

Affected by factors such as the possibility of the US withdrawal from the JCPOA, instabilities in the international commodity prices, and increase in the exchange rate, TEPIX (the Tehran Stock Exchange Price Index) underwent major fluctuations in 2017/18. This index ultimately recorded 24.7 percent growth to reach 96,289.9 points in March 2018. TEPIX had registered 3.7 percent decline in 2016/17.

The price-earnings ratio (P/E) reached 6.4 in March 2018, down by 0.4 points compared with March 2017. All TSE price indices increased in 2017/18, except for the financial index which posted 9.6 percent decline. The free float adjusted index, calculated with the aim of computing the effective weight of firms based on the percentage of free-floating shares, increased by 21.7 percent from 84,725.0 points in March 2017 to 103,136.0 points in March 2018.

Securities and Exchange High Council, Securities and Exchange Organization (SEO), and the SEO's Board of Directors formulated and approved a set of rules and guidelines in 2017/18 as follows:

- Guideline on the establishment and operation of capital market's services group;
- Guideline on price setting and the sales mechanism of commodity-backed securities in mutual funds;

- Regulations on market transactions and clearing arrangements of stocks by investment units affiliated to the mutual funds on Iran Mercantile Exchange.

Share and Rights Trading

A total of 250.6 billion shares and rights, valued at RIs. 539.1 trillion, were traded on the TSE in 2017/18, showing 0.8 percent decline in terms of volume and 0.2 percent growth in terms of value, compared with the previous year.

The TSE was active for 241 days in 2017/18. The average daily trading volume included 1,039.9 million shares, indicating 0.4 percent decline compared with 2016/17. Meanwhile, the average daily trading value increased by about 0.6 percent compared with 2016/17 to reach RIs. 2.2 trillion in 2017/18.

Data on shares and rights traded on the TSE by industries show that chemical products had the lion's share in the total volume and value of traded shares by respectively 18.0 and 15.7 percent.

In 2017/18, assistance to supporting financial intermediation; chemical products; and electricity, gas, steam and hot water supply industries experienced the highest growth rates in terms of the volume of shares and rights traded on the TSE by 3,868.6 percent, 228.4 percent, and 148.3 percent, respectively, compared with 2016/17.

Meanwhile, assistance to supporting financial intermediation; tiles and ceramics; and paper products experienced the highest rises in the value of traded shares by respectively 1,480.8 percent, 186.2 percent, and 145.0 percent. Medical, precision and optical instruments; radio, television, and communication

equipment and apparatus; extraction of crude petroleum, natural gas, and service activities, excluding surveying; textiles; and insurance and pension funding, except compulsory social security experienced the highest decreases in terms of the volume of trading in 2017/18 compared with the year before.

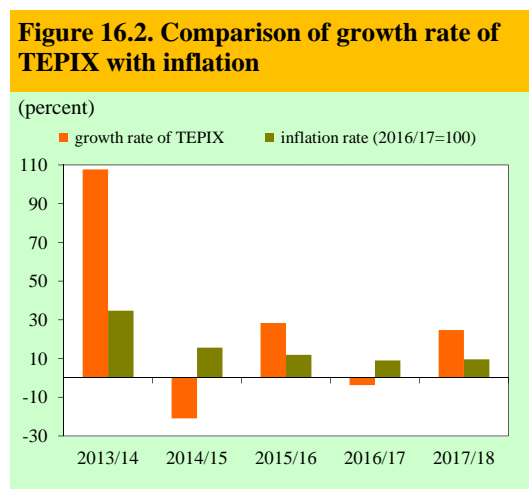
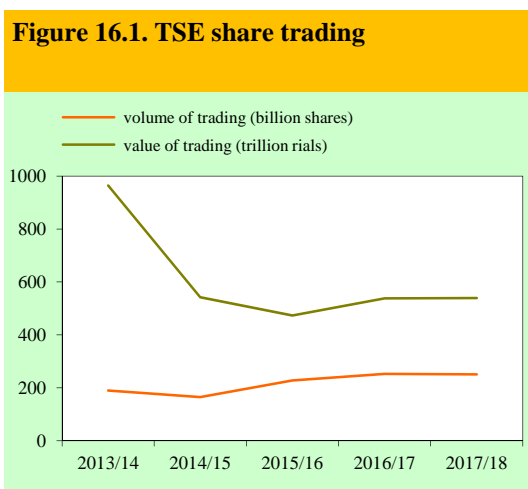


Table 16.1. TSE Activity Indicators¹

	Volume of trading (billion shares)			Value of trading (trillion rials)			Number of trading days of TSE	Average daily trading volume (million shares)	Average daily trading value (trillion rials)
	Shares	Rights	Total	Shares	Rights	Total			
2016/17	226.6	26.0	252.6	529.2	8.8	537.9	242	1,043.9	2.2
2017/18	236.0	14.6	250.6	532.3	6.8	539.1	241	1,039.9	2.2

Source: Tehran Stock Exchange (TSE).

