NEWS ROUND UP

Thursday, 08th August, 2019

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Sri Lanka stocks rally after 6-day fall

Sri Lanka stocks rallied after a 6-day fall, closing 0.73 percent higher on Wednesday, brokers said.

Colombo's All Share Price index (ASPI) closed 42.74 points higher at 5,889.68, recovering to the same level seen at market close on Monday.

The S&P SL20 Index of more liquid stocks closed 1.42 percent or 40.73 points up at 2,900.71.

Stocks had reached a 6-month high of 5,995.20 on July 29, before retreating for six days till August 06 on profit taking.

The market turnover on Wednesday was 461 million rupees with 98 stocks gaining and 43 stocks declining.

There was a 21.9 million rupee crossing (negotiated trade) in John Keells Holdings 146.00 rupees a share.

Ceylon Cold Stores closed 49.60 rupees up at 750.00 rupees a share contributing most to the ASPI gain.

Commercial Bank closed 3.00 rupees up at 107.00 rupees a share and Sri Lanka Telecom closed 1.00 rupees down at 29.00 rupees a share, also pushing the ASPI up. (EconomyNext)

Sri Lanka rupee ends firmer, gilt yields ease

Sri Lanka’s rupee ended stronger at 177.40/50 against the US dollar on Wednesday while bonds yields eased marginally, dealers said.

The rupee closed at 177.55/65 against the greenback on Tuesday.

Liquidity in the overnight money market was 30.76 billion rupees, down from 33.13 billion rupees at the previous day.

Central Bank mopped up 20 billion rupees in an overnight repo auction at 7.83 percent.

Sri Lanka's debt office offered 18.5 billion rupees in an auction held today, split into 2.5 billion rupees in 3-months maturity, 1.5 billion rupees in 6-months maturity and 14.5 billion rupees in 12-months maturity.

In bonds, yields eased marginally in a moderate market, dealers said.

A bond maturing on 15.10.2021 closed at 8.67/72 percent on Wednesday, easing from 8.77/83 percent at Tuesday.

A bond maturing on 15.03.2023 closed at 35/42 percent, falling from 9.37/45 percent.

A bond maturing on 15.06.2024 closed at 9.77/80 percent, down from 9.80/84 percent.

A bond maturing on 01.08.2026 closed at 9.88/95 percent, falling from 9.90/95 percent.

A bond maturing on 15.01.2027 closed at 9.97/10.00 percent, down from 10.00/03 percent.

A bond maturing on 01.05.2029 closed at 10.00/10.08 percent, steady from 10.00/15 percent. (EconomyNext)

Sri Lanka's Tokyo Cement returns to profit in June quarter

Sri Lanka's Tokyo Cement Company returned to profit in the June 2019 quarter with net earnings of 549 million rupees compared with a loss of 607 million rupees a year ago, interim accounts showed.
The firm had earlier said it got an increase from the price control authority.

Price controls are a significant challenge to Sri Lanka's economy generating shortages for consumers and losses for suppliers and producers.

The group, which operates grinding plants and bulk cement terminals, reported earnings per share of 1.37 rupees for the quarter.

The share last traded at 31.80 rupees.

June 2019 quarter sales rose 16 percent to almost nine billion rupees while cost of sales rose three percent, with gross profit up 71 percent to 2.6 billion rupees.

The June quarter of 2018 had included a loss of 380 million rupees on the sale of a vessel. (EconomyNext)

Haycarb June quarter profit up on strong demand, value added products

Sri Lankan coconut shell-based activated carbon manufacturer Haycarb said net profit shot up 165 percent to 268 million rupees in the June 2019 quarter from a year ago on strong demand and growth in value added products.

Sales of the Hayleys group firm rose 24 percent to 5.3 billion rupees, interim accounts showed.

Haycarb reported earnings per share of 9.01 rupees in the June 2019 quarter. The share closed at 148 rupees, Wednesday, up 11.90 rupees or 8.7 percent.

“Strong demand in the activated carbon market and the growth in the value added carbon portfolio resulted in noteworthy growth in turnover and profitability,” Haycarb Managing Director Rajitha Kariyawasan said.

He noted that availability of raw material, coconut charcoal, in Indonesia and Sri Lanka continued to be stable during the first quarter.

However the effect of shortages and high cost of raw material impacted the Thailand operations negatively, a statement said.

Kariyawasan said the subsidiary Puritas has consolidated its position as a provider of water and waste water purification solutions in Sri Lanka and in the region.

In spite of challenges faced due to the adverse external economic environment in the markets that it operates, the environmental engineering arm is expected to contribute positively to the profitability of the group, he said. (EconomyNext)

Sri Lanka plans talks on pepper trade barrier slammed by India

Sri Lanka is planning talks with India to relax a minimum import price for pepper, a non-tariff barrier erected by India which has slashed exports of the spice by the island, a minister said.

"I will be travelling within the next 10 days together with two members of The Spice Council to meet India's Minister of Agriculture," Primary Industries Minister Daya Gamage said in Colombo.

"I will also meet Indian spice processors, and as a government will sign an agreement with them to sell pepper at a certain price."

India slapped a 7,700 US dollar minimum import price per tonne of Sri Lankan pepper in December 2017, after Indian traders had apparently started to route the spice via Colombo using its entrepot facilities, falsely declaring the product as being from the island after value addition.

