

NEWS ROUND UP

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Sri Lanka's JKH net up 7-pct in Dec quarter

Sri Lanka's John Keells Holdings, which has operations in logistics, leisure, consumer goods and financial services said profits grew 7 percent from a year earlier in the December 2018 quarter to 4.8 billion rupees, helped by container operations and a forex gain.

The group reported earnings of 3.46 rupees per share. For the nine months to December JKH reported earnings of 8.71 rupees per share, on total profits of 12.0 billion rupees which were up 9 percent.

Revenues grew 17 percent to 36.5 billion rupees, cost of sales grew at a faster 20 percent to 29.1 billion rupees and gross profits grew 7 percent to 7.37 billion rupees.

Finance income grew 48 percent to 3.8 billion rupees, helped by gains in foreign currency cash holdings.

On December 25, the firm had paid out 11.1 billion rupees to shareholders in a share buyback.

Pre-tax profits at its transportation group had risen 16 percent to 1.1 billion rupees with its container terminal in Colombo port growing volumes 8 percent. SAGT had handled an all time high of 2 million containers in 2018, out of a total of 7 million at the port.

Though Lanka Marine Services, JKH's ship bunkering unit had seen volumes grow 7 percent, profits had been hit by a sharp fall in oil prices. (EconomyNext)

Sri Lanka's Asian Hotels and Properties December quarter net down 20-pct

Sri Lanka's Asian Hotels and Properties, the city hotel and property development arm of John Keells Holdings, said net profits fell 20 percent to 245 million rupees in the December 2018 quarter from a year ago.

Quarterly sales fell six percent to 2.1 billion rupees over the same period, interim accounts filed with the stock exchange showed.

The firm, which operates Cinnamon Grand Colombo and Cinnamon Lakeside Colombo and Crescat Boulevard shopping mall, reported earnings per share of 55 cents.

In the nine months to December 2018, EPS was 1.19 rupees with net profit down 47 percent to 525 million rupees and sales down 11 percent to 5.7 billion rupees.

Shares of the firm, which has been facing competition from new city hotels recently, last traded at 41 rupees.

The accounts showed profits were lower from both its hotels and property businesses in the December 2018 quarter and first nine months of the financial year. (EconomyNext)

Sri Lanka poultry groups warns of weakening demand, Fall Armyworm

Sri Lanka's Ceylon Grain Elevators Plc, a feed milling and poultry group warned that demand for meat was weakening amid a currency fall and an infestation of the Fall Armyworm was pushing up domestic prices of maize, which has import controls.

The group reported profits of 218 million rupees for the December quarter, up 13.8 percent from a year earlier.

"The Group has been able to improve profitability despite the adverse effect of upward revision in fuel prices, the continuous depreciation of LKR against USD, inclement weather conditions and the glut in the market for chicken that hindered the last quarter performance, with prudent management and cost control," Chief Executive Officer Cheng Chih Kwong, Primus told shareholders.

In the past so-called 'gluts' in chicken meat have come after steep currency depreciations which makes it difficult for the less affluent to continue to buy meat and they move down to cheaper foods.

Starting from the live bird market, the demand fall then spreads to the day-old-chick sector, leading culling.

Three Acre Farms, a publicly traded unit of Ceylon Grain Elevators said the day old chick market was undisturbed in the December quarter.

"The Group revenue has increased due to the improved demand for Broiler Day Old Chicks (DOCs) during the year," TAFL said.

"Stable demand for Layer DOCs in the last quarter of the year after recovering from the volatile table egg market further strengthened the performance of the Group."

Analysts had warned that the central bank's habit of printing money to cut rates as soon as the economy recovers from the previous balance of payments crisis, would lead to monetary instability. (Sri Lanka is recovering, Central Bank threat looms: Bellwether).

Sri Lanka's rupee fell from 153 to 180 by the end of 2018 as the central bank pumped liquidity into money markets and undermined the credibility of a peg, which has multiple convertibility undertakings.

Poultry farmers and feedmillers not only have to deal with natural disasters but also state import licensing on grain, which are imposed to protect farmers.

In the current Maha season, an infestation of Fall Armyworm had hit maize farms.

"The recent spread of invasive 'Sena' caterpillar (Fall Armyworm) in many Maize farmlands of the country has caused a shortfall in the domestic Maize production for the upcoming Maha season will affect the prices adversely," Primus said.

"This may in turn affect the overall poultry industry performance."

Authorities have said they may relax maize imports following more study of the crop damage. Up to 40 percent of the cultivated area had been hit to various degrees by January, Agriculture Minister P Harrison told parliament. (EconomyNext)

Sri Lanka soft drink maker sees volumes plunge 23-pct

Sri Lanka's John Keells Holdings group, which makes Elephant House branded soft drinks said sales of soft drinks plunge 23 percent in the December 2018 quarter from a year earlier, following a sugar tax.

