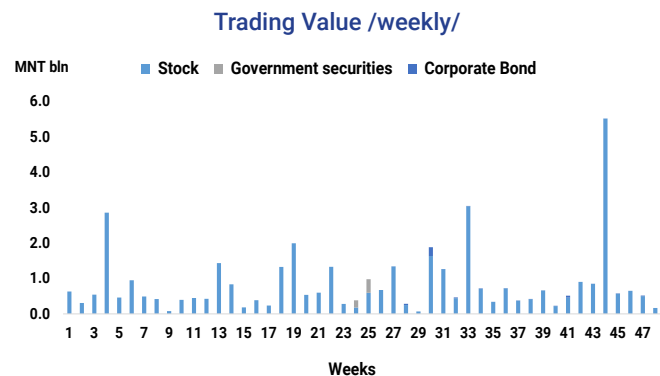
"Merex" /MSE: MRX/ company's shares rose 21.74 percent to MNT 28.00, while "Naco Tulsh" /MSE: NKT/ company's share fell 10.71 percent to MNT 25.00.

No government securities, and corporate bonds were traded on the primary and secondary market during this week

As of November 27, total market capitalization of the MSE is MNT 2,585.3 billion. The TOP-20 index decreased by 0.20% to stand at 17,550.05 units.



Source: Mongolian Stock Exchange



Source: Mongolian Stock Exchange

Market Review		Total amount /MNT mln/	
Total Value		168.9	
Market Capitalization		2,585,287.9	
Market Indices		Last Price	Change /w/
MSE Top 20	17,550.05	-0.20%	▼
MSE I Index	8,080.50	0.37%	▲
MSE II Index	7,376.81	0.25%	▲
Actively Traded Securities		Volume	Amount/MNT/
MIK Holding	5,064	55,704,000	
APU	69,925	40,691,410	
Erdene Resource Development Corp	20,293	17,255,491	
Nogoon Hugjil Undesnii Negdel	91,008	9,498,570	
Mandal Insurance	180,305	8,710,531	
Securities with most growth		Last Price /MNT/	Change /w/
Merex	28.00	21.74%	▲
Khukh Gan	63.00	14.55%	▲
Tushig Uul	820.00	13.89%	▲
Olloo	45.10	11.41%	▲
Arig Gal	2,800.00	10.02%	▲
Securities with most decline		Last Price /MNT/	Change /w/
Naco Tulsh	25.00	-10.71%	▼
Nekheesgui Edlel	1,750.00	-7.89%	▼
Ulsyn Ikh Delguur	1,210.00	-6.92%	▼
Aduun Chuluun	850.69	-5.58%	▼
Ulaanbaatar Khivs	17,000.00	5.56%	▼
Most Active Brokerage Firms		Amount/MNT/	
Ard Securities	110,759,954		
BDSec	91,265,236		
Apex Capital	32,389,536		
TDB Capital	26,685,582		
Standard Investment	21,049,919		
Top 5 Companies With Largest Market Capitalization		Last Price /MNT/	Market Cap. /MNT mln/
APU	574.61	611,489.36	
Tavantolgoi	6,035.00	317,834.48	
MIK Holding	11,000.00	227,802.52	
Invescore NBFi	2,900.00	208,010.96	
Gobi	192.30	150,015.63	

Corporate bond /secondary market/

Nº	NAME	VOLUME	TURNOVER /MNT/	MINIMUM /MNT/	MAXIMUM /MNT/	WEEKS	ANNUAL INTEREST RATE
-	-	-	-	-	-	-	-

CAPITAL MARKET UPDATE

NEWS ON JOINT STOCK COMPANIES

Attention to the shareholders of “Khot development” /MSE: SDT/ JSC.

According to the resolution of Board of Directors meeting of “Khot Development” /MSE: SDT/ JSC, dated on November 11, 2020, the Shareholders’ meeting was scheduled on January 4, 2021 at 10:00 am.

Date of meeting: January 04, 2021 at 10 am

Record date: December 11, 2020

Venue: Head office of ‘BDSec Securities Firm’ JSC, Zaluuchuud avenue, 8th khoroo, Sukhbaatar district, Ulaanbaatar. (In case of the lockdown of state of heightened alert, the meeting will be held virtually)

Agenda of meeting:

- To approve the debt for equity swap
- In relation with the debt for equity swap, to issue additional shares in private placement;
- In relation with the debt for equity swap, to discuss and approve the transaction with conflict of interest and major amount; and
- In relation with the debt for equity swap, to grant preemptive rights.

The shareholders who would like to review relevant documents of the voting, may visit the head office of ‘BDSec UTsK’ JSC during 9-5pm on business days or contact with Azbayar.Kh, Head of organizing committee and Erkhembzaya.E, member of organizing committee by online.

Organizing Commission: Tel: 75551919, 99052845

Email: info@bdsec.mn

Source: Mongolian Stock Exchange

“Erdene Resource Development Corp.” /TSX: ERD, MSE: ERDN/ JSC announces three month extension to warrants.