Sri Lankan pepper is allowed to be exported to India at zero duty for up to 2,500 tonnes under the Indo-Sri Lanka Free Trade Agreement. Any exports above the limit are subject to an 8 percent preferential duty under the South Asia Free Trade Agreement. Customs duties on pepper imports to India are at 70 percent.

Sri Lankan pepper is more expensive due to a due higher content of piperine, which gives pungency and quality to pepper, industry officials say.

Indian spice growers had claimed that Vietnamese pepper, which was cheaper, was coming from Sri Lanka.

"One or errant two traders, together with shipping companies forged documents to show that Vietnamese pepper shipments were Sri Lankan," Gamage said.

"Some of these shipments did not even enter Sri Lanka and were just transshipped."

When India slapped the minimum import price of 7,700 US dollars, Sri Lanka was selling pepper at 4,600 US dollars a tonne and world prices were around 4,100 US dollars.

Pepper prices are currently around 3,000 US dollars per tonne.

Gamage said that world pepper prices had fallen after growth in output from Vietnam over the past two years.

A stronger dollar had also kept commodity prices down during the period.

Indian spice growers had lobbied to stop all imports of pepper from Sri Lanka under the free trade deal, leading to the non-tariff barrier in the form of an exhorbitant minimum price.

The minimum price had slashed Sri Lankan pepper exports to India by 75 percent, Minister Gamage said, as Indian traders were unwilling to purchase at exorbitant prices.

Some were still buying in smaller quantities to use in niche products such as specialty sauces, he said.

In 2017, pepper exports to India were 63.7 million US dollars, or 75 percent of total Sri Lankan pepper exports, according to the International Trade Centre.

Sri Lanka accounted for just over a third of India's pepper imports in 2017.

Just over a third of Sri Lanka's 29,546 metric tonnes of pepper produced had been exported to India during that year.

Data is not yet available for 2018. Gamage said that Sri Lanka's pepper exports to the world in 2018 had been near the 2017 levels, due to diversification of clients.

The re-exportation of pepper from Sri Lanka was banned after India's allegations, while Sri Lanka's exports were subjected to more stringent customs checks.

Gamage said that may not be completely eradicate pepper re-exports, similar to how the country has not been able to fully stop the drug trade from pushing through cracks.

In East Asia, where trade is free and people are getting more affluent, a younger generation is growing up well nourished and taller than their parents due to free trade.

But in South Asia consumers are held hostage by producer lobbies who have political clout and poverty and malnutrition is more prevalent, free trade advocates say. (EconomyNext)

India central bank makes fourth rate cut this year, revises growth forecast

India's central bank on Wednesday cut interest rates for the fourth time this year and slashed growth forecasts as New Delhi battles a sluggish economy and high unemployment.

The Reserve Bank of India (RBI) said the benchmark repo rate -- the level at which it lends to commercial banks -- would be reduced by 35 basis points to 5.40 percent, taking rates to their lowest level since 2010.

"The monetary policy committee was of the view that a 25 basis point rate cut was inadequate due to evolving global economic conditions while a 50 basis point cut would be excessive," RBI governor Shaktikanta Das told reporters.

"Hence, 35 basis points was viewed as a balanced level of cut due to the current circumstances."

All 36 economists surveyed by Bloomberg News had predicted the central bank would cut rates by 25 basis points.

The Reserve Bank also revised down its growth projection for 2019-20 from 7.0 percent to 6.9 percent, noting that the global economy has been losing pace.

"Domestic economic activity continues to be weak, with the global slowdown and escalating trade tensions posing downside risks," it added in a statement.

A fall in domestic demand lowered India's growth rate in the last quarter to 5.8 percent, with unemployment at its highest since the 1970s.

Indian carmakers including Mahindra & Mahindra have halted production and reported falling sales as consumer demand fell throughout 2019.

The cut to borrowing costs comes as central banks around the world adopt a more dovish tone on monetary policy amid the global slowdown.

- CHALLENGES AHEAD -

This is the fourth reduction this year under governor Shaktikanta Das, an ally of Prime Minister Narendra Modi who was appointed in December after his predecessor quit following a spat with the government over alleged interference.

Modi -- who won a second landslide victory in recent national elections -- faces a massive challenge to create enough jobs for the 1.2 million Indians who join the labour market each month.

The new government that took charge in May faced twin blows when data showed economic expansion falling to a five-year-low and rising unemployment.

The growth figures had come in at 5.8 percent in the fourth quarter. It meant India had lost its place as the world's fastest-growing major economy to China, which is currently on a 6.4 percent-growth trajectory.

Meanwhile, Finance Minister Nirmala Sitharaman's budget announcements in July created panic with a new tax proposal for the super-rich that also targeted trusts used by a large number of foreign funds.

Economists said further cuts could be on the cards.

"RBI has moved its stance to accommodative and inflation is under control. RBI will cut interest rates by 50 basis points incrementally throughout 2019 after this rate cut," Elara Capital economist Garima Kapoor told AFP.

India's inflation rose to an eight-month high of 3.18 percent in June but was within the RBI's target of four percent.

Capital Economics' Shilan Shah warned further policy loosening could be a misstep, and "lead to higher inflation and interest rates in the future".

"The extent of the slowdown is open to debate. Soft surveys show that spare capacity remains limited, while bank lending growth is close to a five-year high," Shah said. (AFP)