¹The volume and value of trading include the unofficial board.

Table 16.2. Indices of Return on Investment in TSE

(base year: 1990/91)

	Year-end			Percentage change	
	2015/16	2016/17	2017/18	2016/17	2017/18
Tehran Stock Exchange Price Index (TEPIX)	80,219.0	77,230.0	96,289.9	-3.7	24.7
Free float adjusted index	92,557.0	84,725.0	103,136.0	-8.5	21.7
Financial index	158,225.0	131,866.0	119,175.0	-16.7	-9.6
Industrial index	66,994.0	66,100.0	86,081.7	-1.3	30.2
First market index	57,004.0	54,460.0	68,124.2	-4.5	25.1
Second market index	170,269.0	166,371.0	206,486.0	-2.3	24.1
Top 50 performers index (weighted average)	3,254.0	3,035.0	4,036.3	-6.7	33.0

Source: TSE.

The highest reductions in the value of trading were related to medical, precision and optical instruments; radio, television, and communication equipment and apparatus; extraction of crude petroleum, natural gas, and service activities, excluding surveying; fabricated metal products; and textiles industries. Chemical products; automobile and manufacture of spare parts; base metals; and extraction of metallic ores industries accounted for the largest number of shares and rights traded in 2017/18.

The volume of trading of securities was 15.4 million times in 2017/18, down by 1.0 percent compared with 2016/17. This variable had increased by 12.5 percent in 2016/17. In March 2018, market capitalization reached Rls. 3,824.2 trillion, indicating 18.8 percent increase compared with the respective figure in March 2017. Stock market capitalization to GDP ratio, as an indicator of market depth, increased by 0.5 percentage point to 25.8 percent in 2017/18.

In March 2018, chemical products; base metals; coke, refined petroleum products, and nuclear fuel; telecommunication; banks and non-bank credit institutions; extraction of metallic ores; and multi-industry companies had the highest shares in market capitalization by 22.0, 14.2, 8.6, 8.0, 6.9, 6.8, and 6.2 percent, respectively (a total of 72.7 percent). Turnover ratio decreased by 0.8 percentage point compared with 2016/17 to reach 15.3 percent.

Tehran Stock Exchange Price Indices

TEPIX reached 96,289.9 points in March 2018, showing 24.7 percent increase compared with March 2017. Furthermore, the P/E ratio equaled 6.4, indicating 0.4 points decline compared with the preceding year. Among TEPIX components, "financial index" fell by 9.6 percent compared with the previous year-end to reach 119,175.0 points. Moreover, "industrial index" increased by 30.2 percent from 66,100.0 points in March 2017 to 86,081.7 points in March 2018.

Table 16.3. Volume of Trading and Number of Buyers¹

	2016/17	2017/18	Percentage change
Volume of trading (million times)	15.5	15.4	-1.0
Number of buyers (thousand persons)	288.6	362.6	25.6
Average volume of buying per person (thousand shares)	875.4	691.2	-21.0
Average value of buying per person (million rials)	1,864.1	1,486.9	-20.2

Source: TSE.

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

Table 16.4. Market Capitalization, Value of Trading, Turnover Ratio, and Stock Market Depth¹

	Market capitalization (year-end)	Value of trading	Market capitalization (average)	Turnover ratio ^{2,3} (percent)	Market depth (year-end market capitalization to nominal GDP ratio) (percent) ³
2016/17	3,220.0	537.9	3,340.5	16.1	25.3
Percentage change compared with the year before	-7.0	13.6	6.5	1.0	-5.8
2017/18	3,824.2	539.1	3,522.1	15.3	25.8
Percentage change compared with the year before	18.8	0.2	5.4	-0.8	0.5

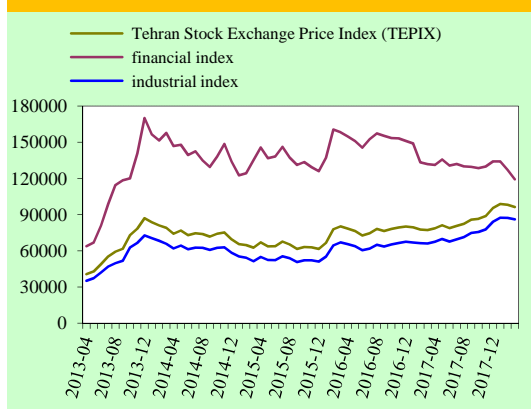
Source: TSE.

