

NEWS ROUND UP

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Sri Lanka stocks down 0.35-pct

Sri Lanka stocks ended 0.35 percent lower on Friday, according to provisional data, failing to sustain a record surge the previous day after hopes were shattered that the constitutional crisis would be resolved by Monday.

Colombo's All Share index closed 21.60 points lower at 6,092.53 and the S&P SL20 index of more liquid stocks ended 0.09 percent lower, down 2.99 points to 3,218.08.

Market turnover was 1.9 billion rupees as 112 stocks declined during the day, with 50 gaining.

John Keells Holdings (down 3.40 rupees to 151 rupees), Distilleries (down 40 cents to 18.50 rupees) and Sampath Bank (down 6.30 rupees to 235 rupees) weighed down the benchmark index.

Stocks ballooned 2.70 percent on Thursday, the highest single-day gain in six years, after president Maithripala Sirisena had agreed to reopen parliament on Monday, stoking hopes that it would lead to a vote to settle a power struggle between Mahinda Rajapaksa and Ranil Wickremesinghe, both claiming the premier post.

However, the president's party made a U-turn and said parliament would be prorogued till 16 November. However, on Friday, the speaker of parliament said president Sirisena had again agreed to reconvene parliament next Wednesday.

"It's hard to be sure what's going on, and this is unsettling for markets," a broker said.

The rupee which gained sharply on Thursday was steady with at least one hour left for money markets to close.

The rupee was trading firmer at 174.20/40 rupees against the US dollar in late afternoon spot market trading.

The currency ended Thursday at 174.00/40 rupees against the greenback, rebounding sharply on intervention and dollar sales by banks, after falling to an intraday low of 175.75 rupees, market participants said.

Bond yields were seen edging higher in the secondary market.

A three-year bond maturing in 2021 was quoted at 10.95/11.05 percent, up marginally from the previous day's closing of 10.90/11.00 percent.

A five-year bond maturing in 2023 was at 11.38/45 percent, up from 11.25/30 percent a day earlier. (EconomyNext)

Jetwing chief hails 'So Sri Lanka' tourism campaign

A tourism promotion campaign styled 'So Sri Lanka' has drawn praise from the head of one of the island's top leisure groups.

"This is the best campaign I have seen in my professional life," Jetwing Group Chairman Hiran Cooray said yesterday.

Jetwing, a family owned hotels and travel company, is among the three largest industry firms in the country.

"They have included all aspects of Sri Lanka, from beaches to wildlife to culture," Cooray said.

"The material is great," he said.

The campaign with the tagline 'So Sri Lanka' will debut at the WTM London travel show tomorrow (November 05).

J. Walter Thompson created the campaign, which will cost the state two million dollars, funded through levies collected from formal tourism businesses and one third of the airport tax.

Tourism stakeholders would be hoping for consistency, as in the past, within a period of 10 years, Sri Lanka's tag line changed multiple times, ranging from 'Refreshingly Sri Lanka', 'Small Miracle', 'Wonder of Asia' to 'A Land Like No Other'.

In a combination of factors including a lack of promotions, competition from the informal sector and poor management of hotels has seen the formal industry suffer, and is now going through a phase of mergers and acquisitions.

John Amaratunga the official tourism minister until last week, had said that Sri Lanka had been marketed as a tourism destination mainly through word of mouth, instead of state promotions efforts over the past few years.

A new Tourism Minister, Vasantha Senanayake, was appointed after a controversial change in Prime Minister last week.

Usually, new ministers roll back all policies and programmes of their predecessors, especially if the political party in power changes.

However, Senanayake, speaking to employees at the ministry yesterday, had pledged to support the promotion campaign to be launched.

"He was very supportive of letting us carry on with the campaign," an official source said.

"He said he wasn't going to change anything as long as it's beneficial for the country and he won't look through the lens of a political party."

An off-season promotion, television advertising and a digital marketing campaign are ongoing.

Industry sources said there have been changes at Sri Lanka Tourism Promotions Bureau, with Chairman Dehan Seneviratne leaving following recent political turmoil.

