

NEWS ROUND UP

Thursday, May, 02, 2019

Contents

Tourism cries for single but joint revival effort	2
South Asia's largest LPG transshipment terminal by LAUGFS starts	3
Tourist arrivals plunge 50%-70% post-Easter Sunday terror attacks	4
364 day bill resumes downward trend	5
Oil prices dip after US crude stocks rise	5
Asian Stocks Trade Mixed as Focus Shifts to Trade: Markets Wrap	6

Tourism cries for single but joint revival effort

Cabinet appoints five-Minister Sub-Committee to spearhead tourism recovery post-Easter Sunday extremist terror attacks

Smaller industry official teams also tasked with different responsibilities

Multiple uncoordinated overtures may hamper faster revival fears industry

Industry disappointed over apparent lack of sincere unity in political leadership

Notes had to meet President and Prime Minister separately for full discussions

Stresses President and PM should have jointly addressed the nation in worst crisis-post war to boost people's morale, investor and biz confidence.

The tourism industry is calling for a single yet joint and urgent effort for the crucial revival, fearing multiple overtures by different parties in an uncoordinated way could aggravate the post-Easter Sunday extremist terror attack crisis.

The appeal comes hot on the heels of the Government deciding to set up a Cabinet Sub-Committee with five Ministers to spearhead the tourism revival on Tuesday. However, some industry sources fear the effort may fall short, given the daunting challenge of urgent and concerted efforts for revival.

"What we need is one powerful committee with the right people, who will work towards one goal on one single set of recovery and rebuilding strategy," an industry expert told the Daily FT. "The military should be in that Committee too, as the biggest threat is security, and for the rebuilding process the foundation is safety. The Committee should be professionals, not politicians," he stressed.

The Cabinet Sub-Committee approved by the Cabinet comprises of Tourism Minister John Amaratunga, Aviation Minister Arjuna Ranatunga, and Finance Minister Mangala Samaraweera. Officials were not available or knowledgeable to comment on the full composition of the Sub-Committee.

However, industry leaders, who are pressing for a single all-encompassing Committee for a holistic and concerted approach, say such an arrangement must focus on: national security; security covering hotels and tourism attractions; travel advisories; airport management; airline management; PR campaign to disseminate the right messages to all global stakeholders for assurance; marketing and brand communication campaign to build more equity; and help investors/industry with financial support to manage their cash flow for sustainability.

The industry is also disappointed over the apparent lack of sincerity of unity on the part of the political leadership. This was made evident by tourism industry leaders meeting President Maithripala Sirisena on Monday and Prime Minister Ranil Wickremesinghe on Tuesday separately, though the latter was briefly present at the earlier meeting.

"In a crisis time like this, it is frustrating to be having to repeat the same concerns at two different meetings to one Government," lamented a senior industry leader. "Post-Easter Sunday terror attacks, which killed over 250 people (including nearly 50 tourists), and injured hundreds and damaged three star-class hotels, ideally the President and the Prime Minister should have come together and addressed the nation. This gesture in an hour of crisis would have boosted the morale of the people, and investor and business confidence," he added.

Other industry sources, however, were less critical but satisfied with the outcomes of the two meetings. In the meeting with President Sirisena, the idea of a Cabinet Sub-Committee was mooted, whilst at the

Premier Wickremesinghe's meeting, smaller industry officials' committees or teams were tasked with different responsibilities.

"A quicker revival of tourism entirely depends on how fast we make decisions and implement them. The international terror group-inspired threat and warnings remain, which makes the recovery process more challenging," industry sources emphasised.

As a follow-up to meeting with the Prime Minister and President, the industry will have discussions with State Minister of Finance Eran Wickramaratne, to finalise financial support for tourism industry, and separately receive a security situation update from Defence authorities. Several other follow-up meetings are in the offing as well, leading up to a final discussion with Prime Minister on Monday 6 May, the Daily FT learns. (Dailyft)

South Asia's largest LPG transshipment terminal by LAUGFS starts

LAUGFS Terminals Ltd. officially inaugurated operations of its state-of-the-art LPG Transshipment Terminal at the Hambantota International Port, the largest of its kind in South Asia, with the first of its LPG cargo brought in by the Sri Lankan flagged vessel Gas Success, part of LAUGFS Maritime's own LPG vessel fleet.

The new LAUGFS LPG Terminal is an important energy infrastructure in the Indian Ocean, having strategically located amidst key international maritime trading routes connecting West to East.

