NEWS ROUND UP

Tuesday, October 02 , 2018

Contents

JKH appoints Dr. Radhika Coomaraswamy to Board

John Keells Holdings PLC (JKH) yesterday announced the appointment of Dr. Radhika Coomaraswamy as an Independent Non-Executive Director of the company with effect from 1 October.

Dr. Coomaraswamy received her BA from Yale University, LLM from Harvard University and the Doctorate in Jurisprudence from Columbia University. She served as UN Under Secretary General and as Special Representative of the Secretary General on Children and Armed Conflict from 2006 until her retirement in 2012.

Earlier, from 1994 to 2003, she was the UN Special Rapporteur on Violence against Women, an independent expert, attached to the UN Human Rights Commission in Geneva. In 2014, the UN Secretary General tasked her to lead the Global Study to review the 15-year implementation of Security Council Resolution 1325 on Women, Peace and Security. The Global Study was submitted to the Secretary General in October 2015.

In Sri Lanka, Dr. Coomaraswamy was the Chairperson of Human Rights Commission from 2003 to 2006 and was a Director of the International Centre for Ethnic Studies from 1984 to 2006. In this capacity she helped direct its research program on constitutional law, human rights, ethnicity and cultural studies as well as women's rights.

She was, until September 2018, a civil society member of the Constitutional Council, a body appointed by Parliament and the President, to primarily make appointments of members to serve on the independent commissions and the higher judiciary, in terms of the Constitution of the Republic of Sri Lanka.

Dr. Coomaraswamy is a Global Professor of Law at the New York University School of Law where she has taught courses on Women's International Human Rights and Children and Armed Conflict. She taught at New College, Oxford University in its Summer Programs on International Human Rights during the 1990s and the early 2000s. She has also been a visiting lecturer at the Faculty of Law in Colombo of the University of Colombo.

Dr. Coomaraswamy has received Honorary Doctorates from Amherst College, University of Edinburg, University of Ulster, City University of New York and Rutgers University among others. During her career she has also received international Human Rights Awards, the International Law Award of the American Bar Association, the Bruno Kreisky Award, the Human Rights Award of the University of Oslo, among many others. She was also privileged to be asked to deliver the Grotius Lecture of the American Association of International Law in 2013.

Dr. Coomaraswamy has written books on constitutional law and many articles on women, ethnicity, pluralism, human rights and children, cultural studies and armed conflict. In 1995, in recognition of her services to the country, President of the Republic of Sri Lanka conferred on her the National honour of Deshamanya – "jewel of the nation".

(Dailyft)

Rupee extends recovery ahead of rate decision; stocks down

The Sri Lankan rupee closed firmer on Monday, further recovering from a record low touched last week as banks sold dollars ahead of the central bank's monetary policy meeting while shares fell for a third straight session to hit a four-and-a-half-year low amid foreign outflows.

On Friday, the rupee touched its all-time low of 169.40 per dollar on importer demand for the greenback and foreign selling in government securities, but intervention by the central bank helped the currency close firmer, market sources said.

Sri Lanka's Central Bank is expected to raise its key interest rates on Tuesday, a Reuters poll showed, to prop up the rupee amid foreign outflows from government bonds and after the US Federal Reserve raised rates last week.

The rupee ended at 168.90/169.00 per dollar, compared with the previous close of 169.15/30.

The rupee weakened 4.7% in September against the dollar after a 1.2% drop in the previous month, and has declined 10.2% so far this year.

The Colombo stock index fell 0.76% to 5,817.54, its lowest close since 18 Dec 2013. The bourse fell 3.6% last month and is down 8% so far this year.

Data from the Central Bank showed foreign investors sold government securities worth a net Rs. 10.2 billion ($60.36 million) in the week ended 26 September, the highest since the week to 6 December. Sri Lanka has suffered a net outflow of Rs. 72.5 billion in securities so far this year.

