NEWS ROUND UP

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Sri Lanka stocks end 0.07-pct lower, selling on HNB, JKH

Sri Lanka's stocks ended 0.07 percent lower on selling interest in Hatton National Bank and John Keells Holdings.

Colombo's benchmark All share closed 3.73 points lower at 5,382.54 after recovering from an intra-day low of 5,353.33 in the last half hour of trading.

The S&P SL20 of more liquid stocks closed 0.70 percent or 18.10 points lower at 2,569.10.

Market turnover was 333 million rupees, with 37 stocks gaining and 84 falling.

Foreigners were selling, with net outflows of 57.05 million rupees.

Hatton National Bank closed 4.20 rupees lower at 165.80 rupees a share while, John Keells Holdings closed 1.10 rupee lower at 138.40 rupees a share.

Sampath Bank was the most active stock, contributing 36.9 percent to market turnover, and closing 1.60 rupees lower at 152.20 rupees a share. (EconomyNext)

Sri Lanka announces debt moratorium, subsidized credit for tourism

Sri Lanka will give a one year debt moratorium and subsidized working capital for the tourism sector, State Minister for Finance Eran Wickremeratne said.

"This has to happen with discussion with banks and the Central Bank is issuing regulations as we speak," Wickremeratne said Tuesday.

The working capital debt and interest will be treated as separate loans to be repaid from July 2020.

Working capital loans will be based on revenue of hotels.

The banking sector's exposure to tourism (such as loans to hotels) was about 280 billion rupees, Wickremeratne said.

However, not all of these loans will be rescheduled, the moratorium will be on a case-by-case basis, he said.

Up to 75 percent of the interest will be subsidized, the state minister said.

Big hotels and smaller operators will be entitled to the debt relief scheme, as will tour operators.

More than 500 small businesses which had collectively received loans totaling 15 billion rupees through Enterprise Sri Lanka will also receive these concessions.

A value added tax on hotels will also be reduced to 5 percent from 15 percent.

Value added tax collections from tourism amounted to 18 billion rupees in 2018, Wickremeratne said.

Tourist arrivals to Sri Lanka fell 7.5 percent from a year earlier to 166,975 in April amid the Easter Sunday bombings.

The bombings, which targeted three Christian churches and three Colombo hotels, killed over 250 people, including 42 foreigners, and injured over 500, including 37 foreigners.

Sri Lanka Tourism Development Authority Chairman Kishu Gomes has said that tourist arrivals are expected to fall 60 percent in May.

He is expecting arrivals to fall 30 percent in 2019, and recover within 13 months or sooner, as long as there are no additional terror attacks.

Sri Lanka is expected to lose 1.5 billion US dollars in revenue from tourism in 2019.(EconomyNext)

Sri Lanka in talks with ADB for facility after attacks

Sri Lanka is in talks with the Asian Development Bank (ADB) and other international agencies for financial facilities that are available to mitigate the impact of the terror strike on Easter Sunday, State Minister for Finance Eran Wickramaratne said.

"There are ADB negotiations at the the highest level," Wickramaratne told reporters.

"We are also having discussions with other agencies."

The Easter Sunday attacks on three hotels and three churches had hit the tourism sector the hardest.

The government had announced debt moratorium for tourist industry firms from banks until March 2020 and also subsidized credit for working capital.

Any assistance from lending agencies would be in addition to relief measures already announced, Wickramaratne said.

Sri Lanka had got assistance including debt moratoria in the past from multilateral lenders including the International Monetary Fund.(EconomyNext)

IMF chief says US-China tensions 'threat' to world economy

The head of the International Monetary Fund said Tuesday that fresh trade tensions between the United States and China were the main threat to the world economy.

"Clearly the tensions between the United States and China are the threat for the world economy," Christine Lagarde told journalists at a conference in Paris, adding that recent "rumours and tweets" made an agreement between the countries less likely.