¹Excludes the unofficial board and participation papers.

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

³Percentage change is in percentage points.

Figure 16.3. TSE monthly indices



The first market index was 68,124.2 points in March 2018, up by 25.1 percent compared with the previous year-end. The second market index reached 206,486.0 points at year-end, showing 24.1 percent increase compared with March 2017.

Of total 39 industries¹ traded on the TSE in 2017/18, price indices of 15 industries increased, those of 22 industries decreased, and the price index of medical, precision and optical instruments remained unchanged.

Price indices of base metals; coke, refined petroleum products, and nuclear fuel; sugar and cube sugar; and publishing, printing, and reproduction of recorded media experienced the highest rises by respectively 72.3, 70.3, 68.3, and 50.6 percent, compared with the year before.

The highest falls were related to the price indices of extraction of crude petroleum, natural gas, and service activities, excluding surveying; extraction of other minerals; fabricated metal products; and agriculture and animal husbandry service activities indices by 48.9, 38.8, 33.2, and 22.8 percent, respectively.

Listed Companies

The total number of companies listed on the TSE boards reached 323 in 2017/18. Forty companies constituted the financial index in this year, including 11 banks and non-bank credit institutions, 16 investment companies, 6 companies active in insurance and pension funding, except compulsory social security, 6 in other financial intermediation, and one in financial and monetary intermediation.

Table 16.5. Number of Companies Listed on the TSE

	Year-end			Change	
	2015/16	2016/17	2017/18	2016/17	2017/18
Listed companies	320	327	326	7.0	-1.0
Companies comprising financial index ¹	38	40	40	2.0	0.0
Other companies	282	287	286	5.0	-1.0
Delisted companies	1	2	3	1.0	1.0
Companies listed on boards²	319	325	323	6.0	-2.0

Source: TSE.

¹ Includes banks and non-bank credit institutions; investment companies; other financial intermediation; insurance and pension funding, except compulsory social security; and financial and monetary intermediation.

² Of total companies listed on the TSE boards by year-end, 67 companies were on the main board, 60 companies on the second board of the first market, and 199 companies were active in the second market.

¹ Excluding "communication" industry, which was added to the list of industries traded on the TSE in 2017/18.

Capital Increase of TSE and OTC Listed Companies

In 2017/18, the total capital increase of companies listed on the TSE and OTC market came to Rls. 75.4 trillion, indicating 74.6 percent decrease compared with the previous year. All sources of capital increase in this year declined sharply compared with the year before. The revaluation of fixed assets with the performance of zero billion rials had the greatest contribution to the companies' capital deceleration in 2017/18.

Iran Mercantile Exchange (IME)

Iran Mercantile Exchange was active for 241 days in 2017/18. A total of 26.5 million tons of manufacturing and mining, oil and petrochemical, and agricultural products were traded on the IME, indicating 4.4 percent increase compared with 2016/17. The value of transactions on the IME came to Rls. 494.4 trillion, up by 33.8 percent compared with the year before.

In this year, a total of 8.8 million tons of "manufacturing and mining products" worth Rls. 205.0 trillion were traded on Iran Mercantile Exchange, indicating 6.7 percent fall in terms of the volume and 30.7 percent rise in terms of the value of trading compared with 2016/17. The volume and value of "steel" in total transactions reached 6.9 million tons and Rls. 156.4 trillion, respectively. The volume of trading of "iron ore" was 1.4 million tons and "copper", 0.3 million tons, valued respectively at Rls. 1.4 trillion and Rls. 33.2 trillion.

In 2017/18, a total of 3.0 million tons of agricultural products worth Rls. 33.1 trillion were traded on the IME. The volume of wheat, barley, and sugar traded on the agricultural commodity stock exchange totaled 2.0, 0.4, and 0.3 million tons, worth Rls. 17.6, 3.4, and 7.4 trillion, respectively. Meanwhile, the weight and value of a total of 10 oil and petrochemical products traded on the IME were 14.8 million tons and Rls. 256.3 trillion, respectively.