"The decline in beverage volumes is due to the implementation of the sugar tax on CSD (carbonated soft drinks) which resulted in substantial price increases across the industry," the firm told shareholders in a quarterly report.

"However, it is encouraging that the growth in monthly volumes within the quarter However, it is encouraging that the growth in monthly volumes within the quarter has been on an upward trend."

Sugar taxes are a new European interventionist fad which gives unlimited potential room for the ruling class backed by a standing army and police to impose their vicarious desires on an unarmed citizenry, as obesity rose especially among rich kids, who are not getting enough exercise.

It is not clear whether the volume decline in Sri Lanka came from declining consumption by rich kids or thin kids of poor parents. Research in Mexico has suggested it works mostly on the poor.

In general taxes on foods hurt poorer segments of the population most.

The tax has also made products made from unnatural sweeteners cheaper pushing poor consumers in particular into chemical sweeteners with no calorific value.

In South Asia people have traditionally consumed high volume of carbohydrates such as rice in place of proteins.

In Sri Lanka protein prices are also kept up artificially high levels to give profits to maize farmers and an oligopoly of collectors with political connections, keeping poultry prices high. (EconomyNext)

Wall Street clocks biggest January gain in 30-years but worries over European stocks

Wall Street stocks finished a banner month on a mostly positive note Thursday on optimism over US-China trade relations, while European bourses were pressured following tepid economic data.

The Dow finished the session a hair lower, but up 7.2 percent for all of January, in its best start to the year in 30 years.

The S&P 500 and Nasdaq finished solidly higher as Wall Street continued to cheer the Federal Reserve's dovish stance on monetary policy outlined on Wednesday.

US stocks also picked up momentum late in the session when President Donald Trump hailed "tremendous" progress in US-China trade negotiations held over the last two days in Washington.

In a letter to Trump from Chinese leader Xi Jinping, that was read out by a Chinese official, Xi said relations were at a "critical" stage and that he hoped "our two sides will continue to work with mutual respect."

But Trump said they still face a "hard deadline" of March 1, which the US is set to more than double tariffs on \$200 billion in Chinese imports.

Stocks were mixed in Europe, with London and Paris rising modestly and Frankfurt and Milan retreating after European data showed the impact of a lackluster finale to 2018, including in Italy, which officially entered a recession.

The Eurostat agency estimated 2018 growth at 1.8 percent after expanding by a comparatively booming 2.4 percent in 2017.

"The big picture remains that this was a disappointing end to the year... (and) the prospects for the first quarter of this year currently look no better," said Andrew Kenningham, an economist at Capital Economics.

- ITALIAN RECESSION -

Data also showed that Italy's economy shrank 0.2 percent in the final quarter of last year after a 0.1 percent drop in the third quarter.

The technical definition of a recession is economic contraction for two quarters in a row. Italy is the eurozone's third largest economy after Germany and France.

"The risk of recession in the eurozone is something that has been widely discussed for weeks now but the news that Italy has fallen into technical recession still comes as a blow to the region," Oanda analyst Craig Erlam told AFP.

"Others could also follow with Germany having posted negative growth in the third quarter. This is naturally weighing on sentiment," Erlam warned. Italy's recession places intense pressure on the nation's populist government headed by Prime Minister Giuseppe Conte, who took power in June on the back of big-spending electoral promises.

"This (recession) should not really be a surprise given the direction of travel of recent data," CMC Markets analyst Michael Hewson told AFP. "The problem EU policymakers have is that it looks as if it could well be much more serious than originally thought."

- KEY FIGURES AROUND 2200 GMT -

New York - Dow: DOWN 0.1 percent at 24,999.67 (close)

New York - S&P 500: UP 0.9 percent at 2,704.10 (close)

New York - Nasdaq: UP 1.4 percent at 7,281.74 (close)

London - FTSE 100: UP 0.4 percent at 6,968.85 (close)

Frankfurt - DAX 30: DOWN 0.1 percent at 11,173.10 (close)

Paris - CAC 40: UP 0.4 percent at 4,992.72 (close)

Milan - FTSE MIB: DOWN 0.2 percent at 19,730.78

EURO STOXX 50: DOWN 0.1 percent at 3,159.43 (close)

Tokyo - Nikkei 225: UP 1.1 percent at 20,773.49 (close)

Hong Kong - Hang Seng: UP 1.1 percent at 27,942.47 (close)

Shanghai - Composite: UP 0.4 percent at 2,584.57 (close)

Pound/dollar: DOWN at \$1.3108 from \$1.3116 at 2200 GMT

Euro/pound: DOWN at 87.31 pence from 87.53 pence

Euro/dollar: DOWN at \$1.1447 from \$1.1480

Dollar/yen: DOWN at 108.82 yen from 109.04

Oil - Brent Crude: UP 24 cents at \$61.89 per barrel

Oil - West Texas Intermediate: DOWN 44 cents at \$53.79 per barrel (AFP)