Stock market turnover was Rs. 177.1 million ($1.05 million) on Monday, its lowest close since 6 September and less than a third of this year's daily average of Rs. 784.4 million.
(Dailyft)

UDA invests Rs. 25 b

Megapolis and Western Development Minister Patali Champika Ranawaka yesterday revealed that the Urban Development Authority (UDA) has invested over Rs. 25 billion this year, and rolled out a program envisaging a Rs. 200 billion investment to provide housing for shanty dwellers. The Minister made these remarks addressing a ceremony organised to commemorate the 40th anniversary of the UDA, held at the Sethsiripaya Administrative Complex in Battaramulla. Ranawaka said apart from the banks, no other State institution has invested in such a feat despite capacity.

"There has not been proper urban development in the country. Only about almost half of the country's population has access to urban amnesties and facilities. However, only 1/5 of the population lives in urban centres, as per statistics given by the Census and Statistics Department," he added. The Minister noted one cannot decide urban population based on city boundaries, which is why formal statistics show that almost half of the population deals with urban needs, urban capacities and has access to urban facilities, which has led to complications in the responsibilities of the UDA. According to him, the country has now gradually become an urban centre.

Noting that planned urban development promotes economic advancement of a country, the Minister stressed that formal city planning is a must if Sri Lanka is to reach higher financial status.

Ranawaka also said it is the Government's sole responsibility to provide housing for slum dwellers living in Colombo city, where many projects are on-going.
(Dailyft)

Monitoring key to successful implementation of National Audit Act: TISL

Transparency International Sri Lanka (TISL) yesterday reiterated the significance of implementing National Audit Act from the early stages to ensure that the stated objectives of the law are met.

It said the passage of the National Audit Act in July marked a significant watershed for the public service in Sri Lanka, introducing a legal framework to promote fiscal accountability amongst those serving in the public sector. "TISL wishes to reiterate that as with the Right to Information (RTI) Act which preceded it, implementation from the early stages of the roll out of the National Audit Act is crucial towards ensuring that the stated objectives of the law are met," it said in a statement.

Recognising the fact that the Audit Service Commission (ASC) has been in operation for almost two months, TISL wishes to highlight to the public the extent of the power vested in the Commission through the National Audit Act.

Further, the Act empowers the ASC to report the amount of loss or deficiency in a transaction to the Chief Accounting Officer where the ASC has reasonable grounds to believe that transaction has been made contrary to law and that the loss resulted from fraud, negligence, misappropriation or corruption. Upon receiving the report of the ASC, the Chief Accounting Officer is obliged to impose a surcharge on the public official.

TISL Executive Director Asoka Obeyesekere highlighted that the chief accounting officer retains the discretion to consider mitigating circumstances and reduce the surcharge. The use, and potential abuse, of this power will require close monitoring.

Prior to the adoption of the Act, TISL compiled a legislative brief on this crucial legislation, through which TISL sought the strengthening of the surcharge appeals process, the strengthening of the investigative powers of the Auditor General, improving transparency in decision making under surcharging powers and the protection of the fundamental right to information as recognised in the constitution.

The legislative brief was shared with all 225 members of parliament and the recommended amendments were debated extensively in the house, with a few committee stage amendments being incorporated.

"Providing the necessary financial and material resources for the Commission to execute its duties and functions is of the utmost importance at this juncture. TISL encourages all stakeholders to continue to advocate for fiscal accountability in the public sector, especially in light of the upcoming 2019 Budget," Obeyesekere added.
(Dailyft)

Gold slips as dollar firms amid Fed rate hike view

Gold prices dipped on Monday as the dollar firmed in the wake of indications from the U.S. Federal Reserve last week that it will pursue a tighter monetary policy.

The Fed raised U.S. interest rates last week and said it planned four more increases by the end of 2019 and another in 2020, amid steady economic growth and a strong job market.

Higher U.S. interest rates tend to boost the dollar and push bond yields up, putting pressure on gold prices by increasing the opportunity cost of holding non-yielding bullion.

Spot gold was down 0.3% at $1,188.41 at 0407 GMT. On Friday, gold touched its lowest since Aug. 17 at $1,180.34 an ounce.

U.S. gold futures were down 0.3% at $1,192.30 an ounce.

“Gold prices remain dependent on the dollar prices at this juncture. The U.S. economy has been rosy and better than expected. Efforts by the Trump administration to reduce the trade deficit from an economic point of view has been friendly for the greenback as well,” OCBC analyst Barnabas Gan said.

