

**IN-N-OUT FX LIQUIDITY INCREASED 1.7 TIMES YOY, NET USD INFLOWS 3.3 TIMES YOY, MNT STABLE, AVERAGE EXCHANGE RATE VARIATION IS 0.01 PER CENT PER DAY, APPRECIATED ONLY 0.37% YTD**

Bank of Mongolia (BOM, mongolbank.mn) stated today that “it has discussed and approved recommendations for measures to be implemented in 2011 to develop domestic FX market, improve its profitability and manage exchange rate risk after discussion at recent 4<sup>th</sup> regular consultative meeting of FX market professional participants. The major measures to be implemented include

- To develop regulatory framework , procedures and instructions for activities to issue to commercial banks RMB source of swap agreement between BOM and People’s Bank of China and introduce to the market
- For banks and enterprise to cooperate to increase financial derivative instruments between banks and banks’ customers, widen their usage
- although YTD there have been short-term fluctuations of appreciation and depreciation caused by some decisions and factors influencing foreign trade and market expectations at the specific time, the fact that average exchange variation per day is 0.01 per cent shows that exchange rate is stable
- Although current account deficit of balance of payments has increased yoy 3.3 times to 476M USD , financial account surplus increased yoy 3.3 time to 483M USD and balance of payments surplus is 35M USD
- As of first 5 months of 2011, **total amount of in-n-out FX liquidity has increased 1.7 times yoy and net USD inflows increased 4.2 time, official FX reserves as of end of May of 2011 increased by 74% yoy or by 1B USD, interbank market trading turnover increased 3 times yoy**
- Conclusion is that stability of exchange rate in current situation of dramatic increase in FX flows, economy’s sharp rebound, active business cycle, expansion of foreign trade is related to implementation of efficient policy by BOM, improvement in banking system wide capacity to manage, regulate and absorb FX flows and relative advancement in profitability of domestic FX markets”

**ACCORDING TO FRONTIER RESEARCH,**

In June 2011, Deputy Governor of Bank of Mongolia said that “\$772 million currency swap agreement signed with China last month paved the way for the planned five-year bond because the “safety belt” will boost investors’ confidence in its debt market. About 25 percent of trade between China and Mongolia is settled in the yuan. As of 04/15/11, according to NSO, PRC occupies 52% of total external trade turnover, 89% of exports, 26% of imports of Mongolia , 92.8% of exports and 80.2% of imports are settled in FX

At the time Bank of Mongolia has stated that by signing swap agreement, BOM is to speedily supply RMB to market in case of instability of domestic FX market as a result of shortage of RMB, and thus to provide support to ensure stability of MNT.

According to 2010 AR of MMC, MMC is “is subject to the risk of loss or gain due to USD and RMB fluctuations. The Group’s sales revenue has been and is expected to be priced and settled in USD and RMB. Although the majority of our assets and operational expenses are denominated in MNT, a large portion of those, including fuel and capital expenditure, are import costs and thus linked to USD and RMB prices. Therefore, the Group believes that there exists a natural hedge that partially offsets foreign exchange risk. The Group’s long term liabilities are denominated in USD and RMB. For the year ended 31 December 2010, foreign exchange fluctuations were favorable to the Group, and the Group had approximately USD12.0 million in realized and unrealized exchange gains. The Group will continue to monitor exposure to foreign exchange risk and consider hedging instruments, provided that such hedging instruments for MNT become available and not overly expensive compared to the underlying exposures.”

As of today, MNT appreciated versus USD – 8.34% YOY

52W high: 1280.50  
 52W low: 1191.00  
 1M  
 change: -0.12%  
 1Y  
 change: -8.34%  
 YTD  
 change: -0.37%

**7.3 ГАДААД ВАЛЮТЫН ЗАХ ЗЭЭЛИЙН НЭРЛЭСЭН ХАНШ, сар бүрийн дундаж**  
**EXCHANGE RATES OF FOREIGN CURRENCIES, monthly average**

Хугацаа, сараар	Ам. доллар	Евро	Рубль	Юань	Иен	Вон
<i>Periods, by months</i>	<i>USD</i>	<i>EUR</i>	<i>RUB</i>	<i>CNY</i>	<i>JPY</i>	<i>KRW</i>
2011 I	1 256.42	1 676.17	41.63	190.40	15.23	1.12
II	1 253.41	1 710.58	42.83	190.54	15.16	1.12
III	1 228.45	1 719.64	43.22	187.08	15.02	1.10
IV	1 219.90	1 764.32	43.49	186.86	14.66	1.13
V	1 235.71	1 774.83	44.30	190.24	15.22	1.14

**Хэрэглээний үнийн улсын индекс,  
ам.долл ба еврогийн ханшийн өсөлтийн харьцаа, сар бүрийн эцэст, өмнөх сар=100%**  
*National CPI, USD and EUR growth, at the end of every month, previous month=100%*



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