Managing Director Suteash Balasubramaniam left as well after his contract expired yesterday. Renewing a contract requires cabinet approval, sources said. (EconomyNext)

Sri Lanka apparel exports up 9.2-pct in Sept driven by US

Sri Lanka's apparel exports have grown 9.2 percent to 451 million US dollars, in September with exports to America up 16.23 percent to 222 million US dollar, an industry body said.

Exports to the EU were marginally down by 0.57 percent to 173 million US dollars.

Exports to other markets were up 16.67 percent to 56 million US dollars.

Total exports up to September were up 5.04 percent to 3,732 million US dollars, with exports to the US up 5.85 percent to 1,664 million US dollars.

Exports to the EU were up 4.43 percent to 1,578 million US dollars.

Exports to the EU which peaked at 1,626 million US dollars up to September in 2014 fell to 1,473 million US dollars in 2015 amid a withdrawal of GSP+ duty free access and has since recovered.

Amid a political crisis in Sri Lanka, the EU envoy has warned that if Sri Lanka sees a return to human rights violations, GSP concessions could be withdrawn.

Exports to other destinations were up 4.26 percent to 490 million US dollars. (EconomyNext)

Sri Lanka may lose GSP+ if human rights are violated again

Sri Lanka will lose duty free access to the European Union if the country goes back to violating human rights, an ambassador has said, amid a political crisis sparked by a contested appointment of a new prime minister.

Sri Lanka lost so-called GSP+ access to the European Union when Mahinda Rajapaksa was President amid allegations of widespread human rights abuses and media suppression.

"The government got GSP on the basis of certain commitments, if these commitments are not

met, then we would consider withdrawal," EU ambassador to Sri Lanka, Tung-Lai Margue, was quoted as saying to Reuters, a news agency.

The European Union is worried the return of Rajapaksa as prime minister, could derail progress made toward national reconciliation following a war with ethnic minority Tamil separatists, the report said.

"I don't know what his policy on reconciliation would be like. I have fears it won't be the one we agreed on," Margue was quoted as saying.

Namal Rajapaksa, Mahinda Rajapaksa's son had said such fears are unfounded.

"Reconciliation has, and always will be, a focal area for us," he told Reuters. "If there is concern that GSP will need to be withdrawn, these concerns are unfounded and presupposed in error." (EconomyNext)

Iranians reel from currency collapse, sanctions

Seventy-year-old Heidar Fekri has been selling industrial equipment from his small store in a Tehran bazaar since before the revolution, but for the first time he is not sure he can survive.

He means it literally: "My shelves are empty, my warehouses are empty and soon I will have to close the doors. This has been my entire life -- I won't survive long after the doors close."

Iran's economy had plenty of problems even before US President Donald Trump decided in May to abandon the 2015 nuclear deal and reimpose "crippling" sanctions.

But that move exacerbated a record drop in Iran's currency, down 70 percent in the past year, and prompted an exodus of foreign firms.

Anticipation of the return of the oil embargo -- due to kick in on Monday -- has already plunged the country into recession and will see the economy shrink by 3.6 percent next year, says the International Monetary Fund.

For Fekri, who has been bringing in industrial pumps and drills from Europe for 47 years, the uncertainty means he has not imported anything for more than a year.

"Sales have dropped 90 percent compared with six months ago. The whole bazaar is suffering," he told AFP.

Almost all products in Iran -- from medicines to aircraft spares to plastic bottles -- is tied into the global supply chain, so the currency collapse and renewed isolation threatens every corner of

society.

The government has been forced to provide food baskets to around half Iran's households as inflation soars.

- 'Bullying' -

For the middle class, perhaps the biggest blow is psychological, as the burst of hope that accompanied the nuclear deal in 2015 -- the promise of the country finally shedding its pariah status -- has evaporated.

"No one knows what the Americans actually want. We did everything they wanted and it wasn't enough. It feels like bullying," said Sam Cordier, head of PGt Advertising, which represents foreign clients such as British Airways and Nestle in Tehran.