Gold prices are likely to see lower volatility, with the Chinese markets closed for a week, for the Golden Week celebration, Gan said.

The dollar index was up 0.1% versus a basket of major currencies, and hovered close to a near three-week high hit in the previous session.

Gold has fallen about 13% from an April high, largely because of the stronger dollar, which has been boosted by a vibrant U.S. economy and fears of a global trade war. Investors have bought the greenback instead of gold as a safe investment.

Meanwhile, the United States and Canada reached a deal on Sunday to salvage NAFTA as a trilateral pact with Mexico, beating a midnight deadline with agreements to substantially boost American access to Canada’s dairy market and protect Canada from possible U.S. auto tariffs, sources with direct knowledge of the talks said.

“Gold has been a seller’s market for some time, but with the $1,190 level yielding, we’re now firmly in the gold bear zone and as such with the dollar likely to strengthen on the back of widening interest rates differentials, selling activity could intensify with speculators likely to target the August low when the yellow metal hit $1,160 before rebounding,” said Stephen Innes, APAC trading head at OANDA in Singapore.

Gold speculators raised their net short position by 2,923 lots to 77,313 lots, the largest in three weeks, in the week to Sept. 25, U.S. Commodity Futures Trading Commission (CFTC) data showed.

Among other precious metals, palladium fell 0.7% at $1,065.41, after touching a fresh eight-month high at $1,094.60 an ounce in the previous session.

Silver was down 0.3% at $14.55 per ounce, while platinum fell 0.4% to $808.60 per ounce.
(Dailyft)

Asian shares pared losses in September on easing trade worries

Asian shares pared initial losses in September as trade worries eased somewhat to lift the regional assets in the second half of the month.

Last month, Washington and Beijing imposed tit-for-tat tariffs on each other’s goods, though the immediate tax levels were not as high as initially expected, easing fears of a sharp, sudden shock to global growth and lifting stock markets.

The MSCI Asia-Pacific index fell 0.15% last month, after a 0.83% decline in August.

Philippine stocks topped regional loss makers last month, falling 7.37%, followed by India which fell 6.42%.

Share indexes in New Zealand, Japan, Thailand, Taiwan and Vietnam are the only ones in the region that have registered gains for 2018 in dollar terms, while the rest have suffered sharp declines. (Dailyft)

New Zealand, India, and Malaysian stocks have the highest price-to-earnings ratio based on 12-month forward earnings in Asia, according to Refinitiv data.

Bond yields increase further ahead of monetary policy announcement

The secondary market bond yields were seen increasing further yesterday ahead of the much anticipated monitory policy announcement due today at 7.30 a.m. The Central Bank kept its policy rates unchanged at its last announcement on 3 August.

The liquid maturities of 15.10.21 and 15.07.23 saw its yields increase to intraday highs of 11.10% and 11.28%, respectively, against its previous day's closing levels of 10.90/95 and 11.05/12. Furthermore, the two 2021's (i.e. 01.03.21 and 01.08.21), 15.10.25 and 15.03.28 maturities were seen changing hands at levels of 10.50% to 11.05%, 11.55% and 11.40%, respectively, as well with the overall traded volume moderating.

The total secondary market Treasury bond/bill transacted volumes for 28 September was Rs. 10.46 billion.

In money markets, the Open Market Operations (OMO) department of the Central Bank of Sri Lanka injected an amount of Rs.21 billion on an overnight basis and Rs.10 billion for 7 days at weighted averages of 8.19% and 8.29% respectively as the net liquidity shortfall remained at a high of Rs.46.24 billion yesterday. The overnight call money and repo rates averaged 8.42% and 8.48% respectively.

Rupee appreciates marginally

The USD/LKR rate on spot contracts was seen appreciating marginally to close the day at Rs. 169.00/20 against its previous day's closing of Rs. 169.20/40 subsequent to restrictive import measures taken.

The total USD/LKR traded volume for 28 September was $ 45.45 million.

Some forward USD/LKR rates that prevailed in the market were 1 month – 170.20/50, 3 months – 172.00/40 and 6 months – 174.80/20.

