

Tehran Stock Exchange Price Index (TEPIX) reached 80,219.0 points in 1394 year-end, indicating 28.3 percent increase compared with end-1393. TEPIX had experienced 20.9 percent reduction in 1393. TSE performance in terms of growth in indices was mainly affected by the JCPOA positive outcome, manifested through liquidity injection into the Iranian economy in the last three months of the year. The shares price to expected earnings ratio (P/E) reached 7.5 in 1394 year-end, indicating a rise of 37.2 percent compared with end-1393 P/E ratio.

All TSE price indices increased in 1394. Among all indices, the highest increases were related to the "second market" index by 33.2 percent, followed by "industrial" index with 30.6 percent.

The free float adjusted index, calculated with the aim of computing the effective weight of firms based on the percentage of free-floating shares, rose 28.2 percent from 72,209.8 points in 1393 year-end to 92,557.0 points at end-1394.

Reviewing the monthly movements of the TEPIX, financial index, and industrial index reveals that the highest return of these indices was related to month Bahman 1394, with growth rates of respectively 17.0, 16.9, and 17.0 percent compared with the month before.

The Securities and Exchange High Council and the Securities and Exchange Organization, along with its Board of Directors, formulated and approved a set of rules and guidelines in 1394 as follows:

- Executive Guideline on share and rights trading on the SMEs Market of the OTC;
- Guideline on dispute settlement mechanism in the Association of Justice (Edalat) Shares Investment Companies;
- Guideline on the issuance of mortgage asset-backed securities;
- Guideline on information dissemination standards regarding transactions completed on Iran Mercantile Exchange (public joint-stock) and Iran Energy Exchange (public joint-stock) and the relevant Amendment on Azar 10, 1394;
- Guideline on market placement of Islamic Treasury Bills as a new financial instrument of the OTC;
- Executive Guideline on purchase, custodianship, and market placement of Treasury bills;
- Regulations on licensing of brokerage firms as members of Securities and Exchange Brokers Association;
- Approval on introduction of "Mudarabah Papers" as a financial instrument.

Share and Rights Trading

In 1394, a total of 227.8 billion shares and rights, worth Rls. 473.6 trillion, were traded on the TSE, showing 37.9 percent increase in terms of volume and 12.7 percent decrease in terms of value compared with the previous year.

Of the total volume of shares and rights traded in this year, 68.7 percent were traded in the first market and 31.3 percent in the second market. Moreover, in terms of the value of trading, 64.8 percent of shares and rights were traded in the first market and 35.2 percent in the second market.

The TSE was active for 243 days during 1394. The average daily trading volume included 937.4 million shares in this year, indicating 36.8 percent increase compared with the daily trading volume of 1393. The

average daily trading value decreased by 13.4 percent compared with the year before to reach Rls. 1,949.1 billion in 1394.

Figure 16.1. TSE share trading

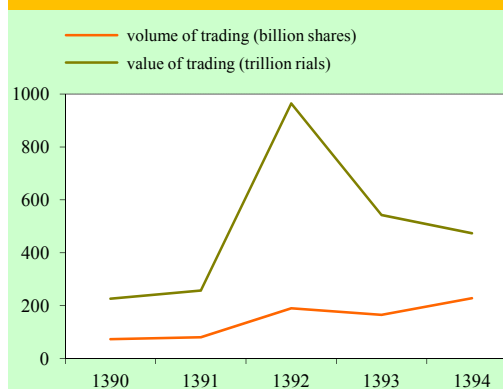


Table 16.1. TSE Activity Indicators

	Volume of trading (million shares)			Value of trading (billion rials)			Number of trading days of TSE	Average daily trading volume (million shares)	Average daily trading value (billion rials)
	Shares	Rights	Total	Shares	Rights	Total			
1393	152,836.2	12,348.2	165,184.4	528,406.0	14,116.1	542,522.1	241	685.4	2,251.1
1394	213,194.5	14,603.6	227,798.1	462,388.6	11,235.1	473,623.6	243	937.4	1,949.1

Source: Tehran Stock Exchange (TSE).

Table 16.2. Indices of Return on Investment in TSE

(1369=100)

	Year-end			Percentage change	
	1392	1393	1394	1393	1394
Tehran Stock Exchange Price Index (TEPIX)	79,015.4	62,531.8	80,219.0	-20.9	28.3
Free float adjusted index	90,978.0	72,209.8	92,557.0	-20.6	28.2
Financial index	157,627.9	135,088.8	158,225.0	-14.3	17.1
Industrial index	65,836.9	51,296.0	66,994.0	-22.1	30.6
First market index	58,606.8	45,317.5	57,004.0	-22.7	25.8
Second market index	152,441.6	127,840.6	170,269.0	-16.1	33.2
Top 50 performers index (weighted average)	3,335.8	2,576.3	3,254.0	-22.8	26.3

Source: TSE.

