

# NEWS ROUND UP

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## ***Sri Lanka stocks close 0.38-pct higher***

Sri Lanka stocks closed 0.38 percent higher on Wednesday.

Colombo's All Share Price index (ASPI) closed 20.34 points higher at 5,411.55.

The S&P SL20 index of more liquid stocks closed 0.89 percent or 22.53 points up at 2,547.28.

The Hotels and Travel sector index rose 16 basis points after tourist arrivals indicated the hospitality industry was recovering faster than expected.

Sri Lanka Tourism Promotion Board chairman Kishu Gomes said arrivals had picked up to 2000 per day in early June and had recovered further towards the end of the month.

Travel publisher Lonely Planet is still listing Sri Lanka as the top destination for 2019, after the Easter Sunday attacks.

The market turnover was 644 million rupees with 74 stocks gaining and 38 stocks declining.

Three crossing were done in the three stocks; HNB (179 million rupees), Dialog Axiata (136 million rupees) and Commercial Bank (26 million rupees).

Retail activity is back to normal after a two-week downturn, brokers said.

It was mainly centered on Dankotuwa Porcelain (230 trades) and First Capital Holdings (178 trades).

Distilleries Company of Sri Lanka closed 60 cents up at 15.90 rupees a share contributing most to the ASPI rise.

John Keells Holdings closed 2 rupees up at 143.50 rupees a share and Asian Hotels & Properties closed 4.60 rupee up at 41.00 rupees a share, also pushing the ASPI up. (EconomyNext)

## ***Sri Lanka's treasuries yields fall across maturities***

Sri Lanka's Treasury bills yields fell across maturities, with exact pre-announced volumes taken, with the 12-month yield down 11 basis points to 8.59 percent, data from the state debt office showed.

The 3-month yield fell 07 basis points to 8.17 percent and the 6-month yield fell 17 basis points to 8.32 percent.

The debt office, which is a unit of the central bank offered 7.5 billion rupees of 3-month bills, 3.5 billion rupees of 6-month bills and 12 billion rupees of 12 month bills and accepted the exact volumes, without misleading market participants.

Sri Lanka's interest rates are falling after the end of a balance of payments crisis, as private credit has weakened, despite a fall in state tax revenues from an import collapse.

In the past after balance of payments crises the central bank used to accept higher than announced volumes of bills, or shift volumes between maturities, preventing a quick fall of rates by misleading market participants.

When private credit picked up, the debt office also printed money preventing a quick rise of rates and boosting private credit with printed money, triggering balance of payments crises.

However the central bank has halted direct interventions in bond auctions and only buys bills to sell reserves to the Treasury, which does not alter reserve money.(EconomyNext)

## ***Sri Lanka's rupee ends firmer against US dollar, bond yields ease***

Sri Lanka's rupee closed stronger at 176.00/10 to the US dollar in the spot market on Wednesday while bond yields eased marginally, brokers and dealers said.

The rupee closed at 176.30/40 against the greenback on Tuesday.

In the government securities market, bond yields eased after the weekly bill auction, dealers said.

Sri Lanka's debt office offered a 23 billion rupees auction, split into 7.5 billion rupees in 3-month bills, 3.5 billion rupees in 6-month maturity and 12 billion rupees in 12-months bills.

The dealers said the auction went as expected.

The 3-month yield fell 07 basis points to 8.17 percent and the 6-month yield fell 17 basis points to 8.32 percent with the 12-month yield down 11 basis points to 8.59 percent, data from the state debt office showed.

A bond maturing on 15.10.2021 closed at 9.20/25 percent, steady from 9.20/28 percent at Tuesday's close.

A bond maturing on 15.03.2023 closed at 9.70/77 percent, steady from 9.70/78 percent.

A bond maturing on 15.6.2024 closed at 9.86/89 percent, up from 9.85/90 percent.

A bond maturing on 01.08.2026 closed at 10.09/19 percent, easing from 10.10/20 percent.

A bond maturing on 15.01.2027 closed at 10.18/23 percent, edging up from 10.17/25 percent.

A 10-year bond maturing on 01.05.2029 closed at 10.30/34 percent, steady from 10.30/35.(EconomyNext)

## ***Sri Lanka's Horana Plantations diversifies into oil palm, as tea, rubber prices stay low***

Sri Lanka's Horana Plantations is diversifying into more commercially viable crops, especially oil palm, to reduce reliance on tea and rubber whose prices remain low.

