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Highlights

- The Fed's new monetary policy strategy, unveiled at the start of an annual central banking conference, promises to aim for 2% inflation on average. The change suggests the U.S. central bank's key overnight interest rate, already near zero, will stay there for potentially years to come as policymakers woo higher inflation.
- Core consumer prices in Tokyo fell 0.3% in August from a year earlier, compared with economists' median estimate for a 0.3% annual rise, government data showed on Friday.
- France's economy is recovering largely in line with forecasts and any revision would be upward, Bank of France Governor Francois Villeroy de Galhau said on Thursday.

Forex

The dollar held gains against major currencies on Friday, after the Federal Reserve's aggressive new strategy to lift employment and increased tolerance for higher inflation pushed U.S. bond yields up. The dollar's index rose against six major currencies and was last trading at 93.061, turning around a sharp decline seen on Thursday. The euro changed hands at \$1.18155, after almost hitting last week's low of \$1.17545 overnight.

The greenback rose to 106.79 against the safe-haven yen, edging near this month's high of 107.05. The offshore yuan stood at 6.8819 per dollar. The British pound was little changed at \$1.3193, after hitting its highest since Dec. 31 of \$1.3284 on Powell's comments. The Australian dollar was changing hands at \$0.7264, while the kiwi stood at \$0.6643 per dollar.

Gold

Gold steadied on Friday as worries over an economic slump caused by the COVID-19 pandemic countered pressure from a jump in U.S. Treasury yields on Federal Reserve Chair Jerome Powell's offer for more inflation tolerance. Spot gold XAU= was up 0.1% at \$1,929.94 per ounce by 0117 GMT, after falling more than 1.2% on Thursday. Gold has fallen more than 0.5% so far this week. U.S. gold futures GCv1 rose 0.2% to \$1,936.30. Longer-term U.S. Treasury yields climbed to their highest levels in months on Thursday. Higher bond yields increase the opportunity cost of holding non-interest bearing gold.

Copper

Copper rose on Friday after the U.S. Federal Reserve said it would promote higher inflation, a move that could weaken the dollar and make greenback-priced commodities more attractive. Three-month copper on the London Metal Exchange CMCU3 advanced 0.3% to \$6,640 a tonne by 0143 GMT and was on track for a third straight weekly gain, while the most-traded October copper contract on the Shanghai Futures Exchange SCFcv1 rose 0.5% to 51,790 yuan (\$7,513.96) a tonne.

| Currency | Rate | 24H Chg | | |
|-------------------------|---------|-------------|--------|---------|
| EUR/USD | 1.1818 | -0.03% | | |
| USD/CNY | 6.883 | 0.00% | | |
| USD/RUB | 74.964 | 0.00% | | |
| USD/JPY | 106.63 | 0.06% | | |
| USD/KRW | 1186 | 0.08% | | |
| USD/CHF | 0.9093 | -0.55% | | |
| AUD/USD | 0.7263 | -0.01% | | |
| GBP/USD | 1.3201 | 0.00% | | |
| Index | Unit | 24H Chg | | |
| Dow Jones | 28492.3 | 0.57% | | |
| S&P 500 | 3484.6 | 0.17% | | |
| NASDAQ | 11625.3 | -0.34% | | |
| FTSE 100 | 6000.0 | -0.75% | | |
| Nikkei 225 | 23240.4 | 0.14% | | |
| DAX | 13096.4 | -0.71% | | |
| Hang Seng | 25281.2 | -0.83% | | |
| SHCOMP | 3350.1 | 0.61% | | |
| Commodity | Price | 24H Chg | | |
| Gold | 1930.35 | 0.04% | | |
| Silver | 26.9799 | -0.13% | | |
| Coal (Qinhuangdao Port) | 551 | 0.00% | | |
| Thermal Coal | 33.3 | -0.09% | | |
| Copper 3M Future | 6621 | 0.41% | | |
| Iron Ore | 819.5 | -0.18% | | |
| Crude Oil | 42.9 | -0.33% | | |
| Government Bonds | Yield | 24H Chg | | |
| US 1M LIBOR | 0.16% | -8.15% | | |
| US 3M LIBOR | 0.26% | 1.94% | | |
| US 6M LIBOR | 0.31% | -0.29% | | |
| US 12M LIBOR | 0.45% | 1.34% | | |
| US Treasury 10Y | 0.77% | 2.83% | | |
| UK Treasury 10Y | 0.34% | 11.26% | | |
| GE Treasury 10Y | -0.41% | 1.93% | | |
| JP Treasury 10Y | 0.05% | 18.60% | | |
| Bond issued by Mongolia | Coupon | Mature Date | Yield | 24H Chg |
| Gerege | 5.63% | 5/1/2023 | 4.14% | -0.04% |
| Mazaalai | 10.8% | 4/6/2021 | 3.40% | -0.04% |
| Khuraldai | 8.75% | 3/9/2024 | 4.75% | -0.11% |
| Chinggis | 5.13% | 12/05/2022 | 3.97% | 0.00% |
| Samurai | 5.75% | 12/25/2023 | 1.31% | 0.01% |
| DBM 2023 | 7.25% | 10/23/2023 | 5.56% | -0.26% |
| MIK 2022 | 9.75% | 1/29/2022 | 12.65% | -0.06% |
| MMC | 9.25% | 4/15/2024 | 22.10% | 1.90% |

| Stock | Price | 24H Chg |
|--------------------------|--------|---------|
| Turquoise Hill Resources | 0.9159 | 0.11% |
| Mongolian Mining Corp | 0.44 | -1.12% |
| Mongolian Energy Corp | 0.48 | -5.88% |
| Centerra Gold | 16.22 | -4.19% |

| Macro economic indicator | Date | Actual |
|---|------------|--------|
| Inflation rate | 2020 (VII) | 3.4% |
| Policy rate | 2020 (IV) | 9.0% |
| Interbank rate | 2020 (V) | 8.9% |
| Interest rate on deposit (dom.currency) | 2020 (VII) | 10.9% |
| Interest rate on deposit (for.currency) | 2020 (VII) | 4.2% |
| Interest rate on lending (dom.currency) | 2020 (VII) | 16.9% |
| Interest rate on lending (for.currency) | 2020 (VII) | 10.5% |

