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Highlights

- Japan's debt servicing costs would exceed 30 trillion yen (\$261.55 billion) for the first time ever in fiscal 2025 if interest rates rise by 1% more than expected, a draft of the Ministry of Finance's (MOF) estimates, due later this month, showed. The MOF, in its annual estimates over a five-year period, projected debt servicing costs, worth 24.3 trillion yen for the next fiscal year, would hit 28.8 trillion yen in fiscal 2025, assuming interest rates at 1.3%.
- Microsoft Corp MSFT.O is buying "Call of Duty" maker Activision Blizzard ATVI.O for \$68.7 billion in the biggest gaming industry deal in history as global technology giants stake their claims to a virtual future.

Forex

The dollar was firm on Wednesday after a rip higher in U.S. yields vaulted it up sharply on the euro overnight, putting it back above support levels that have held for the past few months in anticipation of rising U.S. interest rates. The euro fell about 0.7% on Tuesday, its sharpest daily drop in a month, and is back on its 50-day moving average at \$1.1323. Two-year Treasury yields have leapt 15 basis points over two sessions to cross 1% and benchmark 10-year yields stand at a two-year high of 1.8842%. Moves in the U.S. bond market unsettled equity investors, underpinning the safe-haven yen, which has held at 114.67 to the dollar. Sterling GBP=D3 has taken a knock in recent sessions but will be in focus later on Wednesday when British inflation figures are due. Annual headline inflation is seen hitting an almost decade-high 5.2% and a surprise could trigger further bets on Bank of England rate hikes and renew the pound's rally.

Gold

Gold prices were flat on Wednesday, steadying near a one-week low hit in the previous session, as the U.S. Treasury yields strengthened to two-year highs on expectations of quicker interest rate hikes by the Federal Reserve. Spot gold XAU= was little changed at \$1,813.04 per ounce by 0118 GMT, after falling to a one-week low of \$1,805 an ounce on Tuesday. U.S. gold futures GCv1 were steady at \$1,813.30.

Copper

Copper prices succumbed to pressure from the dollar on Tuesday as the market anticipated a more hawkish tone from the U.S. Federal Reserve in the run-up to monetary tightening in March. Benchmark three-month copper CMCU3 on the London Metal Exchange (LME) eased 0.7% to \$9,662 a tonne by 1735 GMT. Copper stocks continued to trend higher, with inventories in LME-registered warehouses climbing by 2,000 tonnes to their highest in two months at 94,525 tonnes. China's copper exports rose to an annual record in 2021, according to customs data on Tuesday, as higher international prices during some months last year encouraged traders to ship metals

Currency	Rate	24H Chg		
EUR/USD	1.1323	-0.02%		
USD/CNY	6.3583	0.04%		
USD/RUB	76.9664	-0.01%		
USD/JPY	114.69	0.07%		
USD/KRW	1192.3	0.18%		
AUD/USD	0.719	0.01%		
GBP/USD	1.3601	0.00%		
Index	Unit	24H Chg		
Dow Jones	35368.5	-1.51%		
S&P 500	4577.1	-1.84%		
NASDAQ	14506.9	-2.60%		
FTSE 100	7563.6	-0.63%		
Nikkei 225	27762.9	-1.75%		
DAX	15772.6	-1.01%		
Hang Seng	24162.5	0.21%		
Commodity	Price	24H Chg		
Gold	1812.93	-0.04%		
Silver	23.46	-0.05%		
Coal (Qinhuangdao Port)	132.27	0.00%		
Copper 3M Future	9676	-0.57%		
Iron Ore	737.50	4.61%		
Crude Oil	86.89	1.71%		
LIBOR	Yield	24H Chg		
US 1M LIBOR	0.10%	-0.28%		
US 3M LIBOR	0.25%	2.78%		
US 6M LIBOR	0.42%	5.86%		
US 12M LIBOR	0.77%	5.65%		
Government Bonds	Yield	24H Chg		
US Treasury 10Y	1.89%	0.67%		
UK Treasury 10Y	1.22%	2.61%		
GE Treasury 10Y	-0.02%	28.00%		
JP Treasury 10Y	0.15%	1.40%		
Mongolian Bonds	Coupon	Mature Date	Yield	24H Chg
MIK 2022	9.75%	1/29/2022	10.81%	-0.49%
Chinggis	5.13%	12/5/2022	3.21%	-0.10%
Gerege	5.63%	5/1/2023	3.89%	0.05%
DBM 2023	7.25%	10/23/2023	4.09%	-0.04%
Khuraldai	8.75%	3/9/2024	4.12%	-0.04%
MMC	9.25%	4/15/2024	21.48%	-2.06%
MIK 2024	8.85%	8/2/2024	10.81%	-0.49%
Nomad	5.13%	4/7/2026	4.78%	-0.04%
Mongol 27	3.50%	7/7/2027	4.91%	-0.15%
Mongol 31	4.45%	7/7/2031	5.33%	-0.12%
Samurai JPY	1.52%	12/25/2023	0.03%	0.00%

Stock	Price	24H Chg
Turquoise Hill Resources	16.69	2.71%
Mongolian Mining Corp	1.66	-0.60%
Erdene Resource Dev	0.405	-4.71%
Centerra Gold	10.36	-0.10%

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
JP BoJ Rate Decision	-0.1%	-0.1%	-0.1%
GE ZEW Current Conditions	-10.2	-7.5	-7.4
GE ZEW Economic Sentiment	51.7	32.7	29.9

Expected today	Time	Survey	Prior
GE HICP Final YY	15:00	5.7%	5.7%
UK CPI YY	15:00	5.2%	5.1%
CA CPI BoC Core MM	21:30	-	0.0%
CA CPI BoC Core YY	21:30	3.5%	3.6%

Expected tomorrow	Time	Survey	Prior
JP Trade Balance Total Yen	7:50	-784.1B	-955.6B
JP Imports YY	7:50	42.8%	43.8%
JP Exports YY	7:50	16.0%	20.5%
EU HICP Final YY	18:00	5.0%	5.0%
EU HICP Final MM	18:00	0.4%	0.4%
US Existing Home Sales	23:00	6.44M	6.46M

overseas. Annual shipments last year were at 932,451 tonnes, up from 744,457 in 2020.

Crude Oil

Oil prices on Tuesday climbed to their highest since 2014 as investors worried about global political tensions involving major producers such as the United Arab Emirates and Russia that could exacerbate the already tight supply outlook. The risk added a premium to prices during the session. Brent crude LCOc1 futures rose \$1.03, or 1.2%, to settle at \$87.51 a barrel. Both benchmarks touched their highest since October 2014, and some OPEC sources say \$100-per-barrel oil is not out of reach.

Fixed Income

Benchmark Treasury yields look poised to surge past 2% as traders lay bets that the Federal Reserve could opt for a super-sized rate hike in March. The 10-year yield has climbed 37 basis points so far in January to 1.88% on Wednesday -- set for its fastest monthly increase since November 2016.

Stock Market

A global selloff in stocks continued in Asia on Wednesday following a surge in Treasury yields as the prospect of Federal Reserve monetary tightening to fight high inflation weighs on markets. Shares fell in Japan, Australia and South Korea. U.S. futures wavered after the S&P 500 suffered a broad drop and the tech-heavy Nasdaq 100 sank 2.6%.

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