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Highlights

- U.S. consumer prices increased solidly in December as rental accommodation and used cars maintained their strong gains, culminating in the largest annual rise in inflation in nearly four decades, which bolstered expectations that the Federal Reserve will start raising interest rates as early as March. In the 12 months through December, the CPI surged 7.0%.
- Russia's consumer inflation accelerated to 8.61% as of Jan. 10, the economy ministry said on Wednesday, after the statistics service Rosstat confirmed its earlier assessment of 2021 inflation at 8.39%, above the 4% target.

Forex

The dollar was below key support levels on Thursday, having hit new lows overnight, after data showing U.S. consumer prices rose at their fastest rate in nearly 40 years was not deemed worrying enough to change an already hawkish rates outlook. After a couple of months in a tight range, the dollar dropped 0.6% on the euro overnight to \$1.1453, its lowest since mid-November. There isn't major chart resistance to further losses until \$1.1525. It held at \$1.1443 in Asia. It also fell 0.6% on the yen, dropping through support around 115 to hit 114.38 yen per dollar, a more than two-week low. It last bought 114.63 yen early on Thursday. Risk-sensitive currencies benefited. The Australian dollar rose more than 1%, its best percentage gain since October, and zoomed through its 50-day moving average to an almost two-month top of \$0.7292.

The People's Bank of China (PBOC) set the midpoint at 6.3542 yuan per dollar prior to the market open, 116 pips, or 0.18%, stronger than the previous fix of 6.3658. The offshore yuan trading at 6.366 per dollar today.

Gold

Gold firmed on Wednesday as data showing U.S. inflation was within expectations dented the dollar and prompted buying from investors who seemed to have priced in the Federal Reserve's likely interest rate hike trajectory. Spot gold XAU= was last up 0.2% at \$1,825.83 per ounce by 14:11 ET (1911 GMT), extending gains after rising the most since mid-December on Tuesday. U.S. gold futures GCv1 settled up 0.5% at \$1,827.3.

Copper

Nickel prices surged to their highest in a decade on Wednesday and copper broke back through \$10,000 a tonne on renewed supply fears as inventories dwindle. Industrial metals were also buoyed by easing concerns over economic growth in top metals consumer China. Three-month copper on the London Metal Exchange CMCU3 gained 3.5% to \$10,059 a tonne, trading above the key psychological level for the first time since Oct. 21.

Currency	Rate	24H Chg		
EUR/USD	1.1442	0.00%		
USD/CNY	6.3638	0.07%		
USD/RUB	74.7175	0.01%		
USD/JPY	114.53	-0.10%		
USD/KRW	1189	-0.13%		
AUD/USD	0.7279	0.04%		
GBP/USD	1.3709	0.00%		
Index	Unit	24H Chg		
Dow Jones	36290.3	0.11%		
S&P 500	4726.4	0.28%		
NASDAQ	15188.4	0.23%		
FTSE 100	7551.7	0.81%		
Nikkei 225	28554.4	-0.73%		
DAX	16010.3	0.43%		
Hang Seng	24561.5	0.65%		
Commodity	Price	24H Chg		
Gold	1825.98	-0.01%		
Silver	23.20	0.24%		
Coal (Qinhuangdao Port)	132.15	0.00%		
Copper 3M Future	10064	3.54%		
Iron Ore	745.00	1.92%		
Crude Oil	82.66	0.02%		
LIBOR	Yield	24H Chg		
US 1M LIBOR	0.11%	8.65%		
US 3M LIBOR	0.24%	2.58%		
US 6M LIBOR	0.39%	0.82%		
US 12M LIBOR	0.70%	2.76%		
Government Bonds	Yield	24H Chg		
US Treasury 10Y	1.75%	0.30%		
UK Treasury 10Y	1.14%	-2.56%		
GE Treasury 10Y	-0.06%	-118.52%		
JP Treasury 10Y	0.14%	6.11%		
Mongolian Bonds	Coupon	Mature Date	Yield	24H Chg
MIK 2022	9.75%	1/29/2022	10.41%	0.00%
Chinggis	5.13%	12/5/2022	2.68%	0.04%
Gerege	5.63%	5/1/2023	3.40%	0.04%
DBM 2023	7.25%	10/23/2023	3.88%	0.00%
Khuraldai	8.75%	3/9/2024	3.77%	-0.01%
MMC	9.25%	4/15/2024	19.84%	-0.94%
MIK 2024	8.85%	8/2/2024	10.41%	0.00%
Nomad	5.13%	4/7/2026	4.57%	0.02%
Mongol 27	3.50%	7/7/2027	4.71%	-0.02%
Mongol 31	4.45%	7/7/2031	5.20%	-0.03%
Samurai JPY	1.52%	12/25/2023	0.03%	-0.01%