President Donald Trump jolted global markets on Monday by threatening on Twitter that tariffs already imposed on $200 billion in Chinese exports to US would more than double to 25 percent on Friday from their current level of 10 percent.

Also speaking at the Paris Forum event, French Economy Minister Bruno Le Maire warned about the impact of a trade war between the world's two biggest economies.

"We are following the current negotiations very closely between China and the United Staters and we want them to respect the principals of transparency and multilateralism," he said.

He called on the two sides to "avoid taking decisions that would threaten and would undermine global growth in the months ahead."

"Increasing tariffs is always a dead-end and a negative decision for the whole world, for the United States, for China, for the eurozone, for Europe and world growth," he said.

China said Tuesday its top trade negotiator will visit the United States for talks with his American counterparts this week.

The countries have been locked in talks to resolve tensions that have seen both of them impose tariffs on goods worth $360 billion.

Treasury Secretary Steven Mnuchin has described the negotiations as 90 percent complete but told reporters that in recent days the talks went "substantially backward", which he blamed on China reneging on previous commitments. (AFP)

Dow falls 473 points as Wall Street gets tariff whiplash

US stocks fell sharply on Tuesday, as financial markets grappled with the risk of an all-out trade war between China and the United States. The Dow (DJIEW), S&P 500 (SPX) and Nasdaq (COMP)all finished the day solidly in the red, adding to their losses from Monday.

The Dow fell about 473 points, marking the second-worst trading day of the year. The worst day of 2019 was January 3, when the Dow fell 660 points.

Earlier Tuesday, the Dow had fallen as much as 648 points, sinking below 26,000 points for the first time since March 29.

The S&P 500 was down 1.7% and the Nasdaq fell 2%.

European stocks fared poorly too. The FTSE 100 (UKX), DAX (DAX) and CAC 40 (CAC40) all closed 1.6% lower. The pan-European Stoxx 600 (SXXP) fell 1.4%.

Asian markets ended their day mixed, with the Shanghai Composite (SHCOMP) closing 0.7% higher, retracing some of its 5.6% drop on Monday, according to Refinitiv.

Global stocks were ailing after President Donald Trump Sunday threatened further tariffs on Chinese imports that could come into effect on Friday, throwing global markets into disarray. His administration doubled down on that threat Monday evening.

"The initial optimism that Trump's truculence was bluster was tempered," said Michael Hewson, chief market analyst at CMC.

Investors previously expected Beijing and Washington to be close to sorting out a trade deal after months of negotiations. A lack of an agreement between the world's two largest economies could stymie global growth.

Technology and industrial companies have been hit the hardest by the selloff, because their businesses inherently rely on the global trade of materials and finished goods.

The United States has other trade-related issues on its plate: Trump has previously threatened tariffs on European car makers, which could prove difficult for the industry, and the USMCA agreement to replace NAFTA has not yet been ratified either.

In short, uncertainty is back.

ver the past months, the "Goldilocks" investing environment of low inflation and high growth had calmed investors' nerves. But political risk came back with a vengeance after the US-China trade negotiations seem to be on thinner ice than previously thought possible this late in the talks.

Monday's selloff started with the Dow opening sharply lower, but stocks recovered most of their losses yesterday as trading went on. Investors took some comfort after Chinese Vice Premier Liu said he remains scheduled to travel to the US this week.

Many have weighed whether the presidential tweet was just a negotiation tactic. Analysts at Bank of America believe that both parties at the table remain motivated to agree a deal.

Speaking to reporters on Monday, US Trade Representative Robert Lighthizer and Treasury Secretary Steven Mnuchin said China reneged on previous agreements over the weekend, undermining progress towards a detailed trade agreement between the world's two largest economies.

Lighthizer, the top US trade negotiator, said the administration would increase penalties on $200 billion of Chinese goods to 25% from 10% on Friday. Trump renewed his threat to raise tariffs on Sunday. (CNN)