

NEWS ROUND UP

Tuesday, 04th June, 2019

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Sri Lanka stocks close 0.22-pct lower, selling amidst political flare-up

Sri Lanka's stocks closed 0.22 percent lower on Monday with selling centred on John Keells Holdings (JKH), provisional data showed.

The All Share Price Index (ASPI) closed 11.45 points lower at 5,299.50. The ASPI tumbled throughout the day, falling to a low of 5,299.02 in the final half hour of trading, before recovering marginally.

The more liquid S&P SL20 Index closed 9.86 points or 0.40 percent down at 2,459.96.

Political tensions flared on Monday, as Western Province Governor Azath Salley and Eastern Province Governor M. L. A. M. Hizbullah resigned amid pressure from Sinhala nationalists and a protest fast by a Buddhist monk politician in Kandy.

There are also calls for the resignation of Industry and Commerce Minister Rishard Bathiudeen.

Protests against the three Muslim politicians spread over to several towns on Monday.

Market turnover was 188.6 million rupees, with 58 stocks falling and 52 gaining.

Index-heavy JKH closed 1.30 rupees lower at 136 rupees a share, contributing to the ASPI fall.

JKH also contributed 53 percent to daily turnover. (EconomyNext)

Sri Lanka bonds spike on political uncertainty, rupee steady

Sri Lanka rupee closed steady Monday but bonds spiked on political uncertainty as two Muslim governors resigned as protests against them gathered pace, fueling speculation of early elections, dealers said.

The rupee ended around 176.45/60 to the US dollar.

Bonds spiked in late afternoon trade as two Muslim provincial governors who were targeted by a fasting monk resigned. Muslim ministers of the government also resigned after markets closed but said they will remain back-benchers.

Bond yields gain 15 to 20 basis points in the last two hours of trading as speculation of ministers resigning spread.

A bond maturing on 15.12.2021 closed at 9.50/60 Monday up from Friday's closing of 9.35/45 percent.

A bond maturing on 15.03.2023 closed at 10.00/10 percent up from 9.85/90 percent, Friday.

A bond maturing on 15.03.2024 closed at 10.10/20 percent up from 9.97/10.01 percent.

A bond maturing on 01.08.2026 closed at 10.45.60 percent, up from 10.25/33 percent.

A bond maturing on 15.01.2027 closed at 10.50/60 percent up from 10.36/40 percent on Friday. A 10-year bond maturing on 01.05.2029 closed at 10.55/65 percent up from 10.45/49 percent. Colombo stock also closed lower.(EconomyNext)

Sri Lanka's Mahaweli Coconut Plantations rises on debut on small volumes

Mahaweli Coconut Plantations Limited began trading on Sri Lanka's stock exchange Monday, rising 11.5 percent or 1.50 rupees to 14.50 rupees on small volumes at mid-morning from its strike price of 13 rupees.

Just 160 shares changed hands in six trades.

Felix Fernandopulle, Managing Director of Mahaweli Coconut Plantations (MCPL), said the listing would allow original investors, made up largely of desiccated coconut millers, to sell their shares if they wish to.

"The company is now profitable," he said. "Our shareholders have been with us for over 20 years. If someone wants to sell or transfer, this is a better opportunity."

The listing through an introduction, on the 'Diri Savi' second board of the Colombo stock exchange, would also improve governance standards at MCPL, he said, just before ringing the opening bell for trading on the CSE to mark their first day of equity trading.

"Our teak trees are also reaching harvesting time. So the future looks good. It will fetch value for shareholders," Fernandopulle said.

Mahaweli Coconut Plantations listed 33 million shares at a strike price of 13 rupees a share.

CSE chairman Ray Abeywardena said it was the first purely coconut plantation to list and also the first listing in the Colombo bourse after nearly 15 months.

"We have 20 listed plantations sector companies with a market capitalisation of over 25 billion rupees," he said.

"The listing of MCPL, incorporated in 1996 – almost 24 years ago, gives investees an opportunity to realise value from their investments."

Mahaweli Coconut Plantations was set up with funding from a cess on coconut exports to provide raw material for DC millers to avoid future nut production shortages owing to aging trees, growing local consumption and loss of estates for housing and industry.

Its plantation of 1,350 acres is in the north-central province close to the Dimbulaga rock temple with water supplied from the Mahaweli river.

MCPL's net profit rose to 117 million rupees in the financial year to 31 March 2018 from 66 million the year before, as sales grew sharply with trees maturing and giving higher yields and nut prices also high.(EconomyNext)

Global terror finance watchdog delays Sri Lanka exam after Islamist attacks

The Financial Action Task Force, the global policy setter on anti-money laundering and anti-terrorism financing, has delayed its on-site assessment on Sri Lanka till September due to the Easter Sunday attack, a central bank official said.

