NEWS ROUND UP

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Contents

Sri Lanka rupee falls, bond yields stable

Sri Lanka's rupee closed weaker at 180.05/15 to the US dollar in the spot market Thursday evening, while bond yields were stable, and stocks fell, brokers and dealers said.

The rupee closed at 179.85/00 to the US dollar on Wednesday.

Dealers said the bond market was active in the morning, when yields eased on selling, and yields bounced back in the afternoon session, ending around the same levels as Wednesday.

The government debt department had accepted 24 billion rupees in 364-day Treasury Bills at Wednesday's auction, with yields falling 6 basis points to 10.67 percent.

Twelve-month bills were quoted at 10.64/66 percent on Thursday, down slightly from 10.65/68 percent at Wednesday's close.

A bond maturing on 01.08.2021 was quoted at 10.80/84 percent on Thursday, compared to Wednesday's close of 10.80/83 percent.

A bond maturing on 15.07.2023 quoted at 11.00/03 percent, falling from 11.02/05 percent at Wednesday's close.

A 7-year bond maturing 01.08.2026 was quoted at 11.17/25 percent, compared to yesterday's close of 11.18/25 percent on Wednesday.

A bond maturing on 15.06.2027, quoted at 11.24/30 percent today, slightly down from 11.25/30 percent on Wednesday.

A bond maturing on 01.09.2028 quoted at 11.30/35 percent, unchanged from a day earlier.

At the Colombo Stock Exchange, the All Share Price Index was down up 0.28 percent or 16.31 points at 5,816.29, while the more liquid stocks on the S&P SL20 Index were up 0.22 percent or 6.56 points to 2,978.91.

Market turnover was 2.1 billion rupees, driven in early morning trade, when MAS Capital transferred some of its equity holdings to local buyers, brokers said.

There was foreign buying, with net inflows of 538.9 million rupees.

Ceylon Tobacco Company contributed to the All Share gain, closing 19.10 rupees higher at 1,419.10 rupees.

John Keells Holdings closed trading 1.50 rupees higher at 159.50 rupees per share.

Around 44.49 percent of shares traded were through negotiated deals, brokers said. (EconomyNext)

Sri Lanka stock exchange lures tech start-ups

The Colombo Stock Exchange (CSE) said it is trying to encourage technology start-ups to raise funds by listing on its ‘Empower Board’, a platform like those on other bourses targeting growth companies.

“Start-ups and tech companies are invited to connect with the CSE to discuss how they too can achieve a listing on the Empower Board to spur on the company’s growth agenda,” a statement said.

Since launching the Empower Board in 2018, the CSE, in association with the Securities and Exchange Commission of Sri Lanka (SEC), has embarked on an awareness drive in key regions around the country.

The drive aims to create awareness on equity-based, capital-raising options available to entrepreneurs and growth companies.

“The Empower Board was presented as an effective means through which Sri Lankan start-ups and progressive entrepreneurs could fund growth initiatives and achieve an overall transformation of their business,” the CSE said.

“The requirements and the process involved with a listing on the Empower Board have been tailored to capture the context of young and growing companies, and largely vary from the other listing platforms at the CSE.”

Companies listing on Empower are set to operate in an environment where they will benefit from the advisory role of a CSE approved sponsor, which will offer the company pre and post listing support, the CSE said.

The Empower Board is similar to a number of listing platforms launched by peer stock exchanges from around the world targeting growth companies, particularly entities that are in an early-mid stage of their lifecycle.

“Growing Tech Company listings are a frequent occurrence in peer foreign markets such as Malaysia, India, Poland, Malta and Sweden, which demonstrates the potential for Sri Lankan start-ups to emulate similar success in the Sri Lankan capital market,” the statement said.

The CSE in collaboration with the SEC, SLASSCOM and Hatch recently hosted an awareness session on the Empower Board, discussing specific opportunities for start-ups and entrepreneurs.