Data on shares and rights traded on the TSE by industries indicate that "banks and non-bank credit institutions", with a share of 26.9 percent of the total volume of traded shares, and "automobile and manufacture of spare parts", with 19.8 percent of the total value of traded shares, had the lion's share in total volume and value of shares and rights traded on the TSE.

In 1394, "publishing, printing, and reproduction of recorded media", "sugar and cube sugar", and "manufacture of radio, television, and communication equipment and apparatus" industries experienced the highest growth rates in terms of the volume of shares and rights traded on the TSE. Meanwhile, "manufacture of radio, television, and communication equipment and apparatus", "agriculture and related service activities", and "sugar and cube sugar" industries experienced the highest increase in the value of shares and rights traded compared with 1393.

"Paper products", "extraction of metallic ores", "cement, lime, and plaster", "wood products", and "telecommunication" industries experienced the highest decreases in terms of the volume of trading. The highest reduction in terms of the value was related to "chemical products", "extraction of metallic ores", "paper products", "wood products", and "multi-industry companies". Meanwhile, "banks and non-bank credit institutions",

"automobile and manufacture of spare parts", "manufacture of basic metals", and "investments" accounted for the largest volume of shares and rights traded.

The volume of trading was 13.8 million times in 1394, up by 8.0 percent compared with 1393. The corresponding growth figure in the year before was -25.4 percent.

At end-1394, market capitalization reached Rls. 3,461.0 trillion. This indicated 23.0 percent increase compared with the respective figure of 1393 year-end. Stock market capitalization to GDP ratio, which is an indicator of market depth, was 31.1 percent in 1394, showing 6.1 percentage points increase compared with the year before.

Figure 16.2. Comparison of growth rate of TEPIX with inflation

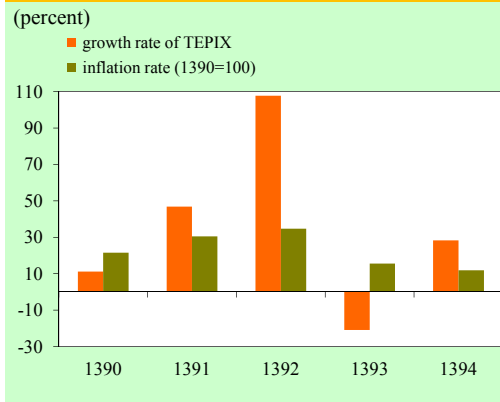


Table 16.3. Volume of Trading and Number of Buyers¹

	1393 ▲	1394	Percentage change
Volume of trading (million times)	12.8	13.8	8.0
Number of buyers (thousand persons)²	226.5	230.9	1.9
Average volume of buying per person (thousand shares)	729.2	986.7	35.3
Average value of buying per person (million rials)	2,395.0	2,051.5	-14.3

Source: TSE.

¹ Figures are based on total transaction of shares and participation papers.

² Due to the implementation of the new purchase registry system, the assumptions on the number of buyers were changed and hence the trends of variables are different.

In 1394 year-end, "chemical products", "banks and non-bank credit institutions", "telecommunication", "manufacture of basic metals", "multi-industry companies", and "automobile and manufacture of spare parts" had the highest shares in the market capitalization by 22.0, 12.1, 8.3, 7.7, 7.5, and 6.9 percent, respectively (a total of 64.5 percent). Turnover ratio decreased by 1.1 percentage points to 15.1 percent in 1394.

Tehran Stock Exchange Price Index (TEPIX)

At end-1394, Tehran Stock Exchange Price Index (TEPIX) reached 80,219.0 points, showing 28.3 percent increase compared with 1393 year-end. Furthermore, the P/E ratio equaled 7.5, indicating 37.2 percent increase compared with the preceding year.

Among TEPIX components, "financial index" rose by 17.1 percent compared with the previous year-end and reached 158,225.0 points. Moreover, "industrial index" increased by 30.6 percent from 51,296.0 points in 1393 year-end to 66,994.0 points at end-1394.

The first market index was 57,004.0 points at end-1394, up by 25.8 percent compared with 1393 year-end. The second market index reached 170,269.0 points at the

end of 1394, showing 33.2 percent increase compared with end-1393.

