NEWS ROUND UP

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Sri Lanka stocks fall with selling in JKH

Sri Lanka stocks closed 0.04 percent lower on Friday, pushed down by index-heavy John Keells Holdings (JKH) brokers said.

Colombo's All Share Price index (ASPI) closed 2.56 points lower at 5,894.70.

The ASPI had fallen to an intra-day low of 5,815.50 in the morning session amid selling in banking stock, before recovering towards the latter part of the day, pushed up by stocks of the diversified financials group LOLC.

The S&P SL20 index of more liquid stocks closed 0.72 percent or 21.22 points down at 2,906.68.

The market turnover was 900 million rupees with 60 stocks gaining and 90 stocks declining.

There was foreign selling, with net outflows of 112.54 million rupees, centering on Aitken Spence, Commercial Bank and Chevron Lubricants.

A third of the turnover was in JKH stock, in which there were three negotiated trades (crossings) totaling 127 million rupees. Net foreign purchases in JKH totalled 31.2 million rupees.

Hayleys Fabric was the retail investor favourite for the third day after its quarterly financials were released on July 30. The firm's profits for the June quarter had grown over ten-fold.

JKH, the largest listed conglomerate closed 3 rupees down at 147 rupees a share, contributing most to the ASPI fall.

JKH subsidiary Ceylon Cold Stores' share closed 24.80 rupees down at 755 rupees a share while Distilleries Company of Sri Lanka closed 50 cents down at 16.50 rupees a share, also pushing the index down. (EconomyNext)

Sri Lanka's LVL Energy Fund hit by soft-peg collapse

Colombo-listed LVL Energy Fund Plc said it had to allocate more money to finance a foreign project after Sri Lanka's soft-peg with the US dollar collapsed in 2018, forcing it to re-allocate more money from an earlier public fund raising.

LVL Energy had committed 3 million US dollars to LTL Energy (Pvt) Ltd, which was building a hydro power plant in Nepal (Makari Gad).

At the time the rupee cost was estimated at 465 million rupees, with the exchange rate at 155 to the US dollar.

The company had disbursed the equivalent of 409.5 million rupees leaving a 55 million rupee balance.

But the collapse of Sri Lanka's unstable soft-peg which is called a 'flexible exchange rate' now forced the firm to pay out 70 million rupees.

The firm will use part of 115 million rupees originally allocated for a hydro power project in Pupulaketiya for the Nepal project.

Sri Lanka's environmental authority had not renewed clearance for the hydro plan.

The balance 45 million rupees would be used to redeem preference shares held by DFCC Bank Plc. Shareholder approval will be sought for the change.

Currency depreciation destroys both private and public debt, depriving savers of wealth and investible capital for future job creation. Chronic also keeps nominal interest high, analysts have said. (EconomyNext)

Sri Lanka's HDFC gets Rs250m capital injection from tax-payers

Sri Lanka's HDFC Bank, a publicly traded mortgage lender with the state as main shareholder said it has received a 250 million rupee injection from the Treasury to meet capital requirements.

HDFC said in a stock exchange filing it had received the money in the form of a non-convertible perpetual debt.

Together with internally generated funds, the firm said it had met a 5.0 billion rupees minimum capital requirement set by the central bank.

The central bank had given approval for the Additional Tier 1 (AT1) bond to be included in capital. (EconomyNext)

Sri Lanka tourist arrivals down 46.9-pct in July

Sri Lanka's tourist arrivals for July were down 46.9 percent to 115,701 from a year earlier following the Easter Sunday attacks, the Sri Lanka Tourism Development Authority said.

The arrivals in July were an improvement from a 57 percent fall in June and a 71 percent fall in May.

“The market has significantly shown progress over the past few weeks and we are happy to notice that the occupancy rates are increasing in hotels across Sri Lanka," SLTDA Director General Upali Ratnayake said.

"Further, we are hopeful that the industry will have a satisfactory season from October onwards,” he said.

Arrivals in July were a 83 percent growth from a month earlier.

The Easter Sunday attack by Jihadist terrorists on three churches and three luxury hotels killed over 250 persons including 44 foreigners.

Global travel publications such as Lonely Planet and Travel and Leisure have continued to support Sri Lanka as one of the world's top destinations despite the terror attacks.

Foreign states removed their travel advisories on Sri Lanka in June.

The tourism industry is recovering faster than expected, analysts say.

The Sri Lankan government is yet to launch a public relations and advertising campaign to generate interest in Sri Lanka due to delays in the procurement process.

However, a budget promotions campaign was launched in India, while the government also removed visa fees and lowered airport charges to reduce airfares to Sri Lanka. (EconomyNext)

HSBC says CEO Flint steps down as it faces 'challenging' geopolitics

HSBC on Monday announced its Group Chief Executive John Flint had stepped down after less than two years on the job, as the banking giant revealed decent first half profits but warned it faced "challenging" geopolitics.

The surprise announcement came shortly before an earlier than expected results release in which the London-headquartered behemoth reported pre-tax profit was up 15.8 percent at $12.4 billion for the first half of the year.

Flint, who has spent three decades at HSBC, was keen to lower costs with the Asia-focused bank facing the double uncertainties caused by both the US-China trade war and Britain's impending departure from the European Union.

HSBC gave no specific reason for Flint's sudden departure, but said it needed a change at the top as it warned investors of difficult times ahead.

"In the increasingly complex and challenging global environment in which the bank operates, the board believes a change is needed to meet the challenges that we face and to capture the very significant opportunities before us," Group Chairman Mark Tucker said.

Flint, 51, said: "I have agreed with the board that today's good interim results indicate that this is the right time for change, both for me and the bank."

HSBC said it would look both internally and externally for a new leader and that Noel Quinn, head of the commercial banking division, will be interim CEO in the meantime.

"Although not carrying out his day-to-day duties after today, he (Flint) remains available to assist HSBC with the transition," the bank said in a statement.

The move comes just weeks after its US chief Patrick Burke retired following a reorganisation of its North American business.

Flint's departure came despite the good results announced on Tuesday with pre-tax profit of $6.2 billion for the second quarter.

The bank also said it would soon begin a buyback of up to $1 billion, according to a statement on the Hong Kong Stock Exchange.

But there are headwinds on the horizon.

In Asia -- which is acutely vulnerable to the ongoing trade war between Washington and Beijing -- the bank said the outlook "is less certain".

Brexit was also weighing on the bank's future.

"The outlook has changed. Interest rates in the US dollar bloc are now expected to fall rather than rise, and geopolitical issues could impact a significant number of our major markets," the bank said.

"In the near term, the nature and impact of the UK's departure from the European Union remain highly uncertain," it added.

"We are managing operating expenses and investment spending in line with the increased risks to revenue," the Asia-focused firm said. (AFP)