

NEWS ROUND UP

Thursday, 07th March, 2019

Contents

Sri Lanka rupee gains, bond yields stable.....	2
Sri Lanka gets oil refinery, steel plant investments from Singapore	3
Sri Lanka launches 5 and 10 year sovereign bonds	4
Global stocks mostly fall on weakening growth outlook.....	4
Huawei is suing the US government to overturn 'unlawful' ban on its products	6

Sri Lanka rupee gains, bond yields stable

Sri Lanka's rupee closed stronger at 178.30/45 to the US dollar in the spot market on Wednesday, while bond yields were stable and stocks fell 0.33 percent the day after the budget, brokers and dealers said.

The rupee closed at 179.00/10 to the US dollar in the spot market on Tuesday, gaining from 179.55/70 on the previous market day.

Currency dealers said banks were releasing dollars into the market on exporter demand for converting dollars into rupees.

The central bank has been concerned over exporters keeping earned dollars abroad and borrowing from local banks for working capital.

Despite the regulator injecting liquidity into the banking system last week, the liquidity short remains at around 27 billion rupees.

Banks are also dealing with increasing bad loans.

In government securities, the primary bills market saw yields fall 3 basis points at Wednesday's auction, continuing the fall seen the previous week.

Yields have so far fallen this year, except for two weeks in mid-February, when there were gains.

The state debt office had offered 24 billion rupees in bills, split over 3-month, 6-month and 12-month maturities.

It had sold 24 billion rupees in 12-month bills after offering 14 billion rupees.

There were no sales of 3-month and 6-month bills.

Dealers said there was buying pressure from banks on bills after the central bank injected liquidity into money markets on March 01.

In the secondary market, there were only a few trades, and yields were stable, dealers said.

Twelve-month bills were quoted at 10.60/65 percent on Wednesday morning, down slightly from 10.62/65 percent at Tuesday's close.

A bond maturing on 01.08.2021 was quoted at 10.70/77 percent today, easing from Tuesday's 10.72.77 percent.

A bond maturing on 15.07.2023 was quoted at 10.85/95 percent on Wednesday, flat from Tuesday's close.

A 7-year bond maturing 01.08.2026 was quoted at 11.13/20 percent, slightly higher than yesterday's close of 11.12/18 percent.

A bond maturing on 15.06.2027, quoted at 10.20/25 percent on Wednesday, compared to 11.20/27 percent at Tuesday's close.

A bond maturing on 01.09.2028, quoted at 11.28/38 percent, wider from yesterday's 11.30/35 percent.

At the Colombo Stock Exchange, the All Share Price Index closed 0.33 percent or 18.97 points lower at 5,751.60 on Wednesday.

The All Share had gained up to 5,778 in the morning session before the tumble.

The more liquid stocks on the S&P SL20 Index were down 0.16 percent or 4.53 points at 2,881.86.

Market turnover was 385.13 million rupees.

Stockbroker First Capital said the volume of shares traded recorded a near two week low while turnover was below the daily average so far this year.

Foreigners were selling, with net outflows of 317.8 million rupees.

Trading of John Keells Holdings shares accounted for 81.5 percent of the market turnover.

Brokers said the market was still digesting the budget proposals from yesterday.

The budget was positive on tourism, construction and manufacturing industries, while the tobacco and alcohol firms saw the expected annual increase in taxation, brokers said.

The All-Share was weighed down by Commercial Leasing & Finance, which closed 20 cents lower at 2.40 rupees per share, and Brown & Company which was down 4.10 rupees at 51.30 rupees per share.

The John Keells Holdings share closed 50 cents lower at 156.50 rupees.

Share prices of 34 firms gained on Wednesday, while 81 fell. (EconomyNext)

Sri Lanka gets oil refinery, steel plant investments from Singapore

Sri Lanka's investment promotion agency has approved investments for a steel manufacturing plant and an oil refinery, Minister of Development Strategies and International Trade Malik Samarawickrama said.

