

NEWS ROUND UP

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Shares close at 2-week high; rupee weakens

Sri Lankan shares ended firmer for a third straight session on Tuesday, hitting their highest close in two weeks, while the rupee edged down on importer dollar demand, market sources said.

The benchmark stock index ended up 0.27% at 5,391.21, its highest close since 19 June. The index rose 0.16% last week and posted its first monthly gain for the year in June.

However, the bourse is down 10.92% so far this year. Foreigners sold on a net basis for 16 sessions in 17, the bourse data showed.

Tuesday's stock market turnover was Rs. 507.3 million (\$2.88 million), less than this year's daily average of about Rs. 542.4 million. Last year's daily average was Rs. 834 million.

Foreign investors sold a net Rs. 167.6 million worth of shares on Tuesday, extending the year-to-date net foreign outflows to Rs. 6.7 billion.

Meanwhile, the currency edged down to 176.30/40 per dollar, compared with Monday's close of 176.25/35, market sources said. The rupee rose 0.17% last week, and is up 3.57% so far this year.

The island nation raised \$2 billion via 5-year and 10-year sovereign bond sales last week, tapping global capital markets for the second time in three months. Analysts expect the rupee to weaken further as money has been flowing out of stocks and government securities.

The rupee dropped 16% in 2018 and was one of the worst-performing currencies in Asia.

Foreign investors bought a net Rs. 2.26 billion worth of government securities in the week ended 26 June, but the island nation's net foreign outflow was at Rs. 18.4 billion so far this year, the Central Bank data showed.

The Central Bank cut its key interest rates on 31 May to support a faltering economy as overall business and consumer confidence slumped following deadly bomb attacks in April.

Sri Lanka is unlikely to hit its full-year economic growth target of 3-4% following the bombings, junior Finance Minister Eran Wickramaratne told Reuters last month. A Reuters poll has forecast growth to slump to its lowest in nearly two decades this year. (DailyFt)

Income tax revenue rises 9.6% to Rs. 104 b in 1Q

- Latest data shows revenue from domestic consumption taxes unchanged at Rs. 193 b
- VAT on domestic activities flat at Rs. 102 b but imports grow 3.6% to Rs. 59 b
- NBT rises by 2.5% to Rs. 19 b, Customs duty by 6.9% to Rs. 31 b
- Excise duty on imports drops 40.7% to Rs. 58 b as vehicles, alcohol and oil reduce

Government efforts to increase direct tax revenue saw income tax earnings increase significantly by 9.6% to Rs. 104 billion in the first quarter, compared to Rs. 95 billion in the same period of 2018, the latest mid-year fiscal report from the Finance Ministry said.

This rise was mainly due to the increase in revenue collection from corporate and non-corporate income taxes, Pay-As-You-Earn (PAYE) tax and the Economic Service Charge (ESC).

Revenue generated from domestic consumption-based taxes remained unchanged at Rs. 193 billion in the first four months of 2019 owing to the moderation of domestic economic activities.

Revenue generated from Value Added Tax (VAT) on domestic activities remained flat at Rs. 102 billion during the first four months of 2019.

“However, revenue collected from Nation Building Tax (NBT) on domestic activities increased slightly by 2.5% to Rs. 19 billion in the first four months of 2019, compared to Rs. 18 billion in the same period of 2018. Similarly, revenue from the excise duty on domestic economic activities fell by 1% to Rs. 72 billion in the first four months of 2019, compared to Rs. 73 billion recorded in the same period of 2018,” the report said.

Revenue collected from import-based taxes declined significantly by 12.7% to Rs. 234 billion in the first months of 2019, compared to Rs. 268 billion in the same period of 2018.

Revenue collected from Customs Import Duty (CID) increased by 6.9% to Rs. 31 billion in the first four months of 2019, compared to Rs. 29 billion in the same period of 2018.