Over-the-Counter (OTC) Market

In 2017/18, total trading on the OTC market amounted to Rls. 595.4 trillion in terms of value, showing 29.1 percent rise compared with the previous year. The total volume of OTC trading included 90.2 billion shares, up by about 12.1 percent compared with the previous year. In this year, 68.9 percent of the value of OTC market transactions was related to the market for new financial instruments, and 15.4 percent to the second, 3.7 percent to the first, and 2.1 percent to the third market.

The main OTC market, starting its operations in implementation of Article 99 of the 5th FYDP Law in 2011, had 9.9 percent share in the total value and 43.3 percent share in the total volume of OTC market transactions. The volume and value of share trading on the first market fell by respectively 25.5 and 33.2 percent compared with 2016/17.

Table 16.6. Capital Increase of the 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)
2016/17	32,718.4	29,542.5	181,438.4	53,082.9	296,782.2	22.6
2017/18	12,277.0	5,673.2	57,486.0	0.0	75,436.2	-74.6

Source: Securities and Exchange Organization.

Chapter 16 CAPITAL MARKET

Participation papers market of the OTC, launched in October 2009, managed to diversify the debt instruments in 2010 and continued its activities in 2011 under the new title of "market for new financial instruments". In total, 2.7 billion participation papers, with a value of Rls. 410.2 trillion, were traded on this market in 2017/18.

Joint Investment Funds

The number of Joint Investment Funds increased from 195 in 2016/17 to 200 in 2017/18. The total capitalized value of Joint

Investment Funds increased by 12.1 percent from Rls. 1,316.2 trillion in March 2017 to Rls. 1,475.1 trillion in March 2018, mainly attributable to the rise in the value of fixed-income funds.

The total number of investors (natural and legal persons) increased from 1,869.4 thousand persons in 2016/17 to 2,226.6 thousand persons in 2017/18. The trading value of Joint Investment Funds (buying and selling shares) amounted to Rls. 112.5 trillion in 2017/18, indicating 35.1 percent increase compared with the year before.

Table 16.7. Total Value and Volume of OTC Transactions in 2017/18

	Value (trillion rials)	Share (percent)	Volume (billion shares)	Share (percent)
First market	22.1	3.7	11.0	12.2
Second market	91.9	15.4	34.2	37.9
Third market	12.4	2.1	3.2	3.5
Market for new financial instruments	410.2	68.9	2.7	3.0
Main market	58.7	9.9	39.0	43.3
SMEs	0.2	*	–	*
Derivatives market	–	*	0.1	0.1
Total	595.4	100.0	90.2	100.0

Source: www.ifb.ir.

Table 16.8. Joint Investment Funds

	2016/17	2017/18	Percentage change
Total number of Funds¹	195	200	2.6
Total capitalized value (trillion rials)¹	1,316.2	1,475.1	12.1
Number of investors (thousand persons)			
Natural persons	1,865.1	2,221.7	19.1
Legal persons	4.3	4.9	15.2
Total	1,869.4	2,226.6	19.1
Value of share trading (buying and selling shares) (trillion rials)	83.3	112.5	35.1

Source: Securities and Exchange Organization.

¹ Year-end performance.

Participation Papers

In 2017/18, a sum of Rls. 101.5 trillion worth of participation papers was issued under the CBI's license, Rls. 51.3 trillion of which (50.5 percent) was sold. All sold participation papers in this year were related to the budget laws of 2016 and 2017.

According to the Budget Law for 2017/18, the municipalities of large cities were made authorized to issue participation papers, either independently or in coordination with other municipalities, upon receiving a license from the CBI and the approval of the Ministry of Interior, up to Rls. 50 trillion. Accordingly, Rls. 25 trillion worth of participation papers was issued by municipalities in 2017/18, of

which Rls. 3.7 billion was sold. Meanwhile, municipalities were given the license for the resale of Rls. 6.5 trillion of participation papers unsold in 2016 and 2017. The share of municipalities in total issued participation papers in 2017/18 was 31.0 and in total sold papers, 12.6 percent.

For the financing of the government's projects, the Ministry of Economic Affairs and Finance was made authorized to issue participation papers out of the Budget Laws for 2016-2018. On this basis, Rls. 70 trillion worth of participation papers was issued in 2017/18, of which Rls. 44.8 trillion (64.0 percent) was sold.

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

	Number of projects	Times of issuance	Sold amount (trillion rials)	Participation papers by March 2018 (trillion rials)	
				After maturity date	Before maturity date
As of the date of issuance until March 2017	291	286	738.6	645.0	93.6
2017/18	6	6	51.3	0.0	51.3
Total (as of 1994, date of issuance)	297	292	789.9	645.0	144.9