NEWS ROUND UP

Tuesday, 09th July, 2019

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Sri Lanka stocks close 0.20 percent lower on Monday.

Colombo's All Share Price index (ASPI) closed 11.21 points lower at 5,504.60.

The S&P SL20 index of more liquid stocks closed 0.49 percent or 12.67 points down at 2,581.77.

The market turnover was 136 million rupees with 56 stocks gaining and 56 stocks declining.

No crossings were done for the day.

Meanwhile, retail activity was dull with only 3,249 trades done, brokers said

John Keells Holdings and Panasian Power contributed most to the turnover, with 13 million rupees and 10.9 million rupees.

John Keells Holdings closed 2.60 rupees down at 143.00 rupees a share contributing most to the ASPI fall.

Net foreign inflow totalled up to 15 million rupees.

Commercial Bank of Ceylon closed 1.40 rupees down at 95.50 rupees a share and Nations Trust Bank closed 2.50 rupees down at 81.00 rupees a share, also pushing the ASPI down. (EconomyNext)

Sri Lanka's rupee ends firmer, bond yields ease

Sri Lanka's rupee closed stronger at 176.00/10 rupees to the US dollar in the spot market Monday, while bond yields eased, market participants said.

The rupee closed at 176.10/20 against the greenback on Friday.

Liquidity in the overnight money market increased to 26.05 billion rupees from 5.34 billion rupees on Friday.

Central Bank drained 6.25 billion rupees in an overnight repo auction at 7.72 percent.

Central Bank mopped up 15 billion rupees at 7.87 percent in a 7-day term repo.

In the secondary market, bond yields eased marginally in an active market, dealers said.

Activity in the market centered on the short tenor of the yield curve with 2021, 2023 and 2024 being the most liquid, dealers said.

Dealers said the activity centered on the short tenor of the yield curve because of Central Bank's ceiling on fixed deposit interest rates which went in to effect from July.

A bond maturing on 15.10.2021 closed at 9.00/08 percent, falling from 9.03/08 percent.

A bond maturing on 15.03.2023 closed at 9.58/63 percent, down from 9.60/65 percent.

A bond maturing on 15.6.2024 closed at 9.82/85 percent, steady from 9.82/84 percent.

A bond maturing on 01.08.2026 closed at 10.03/13 percent, down from 10.05/12 percent.

A bond maturing on 15.01.2027 closed at 10.12/17 percent, falling from 10.15/18 percent.

A 10-year bond maturing on 01.05.2029 closed at 10.20/25 percent, declining from 10.25/30 percent. (EconomyNext)

Sri Lanka to cut costs for airlines to revive tourism

Sri Lanka will reduce aviation fuel prices, ground handling charges and embarkation levy to lure back airlines which cut flights after April’s suicide bombings, with the highest gains for the most frequent carriers and biggest aircraft.

The ground handling charges, aviation fuel, and embarkation levy will be reduced for six months, Sri Lanka Tourism Development Authority said in a statement.

The aviation-related discounts aim to encourage airlines to reduce airline ticket prices and combine the specially priced tickets with discounts being offered by hotels and restaurants in Sri Lanka.

The measures were approved by the Cabinet of ministers this week.

Aviation fuel prices will be reduced to match those at Chennai, south India, a planned 10 dollar increase in the embarkation levy would be put off, leaving it at 50 dollars, and SriLankan Airlines asked to cut ground handling charges.

In 2018, the island earned 4.4 billion US dollars with about 2.3 million tourists visiting the country and spending 25 million-nights in the country, mostly brought by international airlines.

By April 2018, 29 airlines were serving Sri Lanka offering 300 flights per week.

“However, following the April 21st Easter Sunday attacks, the connectivity was reduced to 239 flights per week resulting in a total of 41 flights cancellations which amounts to a loss of seat supply by 8,000 per week from six countries - China, Hong Kong, India, Malaysia, Oman, and Thailand," the statement said.

Eleven foreign airlines reduced their flight frequencies to Bandaranaike International Airport while Russian airline Rossiya withdrew completely its two flights a week, resulting in a complete loss of direct air connectivity with Russia.

"Most of the airlines which reduced frequencies are low-cost carriers," Sri Lanka Tourism said.

The direct and indirect negative impact of the Easter Sunday attacks is about 12 million rupees and 51 million rupees a day.

"The positive and immediate action taken by the government, in response to the urgent request made by the Sri Lanka Tourism Development Authority, comes at a critical time and is most appreciated," said Johanne Jayaratne, chairman, Sri Lanka Tourism Development Authority.

"The authority will be working closely with the Board of Airline Representatives (BAR), and the Sri Lanka Association of Airline Representatives (SLAAR) to ensure that these lowered rates are reflected in the airline ticket pricing." (EconomyNext)

Sri Lanka parliament faults finance ministry on wrong foreign debt interest costs

A Sri Lankan parliament committee has accused the government's finance ministry of seriously underestimating and providing incorrect budget estimates on the interest cost on foreign debt, in its reports to the legislature.

A parliament report in public finance said it was trying to improve the quality and decipherability of information provided to law makers by the ministry of finance (MoF).

It referred to what it called a "puzzling phenomenon" of the finance ministry providing "egregiously incorrect" budget estimates on the interest cost of foreign loans.

The estimates provided in the budget on. interest payments on foreign loans have been egregiously incorrect, over many years, it said.

