

Despite the US unilateral withdrawal from the JCPOA, the Tehran Stock Exchange Price Index (TEPIX) recorded 85.5 percent increase in 2018/19, reaching 178,659 points. This growth was mainly rooted in the depreciation of the local currency and the rise in the international commodity prices, especially the price of crude oil. The growth rate of the TEPIX in the year before was 24.7 percent.

The price-earnings (P/E) ratio reached 6.9 in March 2019, up by 0.5 point compared with March 2018. All TSE price indices increased in 2018/19. The adjusted share price index of companies' free floating shares, calculated with the aim of computing the effective weight of firms, rose by 94.0 percent from 103,136 points in March 2018 to 200,125 points in March 2019.

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 2018/19 as follows:

- Revision of the guideline on the establishment and operations of credit rating agencies;
- Declaration of the guideline on crowd-funding;

- Declaration of the sample Articles of Association of the "Fund of Funds";

- Declaration of the guideline on the establishment of Venture Capital Funds and private funds as well as the sample Articles of Association of private investment funds;

- Conducting of transactions of futures contracts by investment funds;

- Establishment of the Comprehensive Customer Information System at Iran's Central Depository Company aimed at the authentication of natural investors;

- Revision of the sample Articles of Association of holding companies in the form of joint-stock companies based on the sample approved by the Securities and Exchange Organization for public joint-stock legal entities;

- Inclusion of investment funds' capital investments in fixed-income securities in data related to shares and rights transactions;

- Declaration of the Approval by the Board of Directors of the Securities and Exchange Organization on investment by funds in put options aimed at corporate financing and decision-making regarding the capital increase of financial institutions with the ownership of banks or banks' affiliated persons.

Share and Rights Trading

A total of 510.8 billion shares and rights, worth Rls. 1,407.4 trillion, were traded on the TSE in 2018/19, up by 103.8 percent and 161.1 percent, respectively. The TSE was active for 241 days, with the average daily trading volume at 2,119.3 million shares and the value at Rls. 5.8 trillion, up by 103.8 percent and 161.1 percent, respectively. "Banks and credit institutions, financial and monetary intermediaries" industry had the lion's share in the total number of traded

shares by 21.9 percent. "Chemical products" had an 18.2 percent share in the total value of traded shares in 2018/19. "Radio, television, and communication equipment and apparatus" and "wood products" industries experienced the highest increases in terms of the number of the shares traded on the TSE. "Radio, television, and communication equipment and apparatus" and "agriculture and related service activities" enjoyed the highest increases in terms of the value.

Figure 16.1. Shares traded on TSE

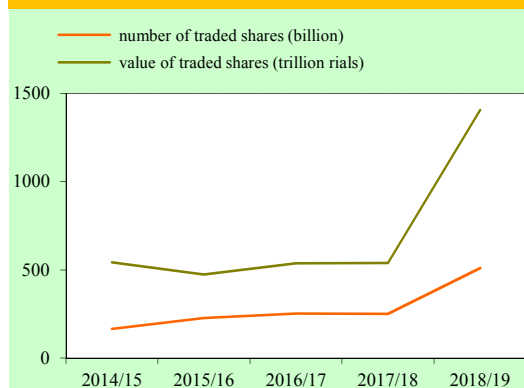


Figure 16.2. Comparison of growth rate of TEPIX with inflation

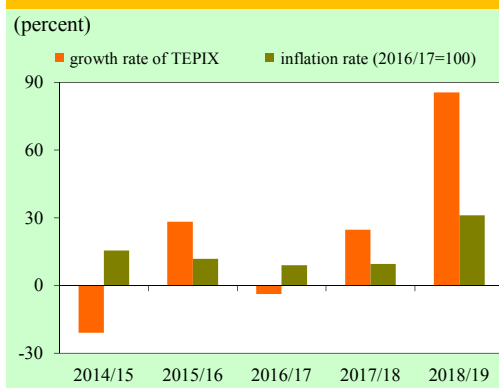


Table 16.1. TSE Activity Indicators

	Number (billion shares)			Value (trillion rials)			Number of trading days on TSE	Average daily trading volume (million shares)	Average daily trading value (trillion rials)
	Shares	Rights	Total	Shares	Rights	Total			
2017/18	236.0	14.6	250.6	532.3	6.8	539.1	241	1,039.9	2.2
2018/19	492.4	18.3	510.8	1,397.2	10.2	1,407.4	241	2,119.3	5.8

Source: Securities and Exchange Organization (SEO); Tehran Stock Exchange (TSE).