“Already this year the Board of Investment has approved in principle a billion dollar steel manufacturing plant in (eastern) Trincomalee,” he told a post-budget forum held by Ernst & Young the day after the government's 2019 budget was presented in parliament.

“The BOI has approved another proposal for a four billion dollar export-oriented oil refinery, although it will take about three and a half years to set up the plant.”

The refinery will be in southern Hambantota, where there is a large port run by a Chinese company.

“These two large investments are from Singaporean companies – the refinery and steel

manufacturing plant - using the Free Trade Agreement for their investments,” Samarawickrama said.

“They will show the world we are ready for business.” (EconomyNext)

Sri Lanka launches 5 and 10 year sovereign bonds

Sri Lanka has launched a 5 and 10 year sovereign bonds Thursday, a report said after a budget was presented to parliament Wednesday and the International Monetary Fund said it had reached a staff level agreement to continue to a program earlier in the month.

Bloomberg Newswires said initial price guidance on the 5 year bond was around 7.2 percent and the 10 year 8.2 percent.

Sri Lanka had said it was trying to 2.0 billion US dollars or more in international capital markets in 2019 with parliament giving the central bank to raise more debt that required for the current year, to manage debt.

The debt sales is being managed by BOC International, Citigroup, Deutsche Bank, HSBC, JP Morgan, SMBC Nikko and Standard Chartered.

Sri Lanka on March 05, presented a budget with an ambitious 4.4 percent budget deficit target.(EconomyNext)

Global stocks mostly fall on weakening growth outlook

Global stocks mostly fell Wednesday on the dimming outlook for economic growth and questions over the US-China trade talks.

Wall Street finished firmly lower, with the S&P 500 shedding 0.7 percent, its latest weak showing after a strong open to 2019.

Sentiment was dented by the Organization for Economic Cooperation and Development on Wednesday, which cut its global growth forecast for 2019 to 3.3 percent from the prior 3.5 percent.

"High policy uncertainty, ongoing trade tensions and a further erosion of business and consumer confidence are all contributing to the slowdown," the OECD said in an interim version of its Economic Outlook.

US data were mixed, with the trade deficit hitting a 10-year peak in 2018 and private-sector hiring slowing somewhat in February compared with January.

"It's perfectly normal to see the market pull back, especially after such a rally," said Adam Sarhan, chief executive of 50 Park Investment, who also cited slowing growth expectations as a headwind.

Analysts in recent days have also attributed the weakness in stocks to a growing sense that the market has already largely priced in a US-China trade agreement. Progress on talks between Beijing and Washington has been a factor in Wall Street's rise early in 2019. A final agreement could be reached later this month.

Earlier, both Paris and Frankfurt fell modestly, while London edged higher.

Economists believe global headwinds will also prompt the European Central Bank to lower growth and inflation forecasts on Thursday. Some observers believe the ECB is blocked from responding to the soft patch in growth after years of crisis firefighting.

In December it ended more than three years of mass "quantitative easing" purchases of government and corporate bonds, which ultimately amounted to 2.6 trillion euros (\$3.0 trillion) - although it will for now replenish its stock as bonds mature.

Meanwhile interest rates are fixed at historic lows "at least through the summer of 2019" in its regular policy statements -- leaving little room to stimulate the economy by traditional means.

The ECB's governing council would be loath to restart bond purchases short of a major crisis.

And lowering rates still further is unrealistic, although the horizon for raising them could be pushed further into the future.

"We suspect that there is still no consensus on the next policy moves" among members, Capital Economics analyst Andrew Kenningham commented.

