

Mongolian Market Update

Monthly Review - November 2024

In November, Mongolia's seen a notable increase in activity on both domestic and international markets.

In the offshore debt market, Ulaanbaatar city raised \$500 million through a private placement municipal bond, Trade and Development Bank secured \$50 million via social and green bonds, and IFC issued its first-ever Mongolian tugrik (MNT) bond, enhancing global recognition of Mongolia's financial markets. Domestically, the stock market saw increased activity, supported by strong Q3 earnings from TOP-20 Index companies. Credit ratings also improved, with Moody's upgrading Mongolia's sovereign rating to B2 (stable), following earlier upgrades by Fitch and S&P. The rating upgrades extended to major banks, including Khan Bank, TDBM, and Golomt Bank, reflecting improved financial stability. Q3 GDP growth for the first nine months of 2024 stood at 5%, down from 7.22% last year. However, nominal GDP surged from ₮47.4 trillion in Q3 2023 to ₮56.2 trillion in Q3 2024. Real GDP grew from ₮21.8 trillion to ₮22.8 trillion, with mining up 11.4% to ₮14.5 trillion and transportation expanding by 15.7% to ₮3.7 trillion.

These developments highlight the ongoing growth in Mongolia's financial and economic sectors, even as challenges remain in sustaining overall momentum.

Economic Highlights

- **Inflation:** In October, the inflation rate increased to 7.0%, marking a 50 basis point increase month-over-month.
- **Money Supply:** In November, the M2 money supply grew by 24.9% YoY, reaching a total of MNT 42.09 trillion.
- **Trade:** In the first 10 months of this year, total trade turnover reached USD 22.7 billion, while trade balance is positive USD 3.6 billion.
- **Industrial output:** Reached MNT 26.5 trillion, which is an 7.9% increase from previous year.
- **Exchange rate:** The official foreign exchange reserves of Mongolia exceeded USD 4.9 billion, an increase of USD 38.8 million or 0.8 percent compared to the beginning of this year.

Indicators	Date	Value	YoY
GDP	Q3 2024	\$16.62 billion	18.6%
BOM FX Reserve	10.2024	\$4.70 billion	18.2%
Inflation	10.2024	7%	(2.0) point
State budget	10.2024	\$7.48 billion	28.7%
Export	10.2024	\$13.21 billion	5.9%
Import	10.2024	\$9.58 billion	26.8%

Story of the Month: IFC Sets Milestone with Largest Supranational Bond in Mongolian Tugrik

International Finance Corporation (IFC), has issued its first-ever bond denominated in Mongolian tugriks (MNT), marking a significant milestone for both IFC and Mongolia. This issuance stands as the largest MNT-denominated bond by a supranational entity to date, raising an impressive 102.5 billion tugriks—approximately \$30 million. This three-year bond seeks to enhance liquidity in the Mongolian currency offshore market.

The bond attracted Danish investment bank Global Evolution as its sole investor, with Standard Chartered serving as the arranger. The issuance is set to be listed on the Luxembourg Stock Exchange, with TCX acting as the swap provider.

The issuance of Mongolian tugrik bond holds significant appeal for foreign investors, offering unique opportunities and advantages.

- This bond allows investors to diversify their portfolios by gaining exposure to an emerging market currency, the Mongolian tugrik, which has been underrepresented in global markets.
- The bond offers a rare opportunity for investors to engage with Mongolian assets in local currency while enjoying the security of IFC's AAA credit rating, reducing default risk.
- The issuance provides mechanisms to protect against currency risks, supported by partners like TCX, making it a safer entry point for foreign investors into the Mongolian market.
- As the largest MNT-denominated bond by a supranational, the issuance contributes to increasing liquidity and trust in the Mongolian currency, potentially making future investments more attractive and feasible for foreign players.
- By participating in such bonds, investors contribute to initiatives aligned with the SDGs, such as fostering economic development, creating jobs, and building resilient financial markets in emerging economies like Mongolia.