Table 16.2. Indices of Return on Investment on TSE

(base year: 1990/91)

	Year-end			Percentage change	
	2016/17	2017/18	2018/19	2017/18	2018/19
Tehran Stock Exchange Price Index (TEPIX)	77,230.0	96,289.9	178,659.0	24.7	85.5
Free float-adjusted index	84,725.0	103,136.0	200,125.0	21.7	94.0
Financial index	131,866.0	119,175.0	205,266.0	-9.6	72.2
Industrial index	66,100.0	86,081.7	161,030.9	30.2	87.1
First market index	54,460.0	68,124.2	133,867.0	25.1	96.5
Second market index	166,371.0	206,486.0	345,162.0	24.1	67.2
Top 50 performers index (weighted average)	3,035.0	4,036.3	7,668.3	33.0	90.0

Source: TSE.

In March 2019, market capitalization reached Rls. 6,828.8 trillion, indicating 78.6 percent increase compared with the respective figure in March 2018. The stock market capitalization to GDP ratio, as an indicator of market depth, increased by 10.9 percentage points compared with the year before to reach to 36.7 percent.

Chemical products; base metals; extraction of metallic ores; coke, refined petroleum products, and nuclear fuel; banks and credit institutions, financial and monetary intermediaries; multi-industry companies; and telecommunication had the highest shares in market capitalization by 23.5, 16.6, 10.0, 9.8, 7.1, 5.6 and 4.6 percent, respectively (a total of 77.2 percent). The turnover

ratio increased by 11.1 percentage points compared with 2017/18 to reach 26.4 percent in 2018/19.

Tehran Stock Exchange Price Indices

TEPIX reached 178,659 points in March 2019, showing 85.5 percent increase compared with March 2018. The P/E ratio increased by 0.5 point to 6.9 in 2018/19.

Among the TEPIX components, "financial index" increased by 72.2 percent compared with the previous year-end to reach 205,266 points. Moreover, "industrial index" increased by 87.1 percent from 86,081.7 points in March 2018 to 161,030.9 points in March 2019.

Table 16.3. Volume of Trading and Number of Buyers¹

	2017/18	2018/19	Percentage change
Volume of trading (million times)	15.4	33.3	116.6
Number of buyers (thousand persons)	362.6	667.5	84.1
Average number of shares bought by each person (thousand)	691.2	765.2	10.7
Average value of shares bought by each person (million rials)	1,486.9	2,108.4	41.8

Source: TSE, SEO.

¹ Includes the sum-total of transacted shares and participation papers.

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

(trillion rials)

	Market capitalization (year-end)	Value of trading	Market capitalization (average)	Turnover ratio ² (percent)	Market depth (year-end market capitalization to nominal GDP ratio) (percent)
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	–	0.5 ³
2018/19	6,828.8	1,407.4	5,326.5	26.4	36.7
Percentage change compared with the year before	78.6	161.1	51.2	–	10.9 ³

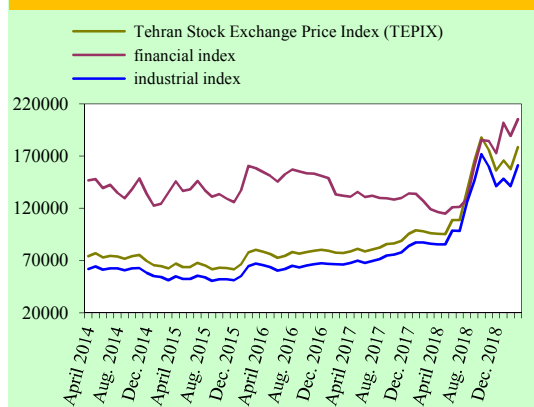
Source: TSE, SEO.

