

NEWS ROUND UP

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Sri Lanka stocks lower as central bank slaps price controls on bank deposits

Sri Lankan stocks closed 0.51 percent higher on Friday with brokers saying more interest in shares was expected with a new ceiling on deposit rates coming into effect.

Colombo's All Share Price index (ASPI) closed 27.16 points higher at 5,372.29.

The S&P SL20 index of more liquid stocks closed 0.78 percent or 19.24 points up at 2,497.00.

Central Bank of Sri Lanka reduced the reference rates applicable for ceiling interest rate for rupee deposits from Friday.

It is expected that this might lead people to look for alternate investments like the stock market, brokers said.

The market turnover was 301 million rupees with 79 stocks gaining and 43 stocks declining.

Sampath Bank and Commercial Bank of Ceylon combined made up 48 percent of the turnover today with 2700 trades carried out.

Distilleries Company of Sri Lanka closed 80 cents up at 15.80 rupees a share contributing most to the ASPI's rise.

Melstacorp closed 1.90 rupees up at 41.90 rupees a share and Lion Brewery Ceylon closed 19.40 up at 550.00 rupees a share, also pushing the ASPI up. (EconomyNext)

Sri Lanka rupee ends firmer, bond yields ease

Sri Lanka's rupee closed strong at 176.40/45 rupees against the US dollar in the spot market on Friday while bond yields eased, dealers said.

The rupee closed at 176.50/70 against the greenback on Thursday.

Liquidity in the overnight money market was 34.73 billion rupees, down from 53.23 billion rupees a day earlier.

The Central Bank mopped up 15.7 billion rupees in an overnight repo auction at 7.74 percent and 3.2 billion rupees in a 7-day term repo auction at 7.75 percent.

Four billion rupees in central bank holdings of government securities were wound down.

In the secondary market, bond yields eased in an active market in the afternoon, after mixed trading in the morning session, dealers said.

There was a shift from fixed deposits to government securities on Friday as the central bank slapped more price controls on retail lending rates dealers said.

Foreign buying interest was witnessed in longer maturities.

A bond maturing on 15.10.2021 closed at 9.23/28 percent on Friday, up from 9.20/35 percent at Thursday's close.

A bond maturing on 15.03.2023 closed at 9.70/78 percent, down from 9.77/87 percent.

A bond maturing on 15.6.2024 bond closed at 9.87/90 percent, easing from 9.93/9.98 percent.

A bond maturing on 01.08.2026 closed at 10.10/15 percent, steady from 10.10/25 percent.

A bond maturing on 15.01.2027 ended at 10.15/19 percent, falling from 10.18/28 percent.

A 10-year bond maturing on 01.05.2029 closed at 10.30/35 percent, easing from 10.36/44 percent. (EconomyNext)

Foreign holdings in Sri Lanka rupee bonds grow

Foreign holdings in Sri Lankan rupee bonds grew by 2.3 billion rupees to 147.1 billion rupees for the week ended June 26, the central bank said.

Foreign investors have been net sellers in rupee bonds so far in 2019, with holdings falling from 157 billion rupees on January 02 after interest rates fell, allowing them to take profits.

There have been some weeks where foreigners bought rupee bonds, including the week ended June 19 when there was a marginal increase in the total.

Bond yields in the secondary market fell around 20-30 basis points during the week ended June 26 on buying interest.

Rates plunged at a bill auction on Wednesday.

On Monday, the state raised 2 billion US dollars through an international sovereign bond for budgetary support, with over three times oversubscription.

While the rates had fallen compared to a similar issuance in March, the spread between Sri

Lankan sovereign bonds and US Fed bonds had widened between March and June.

Dealers said that the dovish US Fed and an anticipated rate cut at the next Fed meeting in July has increased expectations of funds flowing into emerging markets such as Sri Lanka.

In 2018, as the central bank printed money to enforce a rate cut just as the economy recovered, generating monetary instability and foreign investors fled.

Over 2018 foreign investor holdings in rupee bonds fell from 321.9 billion rupees to 157.8 billion rupees.

Sri Lanka has a soft-peg which is an external anchor that breaks primarily due to the operation of dual anchors, where money is printed as soon as inflation falls, effectively targeting a domestic anchor.(EconomyNext)

Sri Lanka's Sampath Bank finds buyers for undersubscribed rights

Sri Lanka's Sampath Bank said it had found buyers for the unsold 25.47 million shares of its 12.1 billion rupee rights issue.

The rights issue of 89 million shares of seven new shares for 23 existing shares at 136 rupees each was to strengthen Tier 1 capital to comply with Basel III requirements.

Sampath Bank did not identify the investors who bought its unsold rights in its stock exchange announcement.(EconomyNext)

Tokyo stocks sharply higher on US-China trade ceasefire

Tokyo stocks opened sharply higher on Monday after the United States and China agreed a ceasefire in their trade war that has damaged the global economy.

The benchmark Nikkei 225 index rose 1.63 percent or 347.50 points to 21,623.42 in early trade while the broader Topix index was up 1.60 percent or 24.79 points at 1,575.93.

At a hotly anticipated meeting on the sidelines of the G20 summit, US President Donald Trump and Chinese counterpart Xi Jinping struck a trade war truce on Saturday.

Washington vowed to hold off on further tariffs and declared negotiations with China "back on track".

The dollar rose against the yen in a favourable development for Japanese exporters, changing hands at 108.35 yen against 107.82 yen in New York Friday afternoon.

Overall, there has been a "mild positive reaction" in markets to the US-China truce, said Tapas Strickland, director of economics and markets at National Bank of Australia.

"Consequently although a worst-case outcome has been averted, the threat of tariffs remains and it is unlikely the truce gives much confidence to firms' investment and hiring decisions," he said in a commentary.

The central Bank of Japan released a business sentiment survey just before the opening bell, with the headline index among major manufacturers falling in the second quarter to June.

But Seiichi Suzuki, senior market analyst at Tokai Tokyo Research Centre, noted the survey had been taken before the weekend news.

The US-China truce accord "showed things won't follow the much-feared, worse-case scenario," he said.

"If the survey was taken today or tomorrow, the outcome would be different," he told AFP.

Industry robot maker Fanuc climbed 1.55 percent to 20,240 yen, and Toyota Motor gained 0.67 percent to 6,733 yen.

Nintendo rose 1.51 percent to 40,090 yen.(AFP)