

# Mongolian Market Update

## Monthly Review - September 2024

Market activity in September saw a sharp decline compared to the previous month, as the market cooled following earnings announcements. Strong economic data, including a trade surplus and controlled inflation, led the Bank of Mongolia to cut its policy rate to 10pct.

In August, inflation rose by 1.0 percentage points month-over-month but remained 3.2 percentage points lower than the same period last year. Foreign trade turnover for the first eight months of 2024 reached \$18.1 billion, reflecting a 13.6% year-on-year increase and resulting in a trade surplus exceeding \$3.1 billion.

Mongolia's exports remained robust, with 59.1 million tons of coal worth \$6.6 billion shipped in September, marking a 26.3% increase from last year. Moreover, more than 60% of coal exports are going through the Gantsmod port. Despite falling coal prices due to the crisis in China's steel industry, major credit rating agencies upgraded Mongolia's sovereign rating, highlighting the strength of its macroeconomic indicators.

### Economic Highlights

- **Inflation:** In August, the inflation rate increased to 6.5%, marking a 100 basis point increase month-over-month.
- **Money Supply:** In August, the M2 money supply grew by 27.3% YoY, reaching a total of MNT 41.5 trillion.
- **Trade:** In the first 8 months of this year, total trade turnover reached USD 18.1 billion, while trade balance is positive USD 3.1 billion.
- **Industrial output:** Reached MNT 33.5 trillion, which is an 12.9% increase from previous year.
- **Sovereign debt:** Mongolia's government debt reached \$7.6 billion, which represents 68.7% of the GDP (current US\$).

Indicators	Date	Value	YoY
GDP	Q2 2024	\$4.27 billion	5.6%
BOM FX Reserve	09.2024	\$4.66 billion	18%
Inflation	08.2024	6.5%	(3.5) point
State budget	08.2024	₮19.88 trillion	30%
Export	08.2024	\$10.63 billion	6.2%
Import	08.2024	\$7.50 billion	26.1%

## Story of the Month: Fitch & S&P Global upgrades Mongolia's sovereign credit rating

Two of major credit rating agencies upgraded Mongolia's sovereign credit rating affirming positive macroeconomic indicators thus far.

On September 18th Fitch Ratings has upgraded Mongolia's Long-Term Foreign-Currency Issuer Default Rating (IDR) to 'B+' from 'B'. The Outlook is Stable is driven by strong mining sector performance, which has reduced public and external debt. Foreign exchange reserves have grown, and debt levels are more manageable, though Mongolia remains vulnerable to external shocks. Real GDP growth is projected to average 6% from 2024-2026, led by mining expansion, particularly coal and copper. The government aims to balance the budget in 2024, but fiscal deficits are expected in 2025-2026. While foreign reserves have improved, Mongolia's economy remains highly dependent on commodity exports, mainly to China..

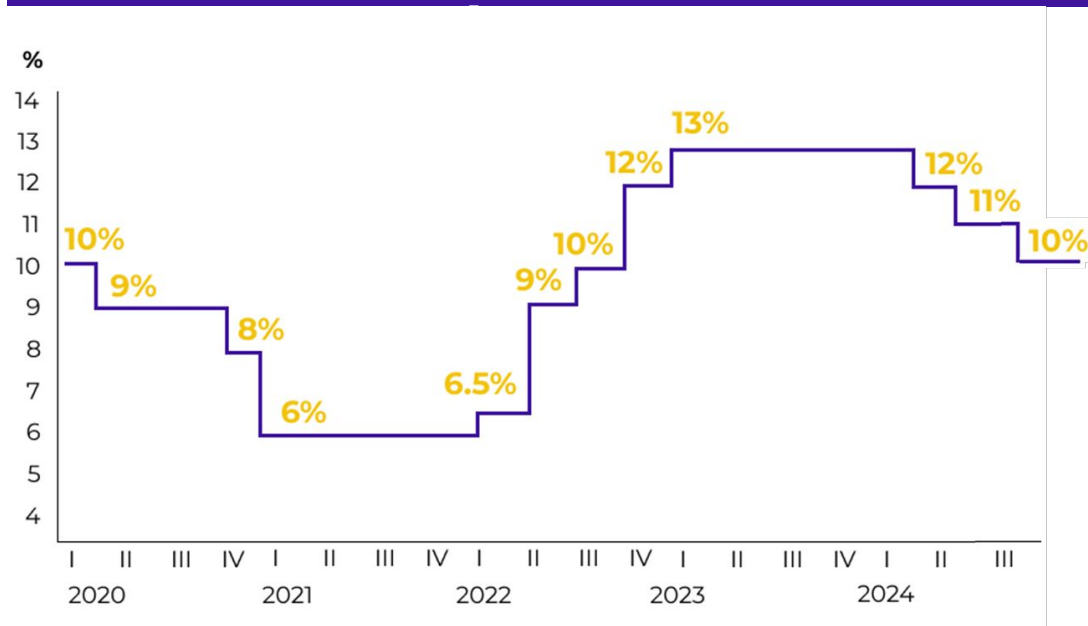
On Oct. 4, 2024, S&P Global Ratings raised its long-term foreign and local currency sovereign credit ratings on Mongolia to 'B+' from 'B'. The outlook on the long-term rating is positive reflecting strong economic growth driven by booming mining exports and improved fiscal conditions. The positive outlook suggests Mongolia could see further upgrades if external and fiscal metrics improve, supported by strong political commitment to fiscal discipline. The country's economy, particularly coal and copper exports to China, continues to grow, with real GDP forecasted to increase by 6% in 2024. However, Mongolia remains vulnerable to external shocks due to its reliance on mineral exports and external financing.