Of the total 37 industries traded on the TSE, price index of 29 industries increased while that of 7 industries decreased in 1394. "Instruments, medical, and optical tools", "automobile and manufacture of spare parts", "wood products", and "computer and related activities" accounted for the highest rises by 774.7, 115.3, 93.7, and 82.6 percent, respectively. The highest falls were related to "manufacture of rubber and plastic products", "extraction of coal", "tiles and ceramics", and "cement, lime, and plaster" by 21.7, 14.0, 4.1, and 3.8 percent, respectively.

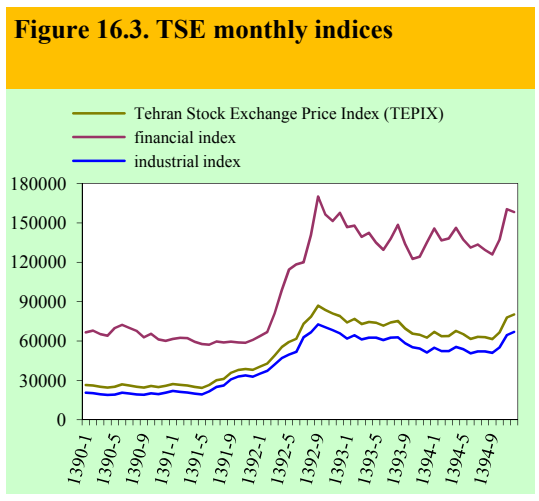


Table 16.4. Market Capitalization, Value of Trading, and Turnover Ratio¹ (trillion rials)

	Market capitalization (year-end)	Value of trading	Market capitalization (average)	Turnover ratio ² (percent)
1393	2,813.2	542.5	3,339.6	16.2
Percentage change compared with the year before	-27.2	-43.7	19.8	
1394	3,461.0	473.6	3,137.1	15.1
Percentage change compared with the year before	23.0	-12.7	-6.1	

Source: TSE.

¹ Excludes the unofficial board and participation papers.

² Calculated based on the ratio of the value of trading to the average market capitalization.

Listed Companies

The total number of companies listed on the boards reached 319 in 1394. The number of items and companies constituting financial index was 38; comprising "banks and non-bank credit institutions" (11), "investments" (16), "insurance and pension funding, except compulsory social security" (6), and "other financial intermediation" (5).

Capital Increase of TSE and OTC Listed Companies

In 1394, the capital increase of companies listed on the TSE and OTC market totaled Rls. 311.3 trillion, indicating 36.4 percent increase compared with the previous year. Claims and cash assets were the main source of financing the capital increase, constituting 62.7 percent of total. The corresponding figure of the previous year was 49.8 percent.

Iran Mercantile Exchange (IME)

In 1394, Iran Mercantile Exchange was active for 243 days. A total of 23.3 million tons of various kinds of goods were traded on "manufacturing and mining", "oil and petrochemical", and "agricultural" floors, down by 0.4 percent compared with the year before. The value of transactions on Iran Mercantile Exchange was Rls. 297.1 trillion in 1394, showing 25.9 percent decrease compared with the year before.

In this year, a total of 9.9 million tons of "manufacturing and mining products" worth Rls. 128.9 trillion were traded on Iran Mercantile Exchange, indicating respectively 15.8 and 34.4 percent fall in terms of volume and value of trading compared with 1393. The volume and value of "steel" in total transactions reached 6.7 million tons and Rls. 92.3 trillion, respectively. The volume

Table 16.5. Number of Companies Listed on TSE

	Year-end			Change	
	1392	1393	1394	1393	1394
Listed companies	328	323	320	-5	-3
Companies comprising financial index ¹	36	37	38	1	1
Other companies	292	286	282	-6	-4
Delisted companies	12	9	1	-3	-8
Companies listed on the boards²	316	314	319	-2	5

Source: TSE.

¹ Includes "banks and non-bank credit institutions", "investments", "other financial intermediation", and "insurance and pension funding, except compulsory social security".

² Of the total companies listed on the TSE board in 1394 year-end, 66 companies were on the main board, 61 companies on the second board of the primary market, and 193 companies were active in the second market.

Table 16.6. Capital Increase of TSE and OTC Listed Companies

(billion rials)

	Accumulated profit	Reserves	Claims and cash assets	Revaluation of fixed assets	Total capital increase	Change in capital increase (percent)
1393	36,682.3	58,903.2	113,713.7	18,875.0	228,174.2	116.6
1394	54,705.9	6,812.9	195,303.0	54,439.7	311,261.6	36.4

Source: Securities and Exchange Organization.

of trading of "copper" was 305.8 thousand tons and "aluminum", 148.9 thousand tons valued respectively at Rls. 23.2 trillion and Rls. 9.6 trillion. In 1394, a total of 764.1 thousand tons of agricultural products worth Rls. 9,400.6 billion were traded on the IME. Meanwhile, the weight and value of oil and petrochemical products traded on the IME were 12.6 million tons and Rls. 158.7 trillion, respectively.