The company said in a statement it was using its own and borrowed funds to intensify diversification to phase out unproductive extents with new types of crops capable of supplementing revenue streams and improving resilience to challenges in the tea and rubber industry.

“This strategy helped Horana Plantations PLC to mitigate some of the challenges from the on-going down-turn in the global natural rubber industry,” Horana Plantations chief executive Manuja Kariapperuma said.

“The investments we have made are nearing completion, and we are also looking for innovative ways to build on the progress we have achieved, while generating internal operational synergies between our diversified crops.”

Currently, Horana Plantations has a cultivated extent of 4,899 hectares of which 25 percent will be in oil palm, timber and other crops, 44 percent of tea with rubber making up only 30 percent.

Horana Plantations has invested about 450 million rupees on new projects in oil palm plantations, timber, cinnamon, coconut, pepper and fruits as part of a structured and intensified diversification programme the first phase of which will reach completion by 2020.

Horana Plantations will then have 460 hectares (Ha) of oil palm, and 620 Ha of timber or fuelwood together with 75 Ha of Ceylon Cinnamon and 250 Ha of coconut.

In 2013 it had a cultivated extent of 5,547 hectares with a crop mix of about 47 percent rubber, 42 percent tea, and the remaining 11 percent divided up among minor extents of coconut, cinnamon, timber and fuel wood.

Horana Plantations also plans to establish dedicated extents for pepper cultivation, and fruits of different varieties, having also enjoyed success of intercropping soursop, lemon and pineapple with coconut in selected areas.

“Our oil palm plantations are still in their preliminary phase and as an industry we continue to

face serious challenges as a result of government policies on this crop,” Kariapperuma said.

“Nevertheless, Horana Plantations has committed extensively to the establishment of buffer zones, and other good agricultural practices in order to alleviate concerns. When such cultivation is carried out in adherence with the best science on the subject, there is no reason why oil palm cannot be both sustainable and highly profitable.

“Even at preliminary stage, we are able to generate a profit of over 250,000 rupees a hectare on this crop,” Kariapperuma said. (EconomyNext)

## ***Lion widens global sales, battling Sri Lanka export regulations***

Sri Lanka's largest beer manufacturer Lion Brewery Ceylon Plc said it has expanded its exports into five new markets despite government regulations hindering exports.

"In the financial year under review, we exported a total of 705 containers, an increase of 37 percent in comparison to the previous year," chief executive Suresh Shah told shareholders in the annual report.

"During the year, we entered 5 new markets, namely, China, Qatar, Fiji, Philippines, and Iraq.

"Exports to China commenced at the end of the year under review with an order of 24 containers. Whilst it is still early days, we are hopeful that China will turn out to be a significant market for us."

Chairman Amal Cabraal said that Africa has become the largest market for Lion beer outside Sri Lanka, overtaking the Maldives, where it remains the market leader.

Shah said that Lion beer is continuing to gain traction in the US, where it is widely available in New York.

"In some instances, Lion Stout is the only non US beer listed in the outlet; an indication that the brand is gaining traction in that market," he said.

Lion is gaining recognition in New York through a marketing team present in the city, which the firm will replicate in other markets despite higher costs in setting up such offices, Shah said.

Exports made up just 1.7 percent of the brewery's revenue at 723.5 million rupees in 2018/19, which was a 48 percent increase from a year earlier.

The firm is boosting exports to manage lower local sales, especially from the tourism sector due to the Easter Sunday attack and due to inconsistent tax policies.

"The exports business whilst being small in comparison to our local sales, is of strategic importance as it acts as a buffer against inconsistent and unfair policies at home," Shah said.

However, government regulations are discouraging exports, he said.

"From a regulatory perspective, we are faced with every possible barrier when attempting to grow our exports business."

"The excise procedures that need to be followed when fulfilling export orders are cumbersome and are a case in point as to why Sri Lanka is placed so low in the World Bank's ease of doing business ranking."

Shah said that tax refunds of 600 million rupees have been overdue since January 2019.

"This is certainly not an incentive to export. The need is to encourage exports not hinder the effort," he said.

"However, no attempts are made by the regulator to streamline processes either proactively or reactively."