Washington says the sanctions are designed to curtail Iran's "destabilising" activity in the Middle East, but many see them as an attempt to trigger a revolution.

"It's not fair for the Americans to incite violence. If this continues, all the professional businessmen with something to share through knowledge and investment will leave," said Cordier.

He was forced to sack six of his 30 staff and reduce salaries for the rest as, one by one, his foreign clients packed their bags.

"I was crying every 10 minutes when I told them. These are the people who are being hurt. Many young, educated people are leaving the country. There's a massive brain-drain," he said.

- 'Burned generation' -

There is plenty of hatred towards the Trump administration, but a surprising number of Iranians pin the blame on their own government for not better protecting them.

"Yes, America is doing bad things but they are looking out for their interests. If our state had looked out for Iran's interests, we wouldn't have the situation we have now," said Erfan Yusufi, 30, whose hip new coffee shop is struggling to cope with rising prices and falling demand.

Iran's leaders face a tricky balancing act, remaining defiant in the face of US pressure, while acknowledging the economic pain felt in the country.

"All of us understand people are suffering and under pressure," President Hassan Rouhani told parliament last weekend.

"We cannot tell our people that because of America's pressure, we cannot do anything. This answer is not acceptable."

He blamed foreign media for "filling people's minds with false propaganda" about soaring prices, though Iran's own central bank says food prices rose 46.5 percent in the year to September.

For all the problems, there is little sign that Iranians want another revolution, not least because a sizeable number are still fiercely supportive of the last one.

Most others are fearful of violent unrest, cowed by the security forces or uninterested in doing the bidding of a foreign power.

There is instead a sad resignation among many young people, who often refer to themselves as the "burned generation" for having been denied the chance to realise their potential.

"I'm worried about the future," said Yusufi in his coffee shop. "Our generation starts each day not knowing what will become of us." (AFP)

Warren Buffett's Berkshire Hathaway bought back nearly \$1 billion of its own stock

Berkshire Hathaway repurchased nearly \$1 billion of its own stock in the third quarter after the company changed a rule that had restricted stock buybacks.

Berkshire Hathaway (BRKB), Warren Buffett's industrial and insurance conglomerate, said its net income jumped to \$18.5 billion from \$4.1 billion a year ago. Most of the gains came from its massive investment portfolio, though the value of its holdings are down slightly.

The company also saw a huge increase of cash on its balance sheet. Available cash soared to \$36.5 billion at the end of September from \$25.5 billion at the start of the year.

Berkshire also reported a rare stock buyback of \$928 million after the board in July removed strict limits that essentially prohibited share repurchases. The last time Berkshire bought its own stock was in December 2012.

Stock buybacks have been one factor helping fuel the market run to record highs in 2018. They also lower a company's overall share count, which in turn boosts earnings per share.

The move also indicates that Buffett, an investing guru known as the Oracle of Omaha, has not seen many attractive new options at a time of sky-high valuations. Buffett earlier this year said his investment philosophy is to stick with "big, 'easy' decisions and eschew activity."

The company also got a boost from its massive insurance operations and the new US tax code. Its effective tax rate this year has been 19.2%, compared to 27.2% in the first nine months of 2017.

Berkshire Hathaway shares are up more than 4% this year, which is a bit better than the Dow and S&P 500, though shares are 8% below their 52-week high.

The company's performance is tied to both its many subsidiaries -- including Geico, railroad Burlington Northern Santa Fe and consumer brands like Duracell, Dairy Queen and paint maker Benjamin Moore -- and its many investments, including Kraft Heinz (KHC) and Apple (APPL).

Some of its investments have been lackluster in recent months, and Berkshire's continued support for big banks such as scandal-ridden Wells Fargo (WFC), Bank of America (BAC), US Bancorp (USB) and Bank of New York Mellon (BK) have dragged it down too.

Apple remains the most valuable stake Berkshire has in any one company, worth \$57.6 billion as of September 30. (CNN)