¹ Excludes participation papers.

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

³ In percentage points.

Figure 16.3. TSE monthly indices



The first market index was 133,867 points in March 2019, up by 96.5 percent compared with the previous year-end. The second market index reached 345,162 points at year-end, showing 67.2 percent increase compared with March 2018. Of total 41 industries¹ traded on the TSE in 2018/19, price indices of 37 industries increased, that of one industry decreased, and the price

index of "medical, precision and optical instruments" industry remained unchanged.

The price indices of agriculture and related service activities; extraction of other minerals; wood products; and extraction of metallic ores experienced the highest rises by respectively 183.2, 178.5, 178.5 and 178.1 percent, compared with the year before. "Communication" was the only industry whose price index experienced a decline by 10.5 percent compared with 2017/18.

Listed Companies

The total number of companies listed on the TSE boards reached 327 in 2018/19. Forty-three entities constituted the financial index in this year, including 11 banks and non-bank credit institutions, 15 investment companies, 6 companies active in insurance and pension funding, except compulsory social security, 6 entities in other financial intermediation, and 5 entities in financial and monetary intermediation.

Table 16.5. Number of Companies Listed on the TSE

	Year-end			Change	
	2016/17	2017/18	2018/19	2017/18	2018/19
Listed companies	327	326	327	-1.0	1.0
Entities comprising financial index ¹	40	40	43	0.0	3.0
Other companies	287	286	284	-1.0	-2.0
Delisted companies	2	3	0	1.0	-3.0
Companies listed on boards²	325	323	327	-2.0	4.0

Source: TSE.

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

² Of total companies listed on the TSE boards by year-end, 71 companies were on the main board, 67 companies on the second board of the first market, and 189 companies were active in the second market.

¹ "Retail sales, excluding motor vehicles" and "industrial contracting" industries were added to the list of industries traded on the TSE in 2018/19.

Licenses Issued for Capital Increase of TSE and OTC Listed Companies

In 2018/19, the total capital increase of companies listed on the TSE and OTC market came to Rls. 627.6 trillion, indicating 261.3 percent increase compared with the year before. All sources of capital increase in this year rose except for "claims and cash assets". "Accumulated profit" accounted for the highest percentage of increase in 2018/19.

Iran Mercantile Exchange (IME)

Iran Mercantile Exchange was active for 241 days in 2018/19. A total of 24.8 million tons of manufacturing and mining, oil and petrochemical, and agricultural products were traded on the IME, indicating 6.5 percent decrease compared with 2017/18. The value of transactions on the IME came to Rls. 880.9 trillion, up by 78.2 percent compared with the year before. In this year, a total of 7.8 million tons of "manufacturing and mining products" worth Rls. 328.1 trillion were traded on Iran Mercantile Exchange, indicating 11.3 percent fall in terms of the weight and 60.1 percent rise in terms of the value of trading compared with the year before. The weight and value of "steel" in total transactions reached 6.5 million tons and Rls. 219.8 trillion, respectively. The weight of traded "iron ore" was 0.7 million tons and that of "copper" was 0.2 million tons in 2018/19, valued at respectively Rls. 2.2 trillion and Rls. 71.7 trillion.

In 2018/19, a total of 1.9 million tons of agricultural products, including wheat, rice, barley, corn, sugar, oilseeds, dates, saffron, vegetable oil, and poultry, worth Rls. 26.5 trillion, were traded on the IME. Meanwhile, 1.7 million tons of wheat worth Rls. 15.5 trillion, was traded on the IME in the mentioned year. The weight and value of a total of 10 oil and petrochemical products traded on the IME were 15.1 million tons and Rls. 526.3 trillion, respectively.

Over-the-Counter (OTC) Market

In 2018/19, total trading on the OTC market amounted to Rls. 1,017.1 trillion in terms of the value, showing 70.8 percent rise compared with the previous year. The total number of shares traded on the OTC came to 170.2 billion, up by about 88.8 percent compared with the previous year. In this year, 54.9 percent of the value of OTC market transactions was related to the market for new financial instruments, and 22.4 percent to the second, 5.8 percent to the first, and 0.1 percent to the third market and the SMEs. The main OTC market, starting its operations in implementation of Article 99 of the 5th FYDP Law in 2011, had a 16.8 percent share in the total value of transactions and 45.8 percent share in the total number of shares. The number and value of shares traded on the first market rose by about 75.2 and 168.2 percent, respectively.