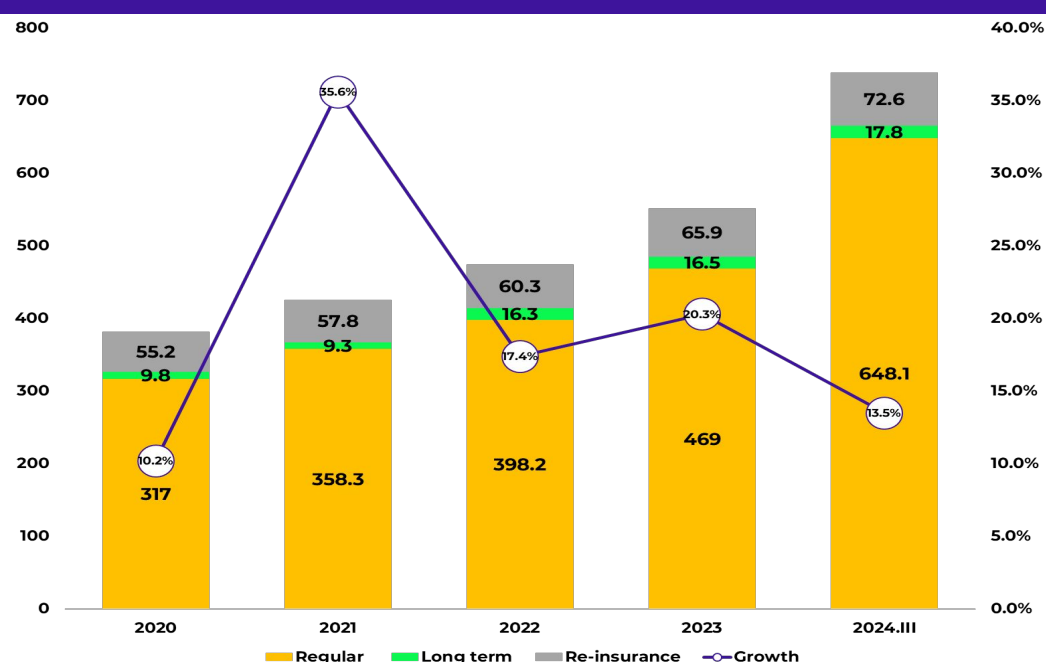


Liquid and well-developed capital markets are essential for the flow of financing from investors to borrowers. This bond elevates the Mongolian tugrik's presence in global markets, offering investors an opportunity to engage with the currency.

- Flora Chao, IFC's Global Head of Funding

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Chart of the Month: Insurance sector



Bond market

- There primary market activity on the OTC market compared stayed relatively same to the previous month. Primary market trading volume increased by 2%. There have been 11 new bond issues in the month of November and 102 new issuances year-to-date.
- As of November 30th, 2024, the total value of outstanding bond issues on the market stood at MNT 2.025 trillion which is an 6.8% decrease compared to the previous month.

Market news

- Ulaanbaatar city has issued **USD 500 million** in bonds on the international market with an annual coupon rate of **7.75%**. The funds will be used to build a residential complex of 12,000 housing units in the Selbe sub-center area.
- **Trade and Development Bank [MSE: TDB]** has raised \$50 million through social and green bonds on the international market. Of this amount, \$40 million will be allocated to green loans and \$10 million to social loans.
- **The International Finance Corporation (IFC)** is in discussions to provide \$150 million in financing to **Golomt Bank [MSE: GLMT]**.
- One of the leading insurance companies in the insurance sector, **Tenger insurance** has launched its IPO. The company intends to secure MNT 10 billion through the primary market.
- **Trade and Development Mongolia [MSE: TDB]** released its Q3 2024 earnings report, showing an interest income of ₮772 billion, a 51% increase year-over-year. Net profit increased 83% from the same period last year to ₮200 billion.

In November, Mongolia marked the 90th anniversary of its insurance sector. Over the years, the sector has achieved remarkable growth, with total assets expanding at a CAGR of 15.6% over the past decade. Despite this impressive growth, the sector still holds substantial potential. For instance, Mongolia's insurance penetration rate stands at just 0.58%, below the global average of 6.8% and the regional average for Asia. This highlights opportunities to enhance market adoption and broaden the reach of insurance services. Currently, four insurance companies are listed on the MSE with a combined market cap of ₮244.8 billion. The upcoming IPO of Tenger Insurance is expected to boost this by ₮8 billion.

Indicators	Date	Value	YoY
Policy rate	11.30.2024	10%	(3) point
Bank deposit 12M average interest on	10.31.2024	13.57%	0.34 point
Public bonds average coupon rate	11.30.2024	16.5%	-
OTC bonds average coupon rate	11.30.2024	19.2%	-

Source: Bank of Mongolia, MSE, MASD

USD Bonds	Coupon	YTM	Maturity
Mongol 2026	5.125%	6.22%	04/07/26
Mongol 2027	3.50%	6.23%	07/07/27
Mongol 2028	8.65%	6.56%	01/19/28
Mongol 2029	7.875%	6.54%	06/05/29
Mongol 2031	4.45%	6.80%	07/07/31
DBM 2026	11.00%	7.32%	03/07/26
MONMIN 2026	12.50%	6.99%	09/13/26
MGMTGE 2027	11.50%	10.52%	01/18/27
GLMTMO 2027	11.00%	8.30%	05/20/27

Indexes	Point	MoM	% YoY
TOP 20	49,457	1%	33%
MSE A Index	19,406	3%	27%
MSE B Index	14,923	(2%)	23%

Market Summary	Value
Market capitalization	₮12.64 trillion
Daily turnover	₮1.4 billion

Most Active	Close	Value
Invescore NBFJ JSC	₮8,195	₮12.3 billion

Top Gainers	Close	% MoM
Crypto Nation JSC	₮49,960	42%

Top Losers	Close	% MoM
Erdene Resource Development JSC	₮1,500	(9%)

As of 11.30.2024

Source: Mongolian Stock Exchange

What to expect in December, 2024

- Discussion of amended state budget

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