Closing secondary market yields of the most frequently traded T – bills and bonds
(Dailyft)

Fitch affirms ratings on nine Sri Lankan banks; outlooks stable

Fitch Ratings has affirmed the Long-Term Issuer Default Ratings (IDRs) of the following Sri Lanka-based banks:

- National Savings Bank (NSB) at 'B+'; Outlook Stable
- Bank of Ceylon (BOC) at 'B+'; Outlook Stable
- DFCC Bank PLC at 'B+'; Outlook Stable

Fitch has also affirmed the National Long-Term Ratings of the following banks:

- NSB at 'AAA(lka)'; Outlook Stable
- BOC at 'AA+(lka)'; Outlook Stable
- DFCC at 'AA-(lka)'; Outlook Stable
- People's Bank (Sri Lanka) at 'AA+(lka)'; Outlook Stable
- Commercial Bank of Ceylon PLC (CB) at 'AA(lka)'; Outlook Stable
- Hatton National Bank PLC (HNB) at 'AA-(lka)'; Outlook Stable
- National Development Bank PLC (NDB) at 'A+(lka); Outlook Stable
- Sampath Bank PLC at 'A+(lka)'; Outlook Stable
- Seylan Bank PLC at 'A-(lka)'; Outlook Stable

The rating action follows Fitch's periodic review of the large bank peer group.

Key rating drivers

IDRS, national ratings and senior debt

Fitch maintains the Negative Outlook for the banking sector as operating conditions continue to be difficult against a challenging macroeconomic backdrop, which it expects to continue to pressure bank performance in the short to medium term.

Non-Performing Loans (NPLs) continued to rise in 1H18 in the aftermath of strong credit growth as indicated by Fitch's Macro Prudential Indicator of 2 for Sri Lanka. There has also been an increase in rescheduled loans across Fitch-rated banks, indicating that pressure on asset quality is likely to extend into 2019.

Sri Lankan banks have been raising capital to meet Basel III regulations that come into effect in full on 1 January 2019. The impact on banks' regulatory capital ratios from the adoption of Sri Lanka Financial Reporting Standards (SLFRS) 9 in 2018 is expected to be modest.

Banks' credit profiles should remain broadly intact, supported by improved capital buffers, although macroeconomic risks will continue to dampen performance, especially on the credit quality front. There could be modest pressure on the ratings of some banks if they fail to maintain sufficient loss-absorption buffers.

Banks with long-term ratings driven by sovereign support

The IDRs and National Long-Term Ratings of NSB and BOC and the National Long-Term Rating of People's Bank reflect Fitch's expectation of extraordinary support from the sovereign (B+/Stable).

Fitch believes State support for NSB stems from its policy mandate of mobilising retail savings and investing them in government securities. The NSB Act contains an explicit deposit guarantee and Fitch is of the view that the authorities would support, in case of need, the bank's depositors and its senior unsecured creditors to maintain confidence and systemic stability. Fitch has not assigned a Viability Rating to NSB as it is a policy bank.

Fitch expects support for BOC and People's Bank to stem from their high systemic importance, quasi-sovereign status, role as key lenders to the government and full state-ownership.

BOC's Viability Rating reflects its thin capitalisation that is counterbalanced by a stronger domestic funding franchise compared with the majority of sector peers. Fitch considers state support as BOC's primary rating driver, even though its Viability Rating is at the same level as its Support Rating Floor.

The US dollar senior unsecured notes issued by NSB are rated at the same level as the bank's Long-Term Foreign-Currency IDR, as the notes rank equally with other senior unsecured obligations. The notes have a Recovery Rating of 'RR4'.

The Long-Term Rating and the Recovery Rating assigned to BOC's US dollar senior unsecured notes have been withdrawn following the maturity of the notes in April 2018.

Banks with long-term ratings driven by intrinsic strength

The National Long-Term Rating of CB reflects its strong domestic franchise, stable earnings performance and generally stable funding and liquidity profile.

CB's loan mix has not changed significantly despite rapid loan expansion of 21% a year on average since 2015, which exceeded the sector's 18% pace. The bank's asset quality is likely to remain under pressure, following an increase in gross NPL ratio to 2.4% at end-June 2018 from 1.9% at end-2017. Loan loss allowances/gross loans increased to 2.6% from 2.4% over the same period.