Over-the-Counter (OTC) Market

In 1394, total trading in the OTC market amounted to Rls. 453.5 trillion in terms of value, showing 36.4 percent rise compared with the previous year. The total volume of OTC trading included 83.7 billion shares, up by 58.8 percent compared with the previous year.

In this year, 49.0 percent of OTC market transactions were related to the market for new financial instruments, 18.6 percent to the second market, 7.4 percent to the first market, and 5.3 percent to the third market in terms of value. The main OTC market, which started its operations in implementation of Article 99 of the 5th FYDP Law in 1390, had 19.7 percent share in the total

value and 32.9 percent share in the total volume of OTC market transactions. In 1394, the volume and value of share trading on the first market grew by 24.2 and 8.6 percent, respectively, compared with 1393.

The "participation papers market of OTC", launched on 11.07.1388, managed to diversify the debt instruments in 1389 and continued its activities in 1390 under the new title of "market for new financial instruments". In 1394, a total of 1.4 billion papers, valued at Rls. 222.3 trillion, were traded on the "market for new financial instruments".

Joint Investment Funds

The number of Joint Investment Funds increased from 136 in 1393 to 157 in 1394. The total capitalized value of these Funds increased by 793.2 percent from Rls. 70.1 trillion in 1393 year-end to Rls 626.4 trillion in 1394 year-end, mainly related to fixed-income funds. It is important to note that 79.0 percent of the assets of the mentioned funds were invested in Certificates of Deposit (CDs) and banking deposits. The total number of investors (natural and legal persons) increased from 169.1 thousand

Table 16.7. Total Value and Volume of OTC Transactions in 1394

	Value (trillion rials)	Share (percent)	Volume (billion shares)	Share (percent)
First market	33.6	7.4	11.9	14.3
Second market ¹	84.3	18.6	31.7	37.9
Third market ²	24.0	5.3	11.2	13.3
Market for new financial instruments	222.3	49.0	1.4	1.6
Main market	89.3	19.7	27.5	32.9
Total	453.5	100.0	83.7	100.0

Source: www.ifb.ir.

¹ The companies listed in the second market are those that do not have a large share offering capacity (on condition that their share offering is at least 5 percent).

² The third market is a market for companies which are not qualified for TSE and OTC. In this market, offering and listing of securities take place simultaneously.

persons in 1393 to 817.2 thousand in 1394. The trading value of Joint Investment Funds (buying and selling shares) decreased by 23.1 percent to Rls. 45.6 trillion in 1394. Return on investment in all Joint Investment Funds was higher than the provisional profit rate of participation papers. The profit rate of participation papers in 1394 was 20.8 percent¹.

Participation Papers

In 1394, a sum of Rls. 108.2 trillion worth of participation papers were issued under CBI's license, of which Rls. 49.6 trillion (45.9 percent) were sold, with Rls. 20.2 trillion of "issued papers" and Rls. 16.2 trillion of "sold papers" being related to the unsold papers of 1393.

Table 16.8. Joint Investment Funds

	1393	1394	Percentage change
Total number of Funds¹	136	157	15.4
Total capitalized value (billion rials)¹	70,131	626,387	793.2
Number of investors			
Natural persons	167,797	814,824	385.6
Legal persons	1,317	2,400	82.2
Total	169,114	817,224	383.2
Value of share trading (buying and selling shares) (billion rials)	59,293	45,591	-23.1

Source: Securities and Exchange Organization.

¹Year-end performance.

Table 16.9. Issuance of Participation Papers under CBI's License

	Number of projects	Times of issuance	Approved amount (trillion rials)	Issued amount (trillion rials)	Sold amount (trillion rials)	Provisional profit rate (percent per annum)	Participation papers by end-1394 (trillion rials)	
							After maturity date	Before maturity date
As of the date of issuance until end-1393	261	256	970.8	932.5	637.4	15.5-24	537.3	100.1
1394	17	17	108.2	108.2	49.6	18, 21	0.0	49.6
Total (as of 1373, date of issuance)	278	273	1,079.0	1,040.7	687.0	-	537.3	149.7

¹ In Esfand 1394, the provisional profit rate of participation papers decreased from 21 to 18 percent. The mentioned 20.8 percent rate is the weighted average of 18 and 21 percent.