“Erdene Resource Development Corp.” /TSX: ERD, MSE: ERDN/ JSC (“Erdene” or the “Company”) has agreed to extend the term of 11,314,580 common share purchase warrants (“Warrants”) that were issued in connection with a non-brokered private placement, which closed in June 2018. Effective December 8, 2020, these Warrants will have their expiry date extended by three months to March 8, 2021. The exercise price of USD 0.60 and all other terms of the Warrants remain unchanged.

Source: Erdene Resource Development Corp.

“Erdene Resource Development Corp.” /TSX: ERD, MSE: ERDN/ JSC’s Drilling Expands Gold Mineralization in Multiple Zones Adjacent to the Bayan Khundii Gold Deposit

“Erdene Resource Development Corp.” /TSX: ERD, MSE: ERDN/ JSC (“Erdene” or the “Company”) has reported the final results from the first 10,000-metre phase of its 18,000-metre Khundii Gold District drill program, including multiple high-grade gold intersections in areas adjacent to the planned Bayan Khundii economic pit.

Highlights:

High-grade gold intersections in a new zone at Striker West, 200 metres west of the Bayan Khundii pit:

- BKD-334: 28 metres of 2.5 g/t gold, including 1 metre of 36.9 g/t gold within 14 metres of 4.5 g/t gold
- BKD-338: 38 metres of 1.8 g/t gold, including 1 metre of 23.3 g/t gold within 9 metres of 5.5 g/t gold
- BKD-339: 54 metres of 1.2 g/t gold, including 1 metre of 13.1 g/t gold

Deeper zone intersected south and below Striker West adding continuity to previous discovery (BKD-266):

- BKD-341: 4 metres of 4.7 g/t gold, including 1 metre of 17.0 g/t gold

Shallow, high grade extensions south and east of economic pit at Striker South:

- BKD-315: 3 metres of 5.0 g/t gold, including 1 metre of 14.0 g/t gold, beginning at 37 metres,
- BKD-316, 5 metres of 4.7 g/t gold, including 1 metre of 21.7 g/t gold, beginning at 13 metres,

Continuity of gold mineralization along 200 metre structure at Midfield South East:

- BKD-319: 18.2 metres of 2.9 g/t gold, including 1-metre intervals of 14.5 g/t gold and 28.9 g/t gold beginning at 2.8 metres
- BKD-322: 7 metres of 5.2 g/t gold including 1 metre of 23.5 g/t gold, beginning at 3 metres

Source: Erdene Resource Development Corp.

OTHER NEWS

HIGHLIGHTS

The Mongolian National Chamber of Commerce and Industry (MNCCI), on November 26, has presented results of a survey taken from more than 3,000 business entities and individuals on the impact of the COVID-19 strict lockdown on the industry. 27 percent of the surveyed businesses were from the service and hospitality industry. Some of the outcomes are as follows: 28 percent of the companies and businesses are giving full salaries to its employees, while 31 percent of employers are continuing to pay furloughed staff around 60 percent of their usual wages, and 41 percent are not able to pay their employees during the lockdown.

Source: Montsame.mn

MACROECONOMIC NEWS

Fitch: Restructured Loans Weigh Down Mongolian Banks' Asset Quality.

The volume of coronavirus-related restructured loans is likely to delay further the resolution of asset-quality issues of Mongolian banks, says Fitch Ratings. An estimated 22% of the system's total loans, or MNT3.8 trillion of loans, have been restructured without any change in loan classification as of September 2020, according to the Bank of Mongolia.

This figure could rise to 30% of total loans by end-2020, given the continued availability of relief measures until the end of this year, and adds to the significant amount of problem loans (i.e. non-performing loans plus past due loans) of 18% of total loans at end-3Q20. Fitch believes that a considerable portion of the borrowers benefiting from payment deferrals would eventually become non-performing when the support measures are withdrawn. The combined effect is that weaker banks with significant exposure to business loans may see net losses in 2021 or in 2022, given that most of the restructured loans are business loans.

That said, we expect the intrinsic credit qualities of Fitch-rated commercial banks to be sustained under our base-case scenario. We forecast economic growth at around 8% in 2021, and the banks' sound capital buffers should broadly offset the negative impact of the pandemic on their asset quality and profitability.

Source: FitchRatings

MONETARY POLICY STATEMENT

The Monetary Policy Committee (MPC) held an unscheduled meeting on November 23, 2020 in light of recent lockdown measures taken due to the state of public preparedness declared in response to the domestic spread of the COVID-19 pandemic. At this meeting, the MPC decided to:

1. Lower the policy rate by 2 percentage points to 6 percent;
2. Reduce the reserve requirement on banks' domestic currency liabilities by 2.5 percentage points to 6 percent;
3. To continue to implement restructuring and extension of the maturity of consumer loans with repayment difficulties by 12 months until July 1, 2021;

4. Introduce a long-term refinancing instrument aimed at supporting SMEs and non-mining exports.

This set of decisions is directed at minimizing the adverse effects rising in the economy, as well as the banking and financial sectors, and to lighten the financial burdens of individuals, businesses and financial institutions during the COVID-19 pandemic. Furthermore, the decisions were aimed at ensuring financial and economic stability in the medium-term without missing the inflation target.