"Clearly, these are not reflective of the country's need to promote exports," he said.  
(EconomyNext)

## ***Wall Street at records ahead of July 4 holiday, European stocks also up***

The fireworks got started a bit early on Wall Street on Wednesday with all three major stock indices surging to records after a plethora of mediocre US economic data appeared to boost the odds of a Federal Reserve interest rate cut.

In a session shortened ahead of the Independence Day holiday, the Dow, S&P 500 and Nasdaq all jumped to records a day before celebrations are to be marked with fireworks around the United States. Such holiday sessions typically see lower trading volumes, which can magnify market moves.

The excitement in New York came on the heels of a buoyant session in Europe, where investors were cheered by the appointment of IMF chief Christine Lagarde to be the first female head of the European Central Bank.

The Wall Street records came as the yield on the 10-year US Treasury note sagged below two percent, the latest retreat in the wake of commentary from Fed Chair Jerome Powell and other policymakers that has opened the door to an interest rate cut as soon as this month.

Market expectations of a rate cut have grown in part due to weakening economic data that has been attributed in part to myriad trade conflicts.

Data on Wednesday showed US companies hired fewer employees than expected in June, while

the US trade deficit hit a five-month high as imports from Mexico soared amid trade uncertainty.

US jobless claims fell modestly, while the crucial services sector expanded, but grew at the weakest pace in nearly two years as business activity, hiring and new orders all declined.

A key report will come Friday when the Labor Department releases estimates for June job growth. Analysts expect the US added 160,000 jobs and that unemployment held steady at 3.6 percent.

Briefing.com characterized Wednesday's reports as "mostly disappointing," while citing an expected Fed cut as the reason for the rally.

"While the market has been emboldened" by the prospects of lower interest rates, "it should be noted that historically speaking, the first rate cut has not been a positive event for equities going forward," Briefing added.

- Dovish ECB too? -

Earlier, Frankfurt's blue-chip DAX 30, London's FTSE and the CAC 40 in Paris all rose by well over half a percent at the close, with Paris even setting a new high for 2019.

Analysts viewed the gains as similar to the US rally in that they were also fostered on expectations of dovish monetary policy.

"You have to look at Europe to understand today's rally," said Franklin Pichard, head of Kiplink Finance. "Will Christine Lagarde, who will take the helm at the ECB in the coming months, be a fan" of accommodative monetary policy, the expert asked.

For the markets, "it seems the answer will be yes."

Lagarde, 63, has stepped down as head of the International Monetary Fund after being nominated to replace Mario Draghi at the ECB, a move central bank watchers believe will see a continuation of the special policy measures to stimulate economic activity in the single currency area.

"Lagarde is seen as maintaining an expansive approach to both conventional and unconventional monetary policies that will support the 19-member eurozone," said OANDA analyst Edward Moya.

She "is not an economist, but she is a respected policymaker that has led the IMF through the aftermath of the financial crisis."

Oil prices recovered somewhat Wednesday after data showed another drop in US crude

stockpiles but the rebound made only a dent in the four-percent slump Tuesday triggered by weak demand growth worries.

The commodity has endured a volatile week, having surged Monday as Russia and Saudi Arabia agreed to prolong their output caps.

- Key figures around 1800 GMT -

New York - Dow: UP 0.7 percent at 26,966.00 (close)

New York - S&P 500: UP 0.8 percent at 2,995.82 (close)

New York - Nasdaq: UP 0.8 percent at 8,170.23 (close)

London - FTSE 100: UP 0.7 percent at 7,609.32 (close)

Paris - CAC 40: UP 0.8 percent at 5,618.81 (close)

Frankfurt - DAX 30: UP 0.7 percent at 12,616.24 (close)

EURO STOXX 50: UP 0.9 percent at 3,540.63 (close)

Tokyo - Nikkei 225: DOWN 0.5 percent at 21,638.16 (close)

Hong Kong - Hang Seng: DOWN 0.1 percent at 28,855.14 (close)

Shanghai - Composite: DOWN 0.9 percent at 3,015.26 (close)

Euro/dollar: DOWN at \$1.1283 from \$1.1289 at 2130 GMT

Dollar/yen: DOWN at 107.84 yen from 107.88

Pound/dollar: DOWN at \$1.2576 from \$1.2593

Brent North Sea crude: UP \$1.42 at \$63.82 per barrel

West Texas Intermediate: UP \$1.09 at \$57.34 per barrel.(AFP)