Revenue collected from VAT and NBT on import related activities increased moderately by 3.6% to Rs. 59 billion and 3.9% to Rs. 7 billion, respectively. Revenue collected from Ports and Airports Development Levy (PAL) increased slightly by 2.8% to Rs. 37 billion in the first four months of 2019.

Revenue from Special Commodity Levy (SCL) increased by 3.6% to Rs. 25 billion in the first four months of 2019 from Rs. 24 billion in the same period of 2018.

Excise duty on import-related activities fell significantly by 40.7% to Rs. 58 billion in the first four months of 2019, compared to Rs. 98 billion in the same period of 2018 due to the decline in revenue from motor vehicles, petroleum products, cigarettes and tobacco and liquor products.

Meanwhile, revenue from CESS Levy declined slightly by 2.4% to Rs. 16.8 billion in the first four months of 2019 from Rs. 17.2 billion in the same period of 2018 due to the removal of CESS under the phasing out of the Para-tariff Program.

Japan relaxes travel advisory

In the light of the stabilisation of the security situation in Sri Lanka as a result of the large-scale and intensive investigations and security re-enforcement by the concerned authorities, the Government of Japan has relaxed the travel advisory nation-wide from level-2 (refrain from non-essential travel) to level-1 (exercise sufficient caution) on 25 June.

The Government of Japan, however, continues to advise the Japanese nationals to maintain sufficient vigilance during their stay in Sri Lanka with possible occurrence of terrorist attacks and other incidents of violence in mind. (DailyFt)

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Activity remains dull ahead of weekly bills auction

The activity in the secondary bond market remained rather dull yesterday ahead of today’s weekly Treasury bill auction. At today’s auction, a nine week high total offered amount of Rs. 23 billion will consist of Rs. 7.5 billion, Rs. 3.5 billion and Rs. 12 billion on the 91 day, 182 day and 364 day maturities respectively.

At last week’s auction, the weighted averages decreased across the board by 14, 11 and 16 basis points respectively to 8.24%, 8.49% and 8.70% on the 91 day, 182 day and 364 day maturities.

In the secondary bond market, limited trades were witnessed on the 15.09.19, 01.03.21, 01.07.22, two 2023s (i.e. 15.07.23 & 15.12.23), two 2024s (i.e. 15.03.24 & 15.06.24), 15.01.27 and 01.05.29 maturities at levels of 8.40%, 9.12%, 9.60%, 9.82% to 9.85%, 9.88%, 10.20% and 10.35% to 10.36% respectively.

The total secondary market Treasury bond/bill transacted volumes for the 1 July 2019 was Rs. 2.79 billion.

In money markets, the OMO Department of the Central Bank of Sri Lanka mopped up in total an amount of Rs. 27.2 billion by way of overnight, seven day and nine day repo auctions at weighted average ranging from 7.73% to 7.85% as the net surplus liquidity stood at high of Rs. 28.28 billion yesterday. The overnight call money and repo rates averaged 7.82% and 7.86% respectively.

Rupee losses marginally

In the Forex market, the USD/LKR rate on spot contracts depreciated once again to close the day at Rs. 176.30/40 against its previous day's closing levels of Rs. 176.25/35.

The total USD/LKR traded volume for the 1 July 2019 was \$ 105.34 million

Some of the forward USD/LKR rates that prevailed in the market were one month - 176.95/15; 3 months - 178.35/65 and six months - 180.35/65. (DailyFt)

ComBank only Sri Lankan bank among World's Top 1000 Banks for 9 years running

The Commercial Bank of Ceylon has once again been ranked among the Top 1000 Banks of the World, retaining its status as the only bank in the country to be on this elite list for nine years consecutively.

The Top 1000 Banks of the World are ranked by the UK's 'The Banker' magazine on Tier 1 Capital and includes additional data points such as Pre-Tax Profits, Total Assets, Capital Assets Ratio, Return on Capital, Return on Assets, BIS (Basel) Capital Ratio, NPL to total loans, Loans to Assets Ratio, Risk Weighted Assets (RWA), Density and Cost/Income Ratio, to provide an overall view of their soundness, profitability, asset quality and operational efficiency.