The first LPG cargo discharge on board LAUGFS Maritime's LPG ship - Gas Success - was ceremoniously initiated by LAUGFS Chairman W.K.H. Wegapitiya, LAUGFS Group Managing Director Thilak De Silva and Hambantota National Port Group CEO Ray Ren, with the presence of Hambantota International Port Service Co. Ltd. CEO Captain Ravi Jayawickrama, LAUGFS Maritime Director/CEO Dr. Leslie Hemachandra, LAUGFS Terminals Director/CEO Ananda Premachandra and General Manager Heshan De Silva.

"This marks a historic occasion not just for LAUGFS, but for our nation as well as the entire Asian region," commented LAUGFS Chairman W.K.H. Wegapitiya. "The first revolutionary step taken towards realising Sri Lanka's vision to become a maritime and logistics hub in South Asia was propelled in the early 1970s by the ground-breaking initiatives taken at the Colombo Port to create a hub for container transshipment. What we are initiating today with the LAUGFS LPG Transshipment Terminal will be a trigger for the second such revolution in fulfilling this ambitious vision of our country by creating an energy hub surrounding the Hambantota International Port. The economic and social impact of this to Sri Lanka is tremendous and multi-fold," he elaborated.

With a projected annual export value of \$ 500 million, the 30,000 MT LPG terminal represent a significant investment in infrastructure development in Sri Lanka. The new LPG Transshipment facility will also serve to initiate coastal shipping services between Hambantota and Colombo Ports for the first time in the country. The LAUGFS terminal operations are expected to create and support many direct and indirect industries surrounding its activities, generating employment and income generation opportunities for the country.

"Over the past two decades LAUGFS has been able to stride ahead with true entrepreneurial vision as a world class Sri Lankan conglomerate that could proudly etch the Sri Lankan flag on the global map. We have achieved this with especially the expansion of our energy businesses, which has been possible due to the untiring efforts, deep passion and courage of our LAUGFS team. The LAUGFS Transshipment Terminal is another such feat, where we have conquered the impossible in the face of many challenges and have been able to create history in the energy sector not only in Sri Lanka, but also within the South Asian region," remarked LAUGFS Group Managing Director Thilak De Silva.

Strategically located in close proximity to some of the largest emerging LPG markets and key international trading ports in the region, the LAUGFS LPG Transshipment Terminal will garner multiple benefits to regional LPG players, elevating its significance as a central LPG hub in South Asia. With tremendous opportunities to support the regional growth of the LPG industry, plans are also underway for capacity to be extended to 45,000MT by the completion of the second phase of the project, marking a total project investment of \$ 85 million. The new LAUGFS LPG Terminal will operate as a central hub for LPG importing, re-exporting as well as the provisioning to retailers.

The Terminal is also expected to support LAUGFS Gas's rapid expansion plans in the region to become an integrated regional LPG player in the Indian Ocean Rim area by leveraging on the synergies and strengths within its energy value chain. Over the years, LAUGFS's energy presence has rapidly expanded across the region in line with the Sri Lankan government's keen interest in the sector. LAUGFS's presence in the sector ranges from LPG downstream activities in Sri Lanka and Bangladesh by LAUGFS Gas, to LPG ocean freight services and related logistics with its own fleet of LPG vessels by LAUGFS Maritime and energy trading by Dubai-based SLOGAL Energy DMCC. LAUGFS has continued to build its stake in the energy value chain with strong investments in energy infrastructure, and the LAUGFS Transshipment Terminal at Hambantota will be an important addition to this journey. (Dailyft)

Tourist arrivals plunge 50%-70% post-Easter Sunday terror attacks

Post-Easter Sunday extremist terror attacks, tourist arrivals are estimated to have plunged between 50-70%, triggering fresh concerns within the industry and calls for urgent revival measures.

In comparison to an average arrival of 5-6,000 plus tourists per day in the previous peaceful setting, post-Easter Sunday terror attacks, arrivals have dropped to below 2,000 per day. As per provisional data seen by the Daily FT, within a week since the Easter Sunday attack, arrivals had dropped by 70% to 1,800 on Saturday 27 April. The drop the day after the terror attacks was around 50% to 2,900.

Industry sources said that the drastic drop was owing to adverse travel advisories, and global media reporting on the post-Easter Sunday incidents. As a security measure, the Government introduced partial emergency, as well as imposed night time curfew.