“Insights shared at the event offered participants perspective on why a new wave of tech companies globally are opting to tap into public funding through initial public offerings (IPOs) to spur their next phase of expansion, and the opportunities available to Sri Lankan tech companies and start-ups to pursue similar benefits through accessing public funds.” (EconomyNext)

Maersk mulls increasing container handling in Sri Lanka

Maersk A/S, the world's biggest container shipping line, is considering increasing its container handling business in Sri Lanka, the office of President Maithripala Sirisena said.

The announcement followed talks between Maersk Chief Executive Officer Soren Skou and President Sirisena at the Presidential secretariat Thursday.

Skou briefed Sirisena on the line's expansion plans for container handling, a statement said.

President Maithripala Sirisena said that the government would facilitate multi-national companies such as Maersk A/S to expand container transshipment through the Port of Colombo as that would be of immense help to Sri Lanka's economy, it said.

Maersk handles 20 percent of the Twenty Foot Equitant Unit containers (TEUs) at the Port of Colombo and a big chunk of Sri Lanka's import and export freight.

Skou said that Maersk's business partner, South Asia Gateway Terminals Pvt Ltd., is holding discussions with the Ministry of Ports and Shipping and the Sri Lanka Ports Authority (SLPA) regarding the expansion of container transshipments in Sri Lanka.

He said that a large segment of transshipments through the Port of Colombo is for the Indian subcontinent. (EconomyNext)

Sri Lanka's data prices are low, but it is still expensive for low income earners due to tax

The author is a researcher working on telecom and big data projects at LIRNEasia, a regional ICT policy thinktank. She was appointed Chair of the ITU's sub-group tasked with proposing revisions to the ITU's ICT Price Baskets in 2017. The revised methodology was adopted in 2018 by all member states.

At the World Telecommunication/ICT Symposium (WTIS) held in Geneva, December 2018, there was a panel dedicated to affordability of ICT services. The conversations were centered on price as a key driver for adoption and use of Information and Communication Technologies (ICTs).

Price isn't everything. But it is the most notable and distinguishable factor when purchasing a good or service and therefore is paramount. It is also the perception and value of a specific service that affords the rationale for spending. According to LIRNEasia's recent "AfterAccess" multi-country surveys, lack of affordability is among the top three reasons that affects consumer's choices of getting online and staying online.

With the ubiquitous nature of the Internet and the increasing dependence of services offered via mobile networks, it is important to analyze the pricing of mobile broadband plans.

The International Telecommunication Union (ITU), the UN apex body on ICTs, annually benchmarks prices for voice, SMS, and fixed and mobile broadband for its member states. Sri Lanka has among the lowest prices in the world, ranked at no.21 for mobile broadband (plans with minimum 1 GB data allowance/month) out of 181 countries, based on price in USD (including taxes) as a percentage of GNI per capita.

Price vs. Affordability

"Price" and "affordability" are terms often confused and used interchangeably. Affordability is impacted by variations in price and income, among other things. In theory, the underlying costs of providing a service tend to decrease with time (as capabilities of newer technologies afford higher levels of efficiency). However, this may not always be reflected in the final price the consumer pays.

But how low should prices go to be affordable?

According to the new targets set in 2018 by the UN Broadband Commission for Sustainable Development, "entry-level broadband services should be made affordable in developing countries at less than two percent of monthly Gross National Income (GNI) per capita, by 2025."

While Sri Lanka is well within the target (Table 1), a country-level average of GNI per capita does not really represent the ground reality. Further analysis on price as a percentage of household income per capita (and considering the average size of a household as 3.8 persons, based on data published by the Department of Census and Statistics), by decile (Table 2) paints a clearer picture of affordability.

Although the Broadband Commission target is not met across all income deciles, prices in Sri Lanka are still a lot more affordable than, for example, in India.

Based on the published household income quintiles, prices in India range from five percent to 33 percent of monthly income per capita, per quintile (from the highest to lowest, respectively).