As these ratings rise, so does investor confidence. The improved outlook not only suggests that Mongolia is handling its external debt and public finances more effectively but also indicates that future fiscal consolidation efforts could lead to further upgrades.

For investors, this signals a nation on the rise — where growth is forecasted at 6% for 2024, and opportunities in sectors like mining, infrastructure, and energy are becoming more lucrative. However, the story is not without risk: Mongolia remains exposed to external shocks, especially due to its heavy reliance on commodity exports and close economic ties with China.

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### Chart of the Month: Policy rate



### Bond market

- There primary market activity on the OTC market compared stayed relatively same to the previous month. Primary market trading volume increased by 0.001%. There have been 8 new bond issues in the month of September and 70 new issuances year-to-date.
- As of September 30th, 2024, the total value of outstanding bond issues on the market stood at MNT 1.986 trillion which is an 1.2% increase compared to the previous month.

### Market news

- **XacBank [MSE: XAC]** announced a buyback of 2,300,000 shares at ₮760 per share, with a total value of ₮1.748 billion.
- **Golomt Bank [MSE: GLMT]** reported a net profit of ₮348 billion as of Q3, marking a 167% increase compared to the previous year.
- The government has decided to convert 1,072 shares of **Erdenes Tavantolgoi JSC**, previously distributed to citizens and not tradable or transferable, into common stock. This decision mandates that Erdenes Tavantolgoi JSC be publicly listed on the stock exchange.
- **Invescore NBFJ [MSE: INV]** established a subsidiary in Kazakhstan, its second in Central Asia.
- **The Mongolian Stock Exchange [MSE: MSE]** will choose its next management team through an international open tender. This process will involve bringing on board not just the executives but the entire management team.

### What to expect in October, 2024

- Election results of representatives for local administrative units in the capital city, districts, aimags, and soums.
- Opening of Buuruljuut Power Plant with a capacity of 150 MW.

The Bank of Mongolia (BOM) announced a decision to cut the policy rate by 100 basis points to 10 percent. This marks the third reduction of the policy rate by the BOM this year. In the press release, the Governor of the BOM expressed that "With the easing of monetary policy by major central banks, stronger-than-expected economic growth, sustained high demand for key commodities, and robust foreign exchange reserves were key indicators in the decision." Moreover its decided to reduce the policy rate to support stable economic growth in the medium term and ensure the external and internal balance of the economy.

Indicators	Date	Value	YoY
Policy rate	09.30.2024	10%	(3) point
Bank deposit 12M average interest on	08.31.2024	13.3%	5%
Public bonds average coupon rate	09.30.2024	16.6%	-
OTC bonds average coupon rate	09.30.2024	19.1%	-

Source: Bank of Mongolia, MSE, MASD

USD Bonds	Coupon	YTM	Maturity
Mongol 2026	5.125%	5.93%	04/07/26
Mongol 2027	3.50%	6.26%	07/07/27
Mongol 2028	8.65%	6.22%	01/19/28
Mongol 2029	7.875%	6.32%	06/05/29
Mongol 2031	4.45%	6.48%	07/07/31
DBM 2026	11.00%	8.13%	03/07/26
MONMIN 2026	12.50%	7.74%	09/13/26
MGMTGE 2027	11.50%	11.68%	01/18/27
GLMTMO 2027	11.00%	10.46%	05/20/27

Indexes	Point	MoM	% YoY
TOP 20	47,864	(2%)	35%
MSE A Index	18,360	(3%)	20%
MSE B Index	15,410	5%	26%

Market Summary	Value
Market capitalization	₮12.08 trillion
Daily turnover	₮708 million

Most Active	Close	Value
KHAN Bank JSC	₮1,009	₮8.6 billion

Top Gainers	Close	% MoM
Erdene Resource Development Corporation JSC	₮1,628	23%

Top Losers	Close	% MoM
LendMN NBFJ JSC	₮138	-12%

As of 09.30.2024

Source: Mongolian Stock Exchange

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