Commenting on Commercial Bank's inclusion in this global ranking, the bank's Managing Director/CEO S. Renganathan said: "Consistency is an important virtue in business, especially in the banking sector, and being independently assessed alongside the giants on the world stage is an excellent way to benchmark our performance during a period of challenge. Commercial Bank's ability to remain in the Top 1000 for nine straight years is an affirmation of the solid growth the bank has achieved year on year, despite the volatile conditions in Sri Lanka."

In its announcement of the Top 1000 World Banks in 2019, the Banker magazine noted that "While the global banking system is undoubtedly safer a decade on from the height of the financial crisis, years of a low-volatility bull market along with several sharp shocks rocked many lenders in 2018. Shrinking assets in Europe and central Asia, lacklustre profits everywhere but North America and an uncertain economic environment point towards a slowdown."

The top four positions in the 2019 global ranking are held by Industrial and Commercial Bank of China, China Construction Bank, Agricultural Bank of China and Bank of China.

For the year ending 31 December 2018, Commercial Bank reported total assets of Rs. 1.3 trillion, gross income of Rs. 138 billion, net profit of Rs. 17.5 billion, a deposits base of Rs. 983 billion and net loans and receivables of Rs. 861.1 billion.

In terms of Capital Adequacy Ratios, the bank's Total Tier 1 capital ratio (with capital buffers) at 11.338% as at 31 December 2018 was well above the 8.875% required under Basel III. The Total Capital Ratio of 15.603% at the end of the year was also comfortably above the Basel III requirement of 12.875%.

The Banker's Top 1000 World Banks 2019 provides comprehensive intelligence about the health and wealth of the global banking sector. The ranking includes data on more than \$ 123 trillion of assets in 94 countries.

Compiled from a database of over 5,000 of the world's biggest banks and acknowledged by the global financial community as the definitive guide to bank rankings and analysis, The Top 1000 World Banks ranking was begun in 1970, and provides in-depth global banking data and analysis for banks, consultants, regulators, vendors, corporates and investors.

The Commercial Bank of Ceylon operates a network of 266 branches and 846 ATMs in Sri Lanka and has won more than 40 international and local awards in 2018. The bank's overseas operations encompass Bangladesh, where the bank operates 19 outlets; Myanmar, where it has a Representative Office in Yangon and a Microfinance company in Nay Pyi Taw; and the Maldives, where the bank has a fully-fledged Tier I Bank with a majority stake. (DailyFt)

Panasian Power ups net profit by 48% to Rs. 90 m

Panasian Power PLC, one of Sri Lanka's leading green energy solutions providers, posted a consolidated net profit of Rs90 million for the quarter ending March 31st 2019, signifying a growth of 48% compared to the same quarter last year.

Panasian Power Plc Executive Director Pathmanatha Poddiwala

Revenue for the year amounted to Rs761 million, representing a growth of 57% compared to FY17/18. Net profit margin also grew year on year by 19%. Thanks to these outstanding results, Panasian Power now has the highest return on equity and one of the lowest price-to-book values in the renewable energy industry.

Key highlights for the quarter that paved Panasian Power's path to this resounding success were the connection of 1MW of ground solar and 3.2MW of rooftop solar to the grid, a 20-year extension of the Rathganga hydro tariff scheme, and the completion of pre-development for 5MW of ground solar projects in Matara, Maho, and Pannala.

Speaking about the company's exemplary performance and pipeline development, Panasian Power Executive Director Pathmanatha Poddiwala said, "These results, as well as our consistent performance in recent quarters, provide further validation that we are on the correct path. Our margin growth through cost optimisation is now paying dividends, as is our diversification through solar, energy consultancy and retail. We also continue to grow value for our investors, having doubled the earnings per share year-on-year to Rs. 0.71 per share and increasing our contribution towards a sustainable future for our country. In addition, our 14MW of solar projects in the pipeline will ensure that our growth will continue along the same trajectory for years to come."