Finance Minister Mangala Samaraweera last week hinted that tourist arrivals this year could drop by 30%, whilst Sri Lanka Tourism Chairman Kishu Gomes was quoted by Reuters on Monday, on the sidelines of Arabian Travel Mart in Dubai, that arrivals to Colombo will fall by 50% over the next two months, and by 30% outside the city following the Easter Sunday attacks, which killed over 250 including nearly 50 tourists.

SriLankan Airlines' CEO Vipula Gunatilleka was also quoted by Reuters, saying that the carrier had a 10% increase in cancellations last week, and expects that number to rise.

Tourism was Sri Lanka's third-largest and fastest-growing source of foreign earnings last year, after private remittances and textile and garment exports, accounting for almost \$4.4 billion or 4.9% of GDP in 2018. Gomes told Reuters that Sri Lanka targeted 2.5 million visitors in 2019, up from 2.3 million last year.

"We will probably reach about 2 million," Gomes told reporters. "We are looking at providing some concessions to the industry, for them to be able to maintain their viability for the next few months," he told Reuters. Gomes said confidence could return if the military is able to give assurances on security. (Dailyft)

364 day bill resumes downward trend

The market favourite 364 day bill weighted average was seen resuming its downward slope once again at its weekly Treasury bill auction, conducted on Tuesday after a lapse of one week. The benchmark maturity recorded a drop of 10 basis points to 9.81% followed by the 91 day and 182 day maturities by 05 basis points each to 8.89% and 9.09% respectively. The total offered amount of Rs. 27 billion on all three maturities was successfully met with the bid to offer ratio increasing to a four week high of 3.24:1.

In the secondary bond market on Tuesday, activity was seen increasing considerably across the yield curve with yields continuing to retreat. The yields on the liquid shorter end maturities of 2021's (i.e. 01.08.21, 15.10.21 and 15.12.21), 15.03.22 and two 2023's (15.05.23 & 15.12.23) were seen dipping to intraday lows of 10.15%, 10.20% each, 10.35%, 10.74% and 10.76% respectively against its previous day's closing levels of 10.30/40, 10.45/50, 10.75/85, 10.80/90. The mid-term maturities of 15.03.24, 01.08.26, two 2027's (15.01.27 & 15.06.27) and 01.09.28 were seen dipping to intraday lows of 10.84%, 10.95%, 11.00%, 11.02% and 11.05% respectively against its previous days closings of 10.87/92, 10.98/02, 11.00/05, 11.05/10 and 11.05/15. On the long end of the yield curve, the 01.05.29 maturity was seen dipping to a low of 11.09% against its previous day's closing of 11.10/17.

Meanwhile, inflation for the month of April was seen increasing to 4.5% on the basis of its point to point against its previous month of 4.3% while its annualised average stood steady at 4.1%.

The total secondary market Treasury bond/bill transacted volumes for 29 April was Rs. 11.34 billion.

In money markets, the overnight call money and repo rates averaged at 8.49% and 8.59% respectively as the net liquidity surplus stood at high of Rs.54.01 billion on Tuesday. The OMO department of Central Bank did not conduct any cash value reverse repo auction on Tuesday for the first time since the 13th of September 2018.

Rupee losses marginally

The USD/LKR rate on the one week forward contract was seen depreciating marginally to close the day at Rs. 176.50/70 against its previous weeks closing of Rs. 176.10/40 on the back of buying interest by banks.

The total USD/LKR traded volume for 29 April was \$ 81.14 million.

Some forward USD/LKR rates that prevailed in the market were: 1 month - 177.53/63; 3 months - 179.50/65; 6 months - 182.40/55.
(Dailyft)

Oil prices dip after US crude stocks rise

Oil prices inched down on Wednesday after an unexpected rise in US crude inventories, but the fall was limited by an intensifying crisis in Venezuela along with tightened US sanctions on Iran.

Brent crude oil futures were down at \$71.82 per barrel at 1300 GMT, down 24 cents from their last close and erasing gains from earlier in the session.

US crude futures were down 50 cents at \$63.41 per barrel.

Trading was thin as May 1 is a holiday in many markets.

US crude stocks rose by 6.8 million barrels to 466.4 million barrels in the week to April 26, the American Petroleum Institute (API), an industry group, said on Tuesday.