CB's Rs. 10 billion rights issue helped raise its Basel III Tier 1 capital ratio to 12.1% by end-2017. CB's profitability, measured by return on average assets (ROAA), has been fairly stable in the recent four years, although higher impairment charges due to weak asset quality and SLFRS 9 could be a dampener.

CB has an established deposit franchise with current and savings accounts (CASA) making up 38.5% of total deposits at end-June 2018. CB's loans/deposits ratio has been rising (end-June 2018:90.8%; end-2014: 80.1%) on strong loan growth but remains largely comparable to peers.

Fitch expects CB to continue to expand its non-domestic operations beyond Bangladesh after it set up operations in the Maldives and Myanmar recently. With the overseas business likely to remain small, Fitch believes the bank's credit profile would remain primarily linked to the Sri Lankan operating environment.

HNB's rating reflects its strong domestic franchise as the fourth-largest commercial bank in Sri Lanka, its improved capitalisation following an equity infusion and its better-than-average financial profile despite the deterioration in asset quality. This is, however, counterbalanced by a high risk appetite.

HNB's high risk appetite stems from strong balance sheet expansion in the past that has put pressure on the bank's liquidity buffers with loans/deposits ratio staying high at 96% at end-June 2018.

HNB's NPL ratio deteriorated to 2.9% in 1H18 (end-2017: 2.3%) after non-payment on one large loan facility (0.5% of gross loans) in 2017. HNB wrote off Rs. 3 billion of NPLs (0.5% of gross loans) in 4Q17, which explains the quarterly decline in NPL ratio to 2.3% from 2.6% at end-3Q17. Fitch expects asset-quality pressure to persist in the short to medium term.

DFCC's Viability Rating and National Long-Term Rating capture its developing commercial banking franchise, relatively weak asset quality and earnings, and Fitch's expectation is that DFCC would maintain higher capital buffers than similarly rated peers.

DFCC's Fitch Core Capital ratio remains one of the highest among its larger peers, although it has declined due to strong loan growth and substantial mark-to-market losses for its stake in CB. Fitch expects the bank to shore up its capital buffers in the medium term.

Fitch expects DFCC's asset quality to remain under pressure in the short to medium term with incremental risks stemming from its rapidly expanding commercial loans.

DFCC's ROAA has been volatile in recent years, particularly since the merger with DFCC Vardhana Bank PLC. The bank's ROAA was over 2% prior to the merger, but declined to a little over 1% in recent three years despite a one-off gain from the sale of shares in CB in 2017 and in Nations Trust Bank PLC in the financial year ended March 2015. DFCC's earnings are also dependent on the dividend income from CB, which accounts for 13%-16% of net profit.

DFCC's US dollar senior unsecured notes are rated at the same level as its Long-Term Foreign-Currency IDR. The notes have a Recovery Rating of 'RR4'.

Sampath's rating incorporates its evolving franchise, high risk appetite and improving, but lower-than-peers' capitalisation.

Fitch expects Sampath to maintain adequate buffers above the Basel III minimum regulatory requirements. Its Tier 1 ratio improved to 12% in end-June 2018 after it raised Rs. 12.5 billion in April 2018 and Rs. 7.6 billion in December 2017 via rights issues, and retained 2017 profit of Rs. 12.7 billion by issuing a scrip dividend.

Sampath's high risk appetite is evident as its loans have expanded faster than the sector average, and its higher loan concentration in the consumer/retail and SME/mid-sized corporate segments. Fitch expects the growth to remain strong in the medium term despite strong loan growth of 24% in 2017 and 10% in the six months to end-June 2018.

Sampath's reported gross NPL ratio increased to 3.0% at end-June 2018 from 1.6% at end-2017. Asset quality pressure may persist due to the bank's exposure to the more susceptible customer segments.

NDB's National Long-Term Rating reflects its developing franchise, satisfactory asset quality and declining capitalisation. NDB's Tier 1 ratio fell to 9.8% at end-June 2018 due to strong loan expansion and is likely to continue to slide given the bank's growth aspirations.