Forecasts

| Currency | Q3 20 | Q4 20 | Q1 21 | Q2 21 | 2021 |
|----------|-------|-------|-------|-------|------|
| EUR/USD | 1.12 | 1.14 | 1.14 | 1.15 | 1.17 |
| GBP/USD | 1.25 | 1.26 | 1.28 | 1.29 | 1.32 |
| USD/CNY | 7.05 | 7.04 | 7.02 | 6.94 | 6.99 |
| USD/JPY | 107 | 107 | 107 | 107 | 107 |
| USD/RUB | 70 | 70 | 69.5 | 68.0 | 69.1 |

Commodity

| | | | | | |
|--------|------|------|------|------|------|
| Gold | 1789 | 1806 | 1821 | 1824 | 1824 |
| Copper | 6073 | 6072 | 6075 | 6086 | 6092 |
| Coal | 46.0 | 48.0 | 49.0 | 49.0 | 47.0 |

Economic Calendar

Source: Bloomberg

| Last working day | Actual | Survey | Prior |
|-----------------------------|--------|--------|--------|
| KR Bank of Korea Base Rate | 0.5% | 0.5% | 0.5% |
| FR Business Climate Mfg | 93 | 85 | 82 |
| US GDP 2nd Estimate | -31.7% | -32.5% | -32.9% |
| US Initial Jobless Clm | 1006k | 1000k | 1106k |
| Expected today | Time | Survey | Prior |
| JP CPI Tokyo Ex fr food YY | 7:30 | 0.3% | 0.4% |
| JP CPI, Overall Tokyo | 7:30 | - | 0.6% |
| FR GDP QQ Final | 14:45 | -13.8% | -13.8% |
| FR CPI (EU Norm) Prelim YY | 14:45 | 0.2% | 0.2% |
| EU Consumer Confid. Final | 17:00 | -14.7 | -14.7 |
| US Consumption, Adjusted MM | 20:30 | 1.5% | 5.6% |
| US U Mich Sentiment Final | 22:00 | 72.8 | 72.8 |
| Expected tomorrow | Time | Survey | Prior |
| JP Industrial O/P Prelim MM | 7:50 | - | 1.9% |
| CN NBS Manufacturing PMI | 9:00 | 51.2 | 51.1 |
| IT GDP Final QQ | 16:00 | - | -12.4% |
| IT GDP Final YY | 16:00 | - | -17.3% |
| GE CPI Prelim YY | 20:00 | 0.1% | -0.1% |
| GE HICP Prelim YY | 20:00 | 0.1% | 0.0% |

Crude Oil

Oil prices fell on Friday as a massive storm raced inland past the heart of the U.S. oil industry in Louisiana and Texas without causing any widespread damage to refineries. U.S. West Texas Intermediate (WTI) crude CLc1 futures fell 6 cents, or 0.1%, to \$42.98 a barrel as of 0202 GMT, adding to overnight losses. However WTI is on track to rise 1.5% rise this week, for a fourth straight week of gains. Brent crude LCOc1 futures for October, set to expire on Friday, fell 2 cents to \$45.07 a barrel, heading for a weekly gain of 1.6%.

Southern Iraqi exports up to Aug. 25 have dropped to 2.63 million barrels per day (bpd), according to the average of figures from Petro-Logistics, which tracks tanker shipments, and Refinitiv Eikon data.

Fixed Income

Yields on Japanese government bonds fell on Thursday as worries about renewed diplomatic tension between the United States and China boosted demand for safe assets. Yields also fell on expectations that U.S. Federal Reserve Chairman Jerome Powell will commit to keeping interest rates low in a speech later on Thursday. The 10-year JGB yield JP10YTN=JBTC fell 0.5 basis point to 0.035%. The 20-year JGB yield JP20YTN=JBTC fell 0.5 basis point to 0.410%.

Stock Market

On Wall Street, the Dow Jones Industrial Average .DJI rose 0.57%, the S&P 500 .SPX gained 0.17%, both setting new intraday highs. The Nasdaq Composite .IXIC dropped 0.34%. Tesla Inc TSLA.O shares continued their meteoric rise on Thursday, scoring yet another record high and further expanding the distance between the Silicon Valley electric carmaker and its traditional auto industry rivals. Tesla shares rose to \$2,290 in mid-day trading before leveling out at \$2,240, the highest price since the company went public at \$17 a share in 2010. Tesla's shares have risen more than 420% since the beginning of this year, turning some retail investors into millionaires. Tesla became the world's most valuable carmaker by market capitalization when it overtook former front runner Toyota Motors Corp 7203.T on July 1. The company now accounts for 41% of the total market cap of a group of 12 of the world's largest automakers.

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