Stock	Price	24H Chg
Turquoise Hill Resources	16.78	3.71%
Mongolian Mining Corp	1.75	2.34%
Erdene Resource Dev	0.465	2.20%
Centerra Gold	10.38	-0.29%

Macro economic indicator	Date	Actual
Inflation rate	2021 (XII)	13.4%
Policy rate	2021 (XII)	6.0%
Interbank rate	2021 (XI)	6.08%
Interest rate on deposit (dom.currency)	2021 (XI)	7.1%
Interest rate on deposit (for.currency)	2021 (XI)	2.1%
Interest rate on lending (dom.currency)	2021 (XI)	15.6%
Interest rate on lending (for.currency)	2021 (XI)	9.3%

Forecasts

Currency	Q1 22	Q2 22	Q3 22	Q4 22	2023
EUR/USD	1.12	1.13	1.15	1.15	1.17
GBP/USD	1.34	1.35	1.36	1.37	1.40
USD/CNH	6.39	6.35	6.40	6.44	6.40
USD/JPY	114	115	115	115	115
USD/RUB	73.0	72.0	73.07	73.0	73.5

Commodity

Gold	1775	1750	1700	1680	1650
Copper	9500	9350	9400	9500	9550
Coal	138.13	109.38	93.13	79.38	62.50

Economic Calendar

Source: Bloomberg

Last working day	Actual	Survey	Prior
CN CPI YY	1.5%	1.8%	2.3%
CN PPI YY	10.3%	11.1%	12.9%
JP Current Account NSA JPY	897.3B	585B	1180.1B
US CPI MM, SA	0.5%	0.4%	0.8%

Expected today

	Time	Survey	Prior
US Initial Jobless Claims	21:30	200k	207k

Expected tomorrow

	Time	Survey	Prior
CN Trade Balance USD	11:00	74.5B	71.72B
CN Imports YY	11:00	26.3%	31.7%
CN Exports YY	11:00	20.0%	22.0%
US Retail Sales MM	21:30	0.0%	0.3%
US Industrial Production	22:15	0.3%	0.5%

Crude Oil

Oil prices hit two-month highs on Wednesday on tight supply as crude inventories in the United States, the world's top consumer, fell to their lowest since 2018, and as the dollar weakened and worries eased about the Omicron coronavirus variant. U.S. crude inventories fell 4.6 million barrels last week to 413.3 million barrels, their lowest since October 2018, the Energy Information Administration said. Brent crude LCOc1 futures settled up 95 cents, or 1.1%, at \$84.67 a barrel.

Fixed Income

December CPI data supported the outlook for at least three Fed rate hikes this year, while the prospects for Thursday's 30-year bond sale were dented by 10-year note auction's weak metrics. Still, yields reached session lows after the CPI data, suggesting traders were braced for worse. Yields ended cheaper by ~2bp across the long-end of the curve while 7-year shed ~1bp; 10-year yields ended around 1.73%, richer by 0.7bp.

Stock Market

The Nasdaq 100 index rose for the third day in a row, but closed sharply lower from session highs, pulling back from a jump spurred by short covering after consumer prices rose at the expected pace in December, as traders reevaluated the impact the steepest inflation in four decades will have on valuations. The S&P 500 closed higher by 0.3%. Ten of the 11 major industry groups were up, with the materials and consumer discretionary sectors leading advancers, while health care was the sole loser, while the blue-chip Dow Jones Industrial Average gained 0.1%.

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