The bank could face greater capital pressures as its asset base approaches the Rs. 500 billion mark (end-June 2018: Rs. 421.9 billion), which will require the bank to comply with an additional regulatory capital buffer of 1.5% imposed on domestic systemically important banks (D-SIBs). For now, the announced Rs. 6.2 billion rights issue, which is due by the year's end, should help it meet the Basel III minimum regulatory capital requirements.

NDB is increasing exposure to the retail and SME segments which, alongside greater focus on rupee-based lending, should drive net interest margin higher, but potential upside is likely to be constrained by the bank's weak deposit franchise. Higher exposure to retail and SME customers, which are more vulnerable to economic changes, could pressure asset quality, especially since loan growth has been rapid in recent years.

Seylan's National Long-Term Rating reflects its modest franchise and weaker-than-peers asset quality. The bank's reported NPL ratio increased to 5.5% at end-June 2018, from 4.4% at end-2017. It also has low allowance coverage.

Fitch expects Seylan to become a D-SIB by mid-2019 once its assets reach Rs. 500 billion. Seylan may need to raise new capital as internal capital generation is not likely to be sufficient for the bank to meet the higher capital requirements after it crosses that mark.

The Sri Lanka rupee-denominated senior debt of HNB, DFCC and Seylan is rated at the same level as their National Long-Term Ratings as the debentures rank equally with other senior unsecured obligations.

Support rating and support rating floor

The Support Ratings and Support Rating Floors of NSB and BOC reflect the state's ability and propensity to provide support to the banks given their high importance to the state and high systemic importance.

The Support Rating and Support Rating Floor of privately owned DFCC reflect its relatively lower systemic importance, in Fitch's view.

Subordinated debt

The old-style Basel II Sri Lanka rupee-denominated subordinated debt of BOC, CB, HNB, DFCC, NDB, Sampath and Seylan and the Basel III compliant Tier 2 Sri Lanka rupee-denominated subordinated debt of BOC, Sampath, Seylan, DFCC and CB are rated one notch below their National Long-Term Ratings to reflect the subordination to senior unsecured creditors. The Basel III compliant debentures include a non-viability trigger upon the occurrence of a trigger event, as determined by the Monetary Board of Sri Lanka.

Rating sensitivities

IDRS, national ratings and senior debt ratings

Banks with long-term ratings driven by sovereign support: Any change in Sri Lanka's sovereign rating or the perception of State support to NSB, BOC, and People's Bank could result in a change in their IDRs and National Ratings.

A reduced expectation of State support through, for instance, the removal of preferential support extended to NSB or a substantial change in its policy role or deviation from mandated core activities, indicating its reduced importance to the Government, could result in a downgrade of NSB's ratings. However, this is not Fitch’s base case scenario.

A downgrade of BOC's IDRs and National Long-Term Rating would most likely result from the sovereign's weakened ability to support the bank, manifested through a lower sovereign rating.

BOC's Viability Rating may come under pressure if there is a continued decline in capitalisation through a surge in lending or high dividends. Further deterioration in the operating environment, leading to deterioration of BOC's key credit metrics, could trigger a negative rating action.

NSB's senior debt rating is sensitive to changes in the bank's Long-Term IDRs. The Recovery Rating on the bank's notes is sensitive to Fitch's assessment of potential recoveries for creditors in case of default or non-performance.

Banks with long-term ratings driven by intrinsic strength: Enhanced loss-absorption buffers could be positive for CB's National Long-Term Rating. The bank's rating could be downgraded on weakened loss-absorption buffers.

An upgrade of HNB's National Long-Term Rating is contingent on the bank sustaining improvement in its financial profile, particularly in its funding, and moderating its risk appetite.

A rating downgrade could result from a significant increase in risk-taking and operating environment-related risks that could materially weaken capital buffers.

Capitalisation is an important driver on DFCC's Viability Rating. An inability to replenish its capital buffers to a level that is commensurate with its risk profile could pressure the bank's IDRs and National Long-Term Rating. Fitch sees limited upside for the bank's ratings due to its weak franchise.