The actual costs have been under-estimated by 61.2 percent in 2016 and 33.8 percent in 2017.

The report noted that parliament had previously pointed out that "such large discrepancies need a valid explanation as foreign debt and interest payment commitments are large, known in advance, the bulk of it accrued over decades, and easily calculated."

It also noted that "the MoF explanation provided was that this is a result of unexpected level of treasury bond purchases after the budget estimates are prepared, that count as foreign debt" and that "this explanation lacks credibility".

This was because it requires the parliament committee on public finance to accept that interest payments on foreign debt built up over decades, which is about 35 percent of GDP at present, are hugely overshadowed by unexpected changes in interest payments on very short-term foreign debt taken and paid within a single year.

The report noted that the parliament committee had asked for a written explanation last year on "the very large and systematic error in projecting foreign interest payment" to be tabled in parliament.

"Such a written explanation has not been received to-date," the report said.

This year, to guard against such repeated errors in estimates, the parliament Committee on Public Finance asked the MOF to share the schedule it maintains on foreign debt and interest payments.

"It is only in May 2020, after the Central Bank Annual Report is published for 2019, that the COPF will be in a position to make a fresh assessment about the integrity of the information that has been provided in the current budget cycle," the report said.

"This simple case study on the huge discrepancies in estimates provided to Parliament, against actual outcomes, reflects the very serious failure by the MOF to adhere to reasonable standards in the provision of information, and lack of due diligence in responding to the issues highlighted through COPF reports." (EconomyNext)

Stock markets ease on shifting Fed expectations, dodgy growth outlook

World stock markets were mostly lower Monday amid worries about slowing global growth and diminishing hopes for an aggressive Federal Reserve interest rate cut.

Taking their cue from an earlier sell-off in Asia, European stock markets weakened as steep reductions in US borrowing costs appeared to be off the cards, at least for now.

Among the leading European indices, the blue-chip CAC 40 in Paris, the DAX 30 in Frankfurt and London's FTSE all ended the day in the red.

On the other side of the Atlantic, Wall Street stocks also retreated for a second straight session.

US stocks have pulled back since all three indices closed at records on Wednesday following a cease-fire on new tariff actions in the US-China trade war and amid hopes for easier monetary policy.

But the strong US jobs report Friday dented expectations of an aggressive move by the Fed to cut interest rates.

All eyes now are on Fed Chair Jerome Powell who is set to make his semi-annual congressional appearances this week.

Investors also will keep an eye on consumer price data, another factor considered by the Fed.

But Morgan Stanley warned that stocks were vulnerable even if the Fed cuts interest rates, and lowered its rating on equities to "underweight," based on an assessment of the pluses and minuses of move by the central bank.

"Our concern is that the positives of easier policy will be offset by the negatives of weaker growth," Morgan Stanley said in a note.

"We think a repeated lesson for stocks over the last 30 years has been that when easier policy collides with weaker growth, the latter usually matters more for returns."

- Turkish lira pressured -

While the dollar was steady against its main rivals, it surged against the Turkish lira after President Recep Tayyip Erdogan sacked the head of the country's central bank following months of tensions over high borrowing costs.

Erdogan, who is battling to boost Turkey's struggling economy, has repeatedly railed against high interest rates and called for them to be lowered to stimulate growth.

"The Turkish lira is sliding once again amid renewed concerns that Erdogan is ruining the nation's economy, just as inflation was starting to ease back," said Forex.com analyst Fawad Nazagzada.

"His decision to replace the Turkish central bank governor over the weekend has backfired with the lira taking a tumble. Undoubtedly, some investors are concerned that monetary policy will now be loosened prematurely, and this could prevent a convincing drop in inflation."

Among individual companies on Wall Street, Apple fell 2.1 after Rosenblatt Securities downgraded shares in part due to expected weakness in iPhone sales.

Boeing shed 1.3 percent after Saudi budget carrier flyadeal withdrew an order for the grounded 737 MAX jets in favor of a fleet entirely composed of Airbus planes.

US shares of Deutsche Bank slid 6.1 percent after the German bank announced it would cut 18,000 jobs by 2022, around one-fifth of the workforce. Shares fell 5.4 percent in Frankfurt.

- Key figures around 2040 GMT -

New York - Dow: DOWN 0.4 percent at 26,806.14 (close)

New York - S&P 500: DOWN 0.5 percent at 2,975.95 (close)

New York - Nasdaq: DOWN 0.8 percent at 8,098.38 (close)

London - FTSE 100: DOWN 0.1 percent at 7,549.27 (close)

Paris - CAC 40: DOWN 0.1 percent at 5,589.19 (close)

Frankfurt - DAX 30: DOWN 0.2 percent at 12,543.51 (close)

EURO STOXX 50: DOWN 0.1 percent at 3,523.76 (close)

Tokyo - Nikkei 225: DOWN 1.0 percent at 21,534.35 (close)

Hong Kong - Hang Seng: DOWN 1.5 percent at 28,331.69 (close)

Shanghai - Composite: DOWN 2.6 percent at 2,933.36 (close)

Euro/dollar: DOWN at $1.1211 from $1.1225 at 2100 GMT Friday

Dollar/yen: UP at 108.75 yen from 108.47 yen

Pound/dollar: DOWN at $1.2512 from $1.2521

Brent North Sea crude: DOWN 12 cents at $64.11 per barrel

West Texas Intermediate: UP 15 cents at $57.66 per barrel. (AFP)