- KEY FIGURES AROUND 2100 GMT -

New York - Dow: DOWN 0.5 percent at 25,673.46 (close)

New York - S&P 500: DOWN 0.7 percent at 2,771.45 (close)

New York - Nasdaq: DOWN 0.9 percent at 7,505.92 (close)

London - FTSE 100: UP 0.2 percent at 7,196.18 (close)

Frankfurt - DAX 30: DOWN 0.3 percent at 11,587.63 (close)

Paris - CAC 40: DOWN 0.2 percent at 5,288.81 (close)

EURO STOXX 50: DOWN 0.1 percent at 3,324.67 (close)

Tokyo - Nikkei 225: DOWN 0.6 percent at 21,596.81 (close)

Hong Kong - Hang Seng: UP 0.3 percent at 29,037.60 (close)

Shanghai - Composite: UP 1.6 percent at 3,102.10 (close)

Pound/dollar: DOWN at \$1.3176 from \$1.3178 at 2200 GMT

Euro/pound: UP at 85.83 pence from 85.81 pence

Euro/dollar: UP at \$1.1313 from \$1.1308

Dollar/yen: DOWN at 111.76 yen from 111.89 yen

Oil - Brent Crude: UP 13 cents at \$65.99 per barrel

Oil - West Texas Intermediate: DOWN 34 cents at \$56.22 per barrel. (AFP)

Huawei is suing the US government to overturn 'unlawful' ban on its products

mbattled Chinese tech giant Huawei is suing the US government, challenging a law that bans federal agencies from buying the company's products.

It's Huawei's most aggressive move yet to fight back against US claims that the Chinese smartphone and telecom equipment maker's technologies pose a global security threat.

The company said Thursday that it has filed a lawsuit asking a US federal court to overturn part of a provision in the National Defense Authorization Act, which was signed by President Donald Trump in August. Huawei alleges that a portion of the law violates the US Constitution by singling out an individual or group for punishment without trial.

"This ban not only is unlawful, but also restricts Huawei from engaging in fair competition, ultimately harming US consumers," Huawei Deputy Chairman Guo Ping said at a news conference at the company's headquarters in the Chinese city of Shenzhen.

The legislation specifically forbids government agencies from using technology from Huawei and its smaller Chinese rival, ZTE (ZTCOF).

"The US Congress has repeatedly failed to produce any evidence to support its restrictions on Huawei products," Guo said. "We are compelled to take this legal action as a proper and last resort."

Huawei's court challenge takes its heated standoff with the US government to a new level.

The company is one of China's biggest tech firms and a key player in the global rollout of super-fast 5G wireless networks. Its smartphones compete globally with those of Apple (AAPL) and Samsung.

But Washington has for years been suspicious that the Chinese government could use Huawei equipment to spy on other nations, without providing specific evidence. Huawei describes itself as an employee-owned company and denies any of its products pose a security risk.

Huawei's lawsuit, which was filed in Texas, where the company's American headquarters are located, could force the US government to present a public case against the Chinese tech company as it ramps up its pressure campaign.

The Trump administration has been urging allies to ban or restrict Huawei products from their 5G networks, citing spying concerns but without providing clear evidence. That has complicated Huawei's ambitious plans for growth and prompted complaints from wireless carriers that the US campaign is disrupting their plans to build the networks.

"Huawei is showing that it will not roll over on the US full court press," said Paul Triolo, an expert on global tech issues at consulting firm Eurasia Group.

"It is not likely to result in Huawei gaining new access to the US market," he added. "But it is a symbolic marker that could influence other players around the world considering potential limitations or bans against the firm."

Governments in countries such as Germany and the United Kingdom are deciding what kinds of restrictions to impose on Huawei equipment. Australia banned the company from providing technology for its 5G networks last year.

At the news conference Thursday, Guo accused American officials of hypocrisy.

"The US government has long branded Huawei as a threat," he said, before alleging that US intelligence "has hacked our server and hacked our source code."

The claim appeared to be a reference to reports from 2014, citing documents provided by Edward Snowden, the former US National Security Agency contractor who leaked huge volumes of information on American intelligence and surveillance operations to the media.

Adding to the complexity, US prosecutors have filed criminal charges against Huawei in Washington state and New York.

Huawei pleaded not guilty in Seattle last week to charges that it tried to steal trade secrets from T-Mobile (TMUS).

The company's arraignment in Brooklyn on charges that it worked to skirt US sanctions on Iran is scheduled for later this month. Huawei's chief financial officer, Meng Wanzhou, has also been charged in that case. She was arrested in Canada in December and faces extradition to the United States.

Meng and Huawei have denied the charges. (CNN)