The ratings on DFCC's notes are expected to move in tandem with changes to its IDRs. The Recovery Rating is sensitive to Fitch's assessment of potential recoveries for creditors in case of default or non-performance.

Failure to maintain capital buffers commensurate with its risk profile could put pressure on Sampath's rating. Conversely, Sampath's ratings could be upgraded if the bank significantly strengthens its capitalisation and at the same time restrains its growth trajectory.

NDB's National Long-Term Rating could be downgraded if the bank cannot sustain its capitalisation at a level commensurate with its risk profile. A significant improvement in its capital buffers along with a moderation in its risk appetite could be a rating positive, although Fitch does not expect this to happen in the medium term.

A downgrade of Seylan's National Long-Term Rating could come from a reassessment of state support and a significant deterioration in its credit profile. An upgrade of Seylan's rating would be contingent on improvements in its standalone profile through better asset quality and a financial profile similar to higher-rated peers.

The banks' senior debt and subordinated debt ratings will move in tandem with the banks' National Long-Term Ratings.

Support rating and support rating floor

Lower propensity of the state to support systemically important banks could result in a downgrade in the banks' Support Ratings and Support Rating Floors, but Fitch sees this to be unlikely in the medium term. A change in the sovereign rating could also change the banks' Support Ratings and Support Rating Floors.

The rating actions are as follows:

National Savings Bank:

- Long-Term Foreign-Currency IDR affirmed at 'B+'; Stable Outlook
- Long-Term Local Currency IDR affirmed at 'B+'; Stable Outlook
- Short-Term Foreign-Currency IDR affirmed at 'B'
- National Long-Term Rating affirmed at 'AAA(lka)'; Stable Outlook
- Support Rating affirmed at '4'
- Support Rating Floor affirmed at 'B+'
- US dollar senior unsecured notes affirmed at 'B+'; Recovery Rating at 'RR4'

Bank of Ceylon:

- Long-Term Foreign-Currency IDR affirmed at 'B+'; Stable Outlook
- Long-Term Local-Currency IDR affirmed at 'B+'; Stable Outlook
- Short-Term Foreign-Currency IDR affirmed at 'B'
- National Long-Term Rating affirmed at 'AA+(lka)'; Stable Outlook
- Viability Rating affirmed at 'b+'
- Support Rating affirmed at '4'
- Support Rating Floor affirmed at 'B+'
- Basel II compliant Sri Lanka rupee-denominated subordinated debentures affirmed at 'AA(lka)'
- Proposed Basel III compliant Sri Lanka rupee-denominated subordinated debentures affirmed at 'AA(lka)'

DFCC Bank PLC:

- Long-Term Foreign-Currency IDR affirmed at 'B+'; Stable Outlook
- Long-Term Local-Currency IDR affirmed at 'B+'; Stable Outlook
- Short-Term Foreign-Currency IDR affirmed at 'B'
- National Long-Term Rating affirmed at 'AA-(lka)'; Stable Outlook
- Viability Rating affirmed at 'b+'
- Support Rating affirmed at '5'
- Support Rating Floor affirmed at 'B-'
- US dollar senior unsecured notes affirmed at 'B+'; Recovery Rating at 'RR4'
- Sri Lanka rupee-denominated senior unsecured debentures affirmed at 'AA-(lka)'
- Basel II compliant Sri Lanka rupee-denominated subordinated debentures affirmed at 'A+(lka)'
- Basel III compliant Sri Lanka rupee-denominated subordinated debentures affirmed at 'A+(lka)'

People's Bank (Sri Lanka):

- National Long-Term Rating affirmed at 'AA+(lka)'; Outlook Stable
- Commercial Bank of Ceylon PLC:
- National Long-Term Rating affirmed at 'AA(lka)'; Stable Outlook
- Basel II compliant outstanding subordinated debentures affirmed at 'AA-(lka)'
- Basel III compliant Sri Lanka rupee-denominated subordinated debentures affirmed at 'AA-(lka)'

Hatton National Bank PLC:

- National Long-Term Rating affirmed at 'AA-(lka)'; Stable Outlook
- Sri Lanka rupee-denominated senior unsecured debentures affirmed at 'AA-(lka)'
- Basel II compliant outstanding subordinated debentures affirmed at 'A+(lka)'
- National Development Bank PLC:
- National Long-Term Rating affirmed at 'A+(lka)'; Stable Outlook