Table 16.6. Licenses Issued for Capital Increase of the TSE and OTC Listed Companies
(billion rials)

	Sources of capital increase				Total capital increase	Change in capital increase (percent)
	Accumulated profit	Reserves	Claims and cash assets	Revaluation of fixed assets		
2017/18	29,506.0	763.1	143,435.7	0.0	173,704.7	-44.2
2018/19	160,289.0	3,848.6	90,546.6	372,911.3	627,595.5	261.3

Source: SEO.

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, 4.5 billion participation papers, with a value of Rls. 558.2 trillion, were traded on this market in 2018/19.

Joint Investment Funds

The number of Joint Investment Funds remained unchanged at 200 in 2018/19. The total capitalized value of Joint Investment

Funds rose by 5.5 percent from Rls. 1,475.1 trillion in March 2018 to Rls. 1,555.7 trillion in March 2019, mainly attributable to the rise in the value of fixed-income funds.

The total number of investors in Joint Investment Funds (natural and legal persons) decreased by 3.8 percent, from 2,226.6 thousand persons in the year before to 2,141.7 thousand in 2018/19. The trading value (the buying and selling of shares) amounted to Rls. 247.8 trillion in 2018/19, indicating 120.3 percent increase compared with the year before.

Table 16.7. Total Value and Number of Shares Traded on OTC Market in 2018/19

	Value (trillion rials)	Share (percent)	Number (billion shares)	Share (percent)
First market	59.3	5.8	19.3	11.4
Second market	228.3	22.4	68.3	40.1
Third market	0.4	*	–	*
Market for new financial instruments	558.2	54.9	4.5	2.6
Main market	170.4	16.8	78.0	45.8
SMEs	0.5	*	0.1	*
Total	1,017.1	100.0	170.2	100.0

Source: www.ifb.ir.

Table 16.8. Joint Investment Funds

	2017/18	2018/19	Percentage change
Total number of Joint Investment Funds¹	200	200	0.0
Total capitalized value (trillion rials)¹	1,475.1	1,555.7	5.5
Number of investors (thousand persons)			
Natural persons	2,221.7	2,136.3	-3.8
Legal persons	4.9	5.4	11.4
Total (thousand persons)	2,226.6	2,141.7	-3.8
Value of share trading (the buying and selling of shares) (trillion rials)	112.5	247.8	120.3

Source: SEO.

¹ Year-end performance.

Participation Papers

In 2018/19, a sum of Rls. 85.5 trillion worth of participation papers was issued under the CBI's license, Rls. 39.9 trillion of which (46.7 percent) was sold. According to Paragraph (D), Note 5 to the Budget Law for 2018/19, the municipalities of large cities were authorized to issue participation papers up to Rls. 55 trillion, either independently or in coordination with other municipalities, upon receiving a license from the CBI and the approval of the Ministry of Interior. Accordingly, Rls. 43.5 trillion worth of

participation papers was issued by municipalities in 2019, of which Rls. 49.4 billion was sold. Municipalities were given the license for the resale of Rls. 22.0 trillion of participation papers unsold in 2018. The share of municipalities in total issued participation papers was 76.6 percent and in total sold papers, about 55.2 percent. For the financing of relevant projects, Rls. 17.9 trillion worth of participation papers was put to sale by the government in 2018/19, based on the 2017/18 Budget Law.

Table 16.9. Issuance of Participation Papers under the 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 annually)	Participation papers by March 2019 (trillion rials)	
							After maturity date	Before maturity date
As of the date of issuance until March 2018	297	292	1,326.1	1,287.8	829.8	15-24	647.2	179.5
Participation papers issued by municipalities in 2019	9	9	43.5	43.5	—	18	0.0	—
Total (as of 1994, date of issuance)	306	301	1,369.6	1,331.3	829.8	—	647.2	179.6