Annual headline inflation is 2.4 percent nationwide and 2.6 percent in Ulaanbaatar city as of October, 2020. In the coming months, inflation will increase marginally due to the base effect, but is expected to remain subdued and below the target of 6 percent, owing to weaker economic activity. The economy contracted 9.7 percent in the first half of 2020 as a result of the COVID-19 pandemic; however, by the end of the third quarter, the contraction has slowed to -3.1 percent and the outlook of balance of payments has improved. While the lockdown measures imposed in November to curb local spread of the pandemic have the positive effect of protecting public health in the medium to long term, they are expected to delay recovery by curtailing economic activity in the short term.

The indicators of the real economy, financial markets and commodity markets show that the global economy has been recovering in the second half of 2020. Although early clinical trials of several vaccines have been successful and are nearing completion, the second and third waves of the virus have continued in many countries, and uncertainty in the economic outlook remains elevated.

The monetary and macroprudential policy measures, taken step-by-step to mitigate the impact of the COVID-19 pandemic, increase financing and reduce the costs of financing for SMEs and non-mining exports, and thus, slow the domestic economic downturn and ensure the stability of the banking sector. The Bank of Mongolia will continue to take prudent measures to prevent credit crunch in the banking system while supporting the liquidity of banks, households and businesses.

Source: Bank of Mongolia

OTHER NEWS (CONTINUED)

COMMODITY MARKET NEWS

Mining and quarrying gross output decreased by MNT 1.8 trillion.

According to the preliminary results, the gross industrial output reached MNT 13.1 trillion in the first ten months of 2020, decreased by MNT 1.9 trillion (12.5%) from the same period of the previous year. This decrease was mainly due to MNT 1.8 trillion (16.3%) decrease in mining and quarrying gross output. However, the electricity, thermal energy, and water supply production output increased by MNT 67.8 billion (7.7%) compared to the same period of the previous year.

By preliminary results, the mining and quarrying gross output reached MNT 9.1 trillion in the first ten months of 2020, decreased by MNT 1.8 trillion (16.3%) from the same period of the previous year. This decrease was mainly due to the reductions in coal mining and lignite by MNT 2.0 trillion (44.5%), and extraction of crude petroleum by MNT 533.8 billion (62.8%) compared to the same period of the previous year.

In October 2020, the gross industrial output reached MNT 1.9 trillion, increased by MNT 235.9 billion (14.3%) from the previous month. This increase was mainly due to MNT 180.8 billion (14.8%) increase in mining and quarrying output.

By the preliminary results of the mining and quarrying sector, in the first ten months of 2020, extraction of iron ore and gold increased by 4.7-31.3% compared to the same period of the previous year. In the manufacturing sector, the production of bottled water, soft drink, juice, alcoholic beverage, alcohol, wheat flour, cement, milk, and coal briquette grew by 2.4-90.7% compared to the same period of the previous year. Also, the face mask production rose by 11.8 times more compared to the same period of the previous year.

However, in the mining and quarrying sector, extractions of brown coal, fluor spar, copper concentrate, hard coal, and crude oil decreased by 4.5-47.4%. In the manufacturing industry, productions of lime, meat, combed cashmere, copper cathode, cashmere products, concentrated coal metal steel and cigarettes decreased by 3.7-50.4% compared to the same period of the previous year.

Source: National Statistics Office

Sxcoal: China faces Mongolian coal import shortage as coronavirus spreads.

Shipments of Mongolian coking coal to China have been challenged as a second wave of COVID-19 virus appeared in the landlocked country that has triggered strict measures on China's border administration.

Ganqimaodu, a major border crossing for Mongolian coal trucks heading into China, advanced the deadline of customs clearance from previous 5 o'clock p.m. to 12 o'clock a.m. every day. Drivers are no longer allowed to stay overnight in China and they need to provide nucleic acid detection report when they arrives.

The Mongolian government has imposed a national lockdown that will last until December 1 after reporting its first community transmission on November 6. As of November 23, there were 32 new cases in the past 24 hours, taking the total confirmed number to 640.

While the coal market now is still on the lookout for the potential border shutdown, the supply shortage has been looming large. Now, the inventory at Ganqimaodu has declined to only 1 million tonnes, much lower than the average. On concerns of uncertainty of customs clearance, Chinese traders have increased purchases recently, which intensified the supply situation.

The shortened customs clearing slowed down the process and caused congestion at the crossing, triggering a higher transport cost, with the shipping rate from Tsagaan Khad to Ganqimaodu up 10-20 yuan/t late last week to 160 yuan/t.

The supply shortage fueled a price rise in the market. Offers of Mongolian 5# unwashed coking coal increased 30 yuan/t to 870-900 yuan/t at Ganqimaodu, ex-stock with VAT.

As of November 23, Fenwei assessed Mongolian 5# unwashed coking coal at 860 yuan/t, 10 yuan/t higher than a week ago and 30 yuan/t higher than a month ago; Mongolian 5# washed coking coal was assessed at 1,060 yuan/t, up 20 yuan/t week on week and 30 yuan/t month on month.

Source: Sxcoal.com

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