The figure far outstripped analysts' expectations of an increase of just 1.5 million barrels. US government data on crude stocks is due at 1430 GMT.

Markets also keenly watched Venezuela, where opposition leader Juan Guaido called for an uprising against President Nicolas Maduro. Many observers fear this could lead to escalating violence and further disruptions to crude supply. The unrest adds to a range of fluid geopolitical factors which have been affecting oil prices in recent months.

"Prices have lacked direction during the European session amid thin trading volumes owing to Labour Day. Nevertheless, all eyes will be on ... Venezuela during the US session, which will also be supportive of prices," said Abhishek Kumar, head of analytics at Interfax Energy in London. "Market participants will also closely watch the weekly oil inventories report from the US later in the session."

Oil markets have already tightened this year due to supply cuts led by the Organization of the Petroleum Exporting Countries (OPEC) as well as the sanctions on Caracas and Tehran.

Washington is set to revoke waivers for select countries to import Iranian oil on Wednesday and says it aims to drive down Iran's crude exports to zero, but it remains unclear whether Iran's top oil customer China will comply.

OPEC meets in June to discuss production policy. While Washington has demanded the group increase output to make up for the shortfall from Iran, OPEC's de facto leader Saudi Arabia said on Tuesday it had no immediate plan to do so.

"Recent comments from (Saudi Energy Minister Khalid) al-Falih confirm our view that the kingdom will respond cautiously with other oil producers and not pre-emptively ramp up production," said Giovanni Staunovo, analyst at UBS in Zurich.
(Dailyft)

Asian Stocks Trade Mixed as Focus Shifts to Trade: Markets Wrap

Stocks in Asia were mixed as investors turned to U.S.-China trade talks after Federal Reserve Chairman Jerome Powell rejected the idea that an interest-rate cut is looming in the U.S. and stuck with a neutral stance.

In trading depressed by holidays in Japan and China, equity benchmarks in South Korea and Hong Kong hit their highs of the session after CNBC reported that the U.S. and China could announce a trade deal as soon as next Friday, citing sources it didn't name. The yen ticked lower against the dollar. Futures on 10-year Treasuries also edged down. Australia's stocks underperformed after the nation's biggest lender cut its dividend. On Wednesday, the S&P 500 Index posted its biggest decline in almost six weeks. Asian equities have been trading water for weeks

The dollar held on to marginal gains after the Fed decision, while U.S. futures were little changed after the overnight sell-off that suggested some investors had anticipated a more dovish message from Powell and his colleagues. Next up on the outlook for U.S. rates is Friday's monthly U.S. jobs report. Powell Says Fed Doesn't See a Strong Case for a Rate Move Either Way

Fed Chairman Jerome Powell speaks at a news conference in Washington about the Fed's decision.
Source: Bloomberg

Elsewhere, oil held declines in the wake of a report showing U.S. crude stockpiles swelled to their highest levels since 2017 while American production set a new record.

Here are some notable events this week:

- Companies reporting earnings include: HSBC, Macquarie and Royal Dutch Shell.
- The Bank of England sets interest rates Thursday.
- Friday brings the U.S. jobs report: non-farm payrolls are projected to rise by about 190,000 in April. Economists expect an unemployment rate of 3.8 percent, with average hourly earnings growth picking up to 3.3 percent.

These are the main moves in markets:

Stocks

- Hang Seng Index gained 0.4 percent as of 10:52 a.m. in Hong Kong.
- Australia's S&P/ASX 200 Index fell 0.6 percent.
- South Korea's Kospi index rose 0.2 percent.
- S&P 500 futures were little changed. The S&P 500 Index decreased 0.8 percent Wednesday.

Currencies

- The yen dipped 0.2 percent to 111.64 per dollar
- The Bloomberg Dollar Spot Index was up 0.1 percent.
- The euro was little changed at \$1.1201.
- The British pound was at \$1.3049.
- The offshore yuan was steady at 6.7393 per dollar.

Bonds

- Futures on 10-year Treasuries edged down. On Wednesday, the yield on 10-year Treasuries was little changed at 2.5 percent and two-year yields rose almost four basis points to 2.30 percent. The cash market won't trade until London opens because of the Tokyo holiday.
- Australia's 10-year bond yield was at 1.79 percent.

Commodities

- West Texas Intermediate crude dipped 0.3 percent to \$63.40 a barrel.
- Gold slipped 0.2 percent to \$1,273.99 an ounce.

(Bloomberg)