"The FATF has delayed its on-site review of the effectiveness of our reforms until September," Deputy Governor H. A. Karunaratne said.

"They were supposed to visit in May, but delayed due to security concerns," he said.

Sri Lanka was placed in the grey list of the FATF in October 2017 due to deficiencies in its anti-money laundering and anti-terrorism financing efforts.

Sri Lanka had not made progress in international cooperation, supervision, legal persons and arrangements, and following sanctions on North Korea and Iran.

However, during the FATF meeting in February 2019, it determined that Sri Lanka has completed a set action plan to correct the deficiencies, and warranted an on-site assessment.(EconomyNext)

Sri Lanka eyes World Bank guarantee for billion dollar loan

The World Bank may give terror-struck Sri Lanka a policy-based guarantee which could be used to raise up to a billion US dollars from international markets at a lower rate, Central Bank Governor Indrajit Coomaraswamy said.

"As a part of the World Bank's efforts to support the country after these events, they are giving credit for reforms which we have already undertaken or are about to finish," the Governor Coomaraswamy told reporters on Friday.

"That's the flexible they are exhibiting," he said.

Coomaraswamy said that the government is negotiating with the World Bank for 250 million US dollar guarantee, which could be leveraged four times over for a term loan.

"That means the government can go out and borrow up to about a billion dollars, on the back of the World Bank's AAA rating."

He said borrowing on the World Bank rating instead of Sri Lanka's rating will lower the interest (risk premium).

"This will bring about significant savings," he said. (EconomyNext)

European stocks gain while US tech shares dive

US tech giants took a beating on Monday on reports of stepped-up antitrust scrutiny from Washington, while European stocks bounced after a lackluster May.

Worries about US trade wars lingered in the background, contributing to another decline in oil prices.

The Wall Street Journal, citing unnamed sources, reported that the Justice Department and Federal Trade Commission had agreed to coordinate antitrust enforcement over the biggest tech companies, with Justice taking the lead on Google and the FTC handling Facebook and some aspects of Amazon.

The report follows myriad controversies involving the companies and comes as some presidential candidates call for the giants to be broken up.

The tech-rich Nasdaq Composite Index finished 1.6 percent lower following an ugly session in which Facebook tumbled 7.5 percent, Google parent Alphabet slid 6.1 percent and other tech giants such as Amazon and Microsoft also dropped.

The latest probes "could be the start of a new anti-monopoly push in the industry," said Gorilla Trades strategist Ken Berman.

The tech rout stymied US stocks after a muted open, although the Dow finished a hair higher.

Yet stock markets in London, Paris and Frankfurt all advanced, part of a bargain-hunting push after a bruising May, analysts said.

Stocks fell broadly last month amid worsening trade tensions between Washington and Beijing that were followed late last week by a surprise US announcement from President Donald Trump of new tariffs on Mexico over illegal immigration.

Referring to "the never-ending game of tariff tag," OANDA senior market analyst Edward Moya said there were fears "we could see a global recession by the middle of next year if the US imposes additional tariffs on China and Mexico."

Adding to downcast sentiment were weak manufacturing reports on Monday from Britain and the United States.

The data show "a deepening in the global manufacturing slowdown," said FTN Financial's Chris Low. "Obviously the thinking is that it's mostly because of tariffs... but it also illustrates the companies have very little pricing power."

Those fears also weighed on the oil market, where major benchmark contracts have lost around \$10 in two weeks.

"Escalating trade wars and weaker activity indicators have finally caught up with oil market sentiment," Goldman Sachs said in a note.

- KEY FIGURES AROUND 2050 GMT -

New York - Dow: UP less than 0.1 percent at 24,819.78 (close)

New York - S&P 500: DOWN 0.3 percent at 2,744.45 (close)

New York - Nasdaq: DOWN 1.6 percent at 7,333.02 (close)

London - FTSE 100: UP 0.3 percent at 7,184.80 (close)

Frankfurt - DAX 30: UP 0.6 percent at 11,792.81 (close)

Paris - CAC 40: UP 0.7 percent at 5,241.46 (close)

EURO STOXX 50: UP 0.6 percent at 3,300.22 (close)

Tokyo - Nikkei 225: DOWN 0.9 percent at 20,410.88 (close)

Hong Kong - Hang Seng: FLAT at 26,893.86 (close)

Shanghai - Composite: DOWN 0.3 percent at 2,890.08 (close)

Pound/dollar: UP at \$1.2665 from \$1.2629 at 2100 GMT Friday

Euro/pound: UP at 88.77 pence from 88.41 pence

Euro/dollar: UP at \$1.1242 at \$1.1169

Dollar/yen: DOWN at 108.07 yen from 108.29 yen

Oil - Brent Crude: DOWN 71 cents at \$61.28 per barrel

Oil - West Texas Intermediate: DOWN 25 cents at \$53.25 per barrel. (AFP)