There is no doubt that low prices allow for greater adoption and use. Prices that are too low, however, can threaten long-term sustainability and are detrimental to the market.

Given the capabilities of newer technologies such as 5G that promise greater speeds at lower levels of latency (or round-trip time) while dealing with issues like congestion that current networks face, operators should to be incentivised to invest. Without regulatory certainty, it is unlike that the significant investments required will be made.

If the government wants to make Internet access more affordable, it should consider cutting taxes, which are third highest in the region, below only Pakistan and Bangladesh.

If the government wants to address the needs of those in the poorer deciles or specific market segments, it should use the revenues collected from international calls and design targeted subsidies without harming the already problematic investment environment.

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Global stocks pressured by Kim-Trump summit failure

World stock markets came under pressure Thursday as a summit between Donald Trump and Kim Jong Un ended abruptly without an agreement.

Asian equities had been fluctuating throughout the day on tempered optimism over China-US trade talks, weak factory data from Beijing and fresh geopolitical tensions in Kashmir.

But they took a decisive turn south after an expected lunch and signing ceremony between the United States and North Korean leaders was called off at the last minutes.

Asian markets were also pressured by data showing China's manufacturing activity in February at its worst level in three years.

In Europe, Frankfurt and Paris managed a small recovery by the close, while London remained in the red.

US stocks finished modestly lower following data that showed economic growth slowed in the fourth quarter but still topped analyst expectations.

"Global equities in general have pulled back as risk sentiment took a hit after the US and North Korea failed to reach an agreement over denuclearization for the (Korean) peninsula," said XTB analyst David Cheetham.

"US president Donald Trump and North Korean leader Kim Jong Un abruptly cut short their summit in Hanoi, and in doing so cancelled a signing ceremony as the two leaders failed to make any tangible progress and agree terms on the deal."

The two sides put forward starkly different accounts over the breakdown of a high-stakes summit in Hanoi, with Trump saying the talks ended because the North Koreans wanted sanctions lifted in their entirety and North Korea saying that it promised a complete dismantling of nuclear facilities in exchange for sanctions relief.

The US economic report showed growth tapered down to an annual rate of 2.6 percent in the fourth quarter, a sharp drop from 3.4 percent in the third quarter, but above the 2.3 percent expected by analysts.

"The data we had today is slightly better than people would have thought," said Maris Ogg of Tower Bridge Advisors.

"The market reaction shows us that the worst fears are not going to be realized."Analysts have been readying for a pullback or pause in US stocks after Wall Street surged nearly 20 percent since late December.

- Key figures around 2200 GMT -

New York - Dow: DOWN 0.3 percent at 25,916.00 (close)

New York - S&P 500: DOWN 0.3 percent at 2,784.49 (close)

New York - Nasdaq: DOWN 0.3 percent at 7,532.53 (close)

London - FTSE 100: DOWN 0.5 percent at 7,074.73 (close)

Frankfurt - DAX 30: UP 0.3 percent at 11,515.64 (close)

Paris - CAC 40: UP 0.3 percent at 5,240.53 (close)

EURO STOXX 50: UP 0.5 percent at 3,298.26 (close)

Tokyo - Nikkei 225: DOWN 0.8 percent at 21,385.16 (close)

Hong Kong - Hang Seng: DOWN 0.4 percent at 28,633.18 (close)

Shanghai - Composite: DOWN 0.4 percent at 2,940.95 (close)

Pound/dollar: DOWN at $1.3263 from $1.3309 at 2200 GMT

Euro/pound: UP at 85.72 pence from 85.43 pence

Euro/dollar: UP at $1.1374 from $1.1370

Dollar/yen: UP at 111.39 yen from 111.00 yen

Oil - Brent Crude: DOWN 36 cents at $66.03 per barrel

Oil - West Texas Intermediate: UP 28 cents at $57.22 per barrel. (AFP)