Continuing to seek opportunities on a global scale, Panasian Power has identified East Africa as the ideal location for expansion due to the region's high energy requirement and attractive dollar tariff. The company has a positive outlook on its Africa strategy, having made significant progress in the bidding process, particularly in Zambia.

Panasian Power PLC (incorporated in 2002) owns and operates mini hydropower plants supplying electricity directly to the Ceylon Electricity Board.
(DailyFt)

In 2017, the company diversified into solar energy to meet its target of having an energy portfolio of 30MW by 2020.

Asia Stocks Slip; U.S. Yields Hit Lowest Since '16: Markets Wrap

Stocks in Asia were mostly lower Wednesday as investors took a breather after four weeks of gains. Ten-year Treasury yields dipped to the lowest since November 2016 following a disappointing run of economic data.

Shares indexes in Japan, China and South Korea led losses, while equities in Australia edged higher. The yen hit its high for the session after the Bank of Japan made small tweaks to its bond buying program. The rally extended in Treasuries and gold. News on European Central Bank and Federal Reserve leadership appointments underlined the prospect for easier monetary policy, which could offer support for a range of assets.

Ten-year note yield tumbles as investors weigh Fed policy, growth fragility

“We have an inflation in financial assets,” said Kirk Hartman, chief investment officer at Wells Fargo Asset Management, on Bloomberg Television. “Some caution and some flight to gold, flight to the safety of Treasuries makes some sense -- because everybody is scratching their heads and saying how does this end.”

Earlier, the S&P 500 Index swung between gains and losses before logging another record high. Traders may also be positioning for Thursday’s U.S. holiday; American markets will also shut early Wednesday.

There was little further on the trade front Tuesday. U.S.-China talks are headed in the right direction, but will take time, White House trade adviser Peter Navarro told CNBC. Bank of England Governor Mark Carney warned that rising protectionism risks a “widespread slowdown” in the global economy that may require a major policy response.

Next up comes data on U.S. private hiring, factory orders and the services sector on Wednesday, with June’s government jobs report coming Friday.

On the personnel front, Christine Lagarde was nominated to take the helm of the ECB later this year, ushering in a candidate analysts anticipate will take up departing President Mario Draghi’s mantle in providing stimulus. And President Donald Trump said he’s planning to nominate Christopher Waller and Judy Shelton to serve on the Fed Board, candidates seen as likely to advocate lower interest rates.

Elsewhere, oil came off its lows after an industry report showed a contraction in U.S. crude stockpiles last week.

Emerging-Market Dollar Bonds Favored, StanChart's Gill Says

Standard Chartered Private Bank’s Manpreet Gill talks about opportunities in emerging markets.

Source: Bloomberg

Here are some key events coming up:

- U.S. equity markets close at 1 p.m. Wednesday and all day Thursday for the Independence Day holiday. The bond markets close early Wednesday.
- The U.S. jobs report is due Friday and is projected to show non-farm payrolls rose by 164,000 in June, rebounding from 75,000 the month prior.

Here are the main moves in markets:

Stocks

- Futures on the S&P 500 Index slid 0.2% as of 11:48 a.m. in Tokyo. The underlying gauge rose 0.3% Tuesday.
- Japan's Topix fell 0.9%.
- The Shanghai Composite lost 1%.
- Hong Kong's Hang Seng Index declined 0.3%.
- Australia's S&P/ASX 200 Index rose 0.4%.
- South Korea's Kospi lost 0.9%.

Currencies

- The yen was at 107.57 per dollar, up 0.3%.
- The euro was flat at \$1.1291.
- The offshore yuan held at 6.8884 per dollar.

Bonds

- The yield on 10-year Treasuries dropped two basis points to 1.95%.
- Australia's 10-year yield slid to 1.30%, down about three basis points.

Commodities

- West Texas Intermediate crude gained 0.5% to \$56.55 a barrel after sliding Tuesday.
- Gold rose 0.4% to \$1,423.70.

(Bloomberg)