- Basel II compliant subordinated debentures affirmed at 'A(lka)'

Sampath Bank PLC:

- National Long-Term Rating affirmed at 'A+(lka)'; Stable Outlook
- Basel II compliant outstanding subordinated debentures affirmed at 'A(lka)'
- Basel III compliant Sri Lanka rupee-denominated subordinated debentures affirmed at 'A(lka)'

Seylan Bank PLC:

- National Long-Term Rating affirmed at 'A-(lka)'; Stable Outlook
- Sri Lanka rupee-denominated senior unsecured debentures affirmed at 'A-(lka)'
- Basel II compliant subordinated debentures affirmed at 'BBB+(lka)'
- Basel III compliant Sri Lanka rupee-denominated subordinated debentures affirmed at 'BBB+(lka)'

(Dailyft)

Asian Shares Mixed; Oil Steadies Near a 2014 High: Markets Wrap

Asian stocks were mixed after a muted U.S. trading session, with Japanese shares paring gains as the yen fluctuated after hitting its weakest against the dollar this year.

The Nikkei 225 Stock Average retreated from an intraday high, after closing Monday at its highest since 1991. Stocks in Hong Kong underperformed as traders returned from a long weekend, and equities also fell in Australia and South Korea. China's markets are shut throughout the week. Earlier, the S&P 500 Index finished higher, though more stocks fell than rose in the benchmark index. The pound rose following a report the U.K. is planning a compromise on Irish border rules, before pulling back.

Global investor sentiment remains fragile, even after a deal between the U.S. and Canada to revamp the Nafta bloc with Mexico. Sino-American tensions remain in focus after the Chinese navy dispelled an American missile destroyer from waters near South China Sea islands, in China's account of the incident. Meantime, political drama in Washington still swirls around President Donald Trump's Supreme Court nominee, which may feed through to November congressional elections and affect the outlook for the administration's agenda.
Morgan Stanley's Shalett Sees 'Pure Relief' in U.S. Markets

Lisa Shalett of Morgan Stanley Wealth Management discusses the recent rally in U.S. equities.
Source: Bloomberg

Elsewhere, oil consolidated at its highest in almost four years as a slowdown in U.S. drilling adds to concern over supply losses from Iran and Venezuela. Italian bonds extended their slide from last week, dragging European debt lower Monday as uncertainty persisted over a budget accord.

Here are some key events coming up this week:

- U.K. Prime Minister Theresa May speaks Oct. 3. in Birmingham.
- Central bank policy decisions are scheduled by the Reserve Bank of Australia on Tuesday and Reserve Bank of India on Friday.
- U.S. employment reports for September also due Friday.

These are the main moves in markets:

Stocks

- Japan’s Topix index climbed 0.5 percent and the Nikkei 225 Stock Average rose 0.2 percent as of 10:35 a.m. in Tokyo.
- Australia’s S&P/ASX 200 Index fell 0.4 percent.
- South Korea’s Kospi index lost 0.5 percent.
- Hong Kong’s Hang Seng Index declined 1.1 percent.
- S&P 500 futures fell 0.1 percent. The S&P 500 itself rose 0.4 percent Monday.

Currencies

- The yen was little changed at 113.89 per dollar, near the weakest since November 2017.
- The offshore yuan was at 6.8886 per dollar.
- The Bloomberg Dollar Spot Index was flat.
- The euro was steady at $1.1577 after dipping 0.2 percent for a fourth day of losses Monday.

Bonds

- The yield on 10-year Treasuries held at 3.08 percent.
- Australia’s 10-year bond yield rose two basis points to 2.69 percent.
- Italy’s 10-year yield climbed 15 basis points Monday, to 3.295 percent.

Commodities

- West Texas Intermediate crude was little changed at $75.48 a barrel after hitting the highest level since 2014 Monday.
- Gold rose 0.2 percent to $1,189.22 an ounce.
- The Bloomberg Commodity Index gained 1.4 percent to a three-month high Monday.

(Bloomberg)