NEWS ROUND UP

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Sri Lanka bond yields flat, shares end weaker

Sri Lanka bond yields were flat on Wednesday while 12-month bill rates fell, and stocks continued the tumble below the 6,000 mark, brokers and dealers said.

The rupee closed around 182.40/50 around the same levels as Tuesday after spiking to around 182.80 in intra-day trading.

Sri Lanka's 12-month Treasuries yields fell 14 basis points to 10.85 percent at Wednesdays auction, with 17.5 billion rupees worth of securities being sold by the state debt office after offering 12 billion rupees.

The debt office also sold 2.45 billion rupees of six month bills at 9.94 percent, down 1 basis point from a week earlier after offering 8.0 billion.

A bond maturing on 15.12.2021 was quoted at 11.30/35, flat from Tuesday.

A 7-year bond maturing on 01.08.2026 closed at 11.60/70 percent, against Tuesday's closing of 11.60/62 percent.

A 6-year bond maturing on 05.02.2025 was quoted higher than the 7-year bond at around 11.75/80 due to foreign selling, dealers said.

Meanwhile, the All-Share Price Index of the Colombo Stock Exchange was down 10.17 points from Tuesday, closing at 5,982.19.

The more liquid S&P SL20 Index was down 13.86 points to 3,036.09.

Market turnover was 216.4 million rupees.

In total, 37 shares gained during the day, while 73 fell.

Foreign sales were 143.3 million rupees, while foreign purchases were 139 million rupees.

The stocks that contributed most to the fall in the All-Share were Brown & Company, down 6.50 rupees to 54.50 rupees; Sri Lanka Telecom, down 70 cents to 23.90 rupees; John Keells Holdings which was 90 cents weaker at 153.10 rupees and Commercial Bank, down 80 cents to 113.20 rupees.

Speculative buying of Hunas Falls Hotels amid a takeover offer saw the share gain 8.40 rupees to close at 156.40 rupees. The share was up 77.4 rupees since January 02.

Share of its parent Amaya Leisure gained 10 rupees on Wednesday, closing at 50 rupees.(EconomyNext)

Sri Lanka finance minister to Washington to get IMF facility back

Sri Lanka’s Minister of Finance and Mass Media Mangala Samaraweera will leave for Washington on Friday, January 11 for talks on getting the IMF External Fund Facility (EFF) back on track.

Samaraweera is expected to signal the government's intention to continue with IMF reform program, a finance ministry statement said.

He will be meeting Christine Lagarde, IMF Managing Director, Mitsuhiro Furusawa, Deputy Managing Director, Chanyong Rhee, Director, Asia Pacific Department, Manuel Goretti, Team Leader and other members of the IMF Sri Lanka Team.

“A key objective will be to negotiate the trajectory of continued fiscal consolidation while accommodating policies to support growth and strengthen the social safety net,” the statement said.

Sri Lanka had just completed talks with the IMF on getting the next tranche of its loan in October 2018 when a political crisis triggered by President Maithripala Sirisena sacking Prime Minister Ranil Wickremssinghe interrupted the process.

Samaraweer’s delegation to the IMF will include the Governor of the Central Bank, Secretary to the Treasury and other key officials of the Central Bank and the Treasury. (EconomyNext)

Sri Lanka Central Bank gets $400M swap from Reserve Bank of India

Sri Lanka's Central Bank says it will get 400 million US dollars from a swap arrangement with the Reserve Bank of India, while a request for a further 1 billion US dollars is under consideration.

The Reserve Bank of India—the central bank of that country—has agreed to provide the funds under its SAARC (South Asian Association for Regional Cooperation) Swap Facility, Sri Lanka's Central Bank said in a statement Wednesday.

"The RBI’s very rapid and timely assistance will serve to boost investor confidence by supporting Sri Lanka to maintain an adequate level of external reserves while accommodating outflows related to imports, debt servicing and, if necessary, support for the currency to avoid disorderly adjustment," the Central Bank said.

It has requested a further bilateral swap arrangement of 1 billion US dollars from RBI which is "under consideration".

"The CBSL acknowledges the very active role played by the Government of India, the Sri Lankan High Commission, in Delhi, and the Indian High Commission, in Colombo, in facilitating these arrangements," the statement said.

"With the end of the delays related to the political developments in the country, the Government of Sri Lanka and the CBSL have also already revived action to: issue international sovereign bonds; obtain term loans; and negotiate credit lines through the state banks on behalf of the government.

"It is expected that these operations will be completed in 1Q 2019.

"In addition, Mangala Samaraweera, Minister of Finance and Mass Media will be visiting Washington (14–16 Jan 2019) to resume negotiations with the IMF on the Extended Fund Facility," the Central Bank said.(EconomyNext)

Sri Lanka to cut withholding tax on interest, rent, royalties

Sri Lanka will cut withholding tax on rent from 10 percent to 5 percent and exempt royalties from withholding tax for up to 50,000 rupees a month, under tax changes proposed by Finance Minister Mangala Samaraweera approved by the cabinet of ministers.

The exemption on a slab of 50,000 will remove many artistes who were receiving small royalty payments, which had become a political hot potato.

In most countries, it is a practice to exempt a slab for taxes including capital gains on stocks. The exemption on royalty payments will be subject to a total of 500,000 rupees a month.

Sri Lanka will also exempt interest children's deposits from withholding tax.

Interest income of up to 50,000 rupees on deposits at banks by individuals and joint accounts will be exempt from withholding tax up to a limit of 500,000 a year.

Senior citizens will be exempt on interest income up to 3.0 million rupee a year from the current 1.5 million rupees.

Exempt interest income will not be subject to income tax. Above the exempt limit a 5 percent withholding tax will be charged, which will be a final tax.

Interest income from non-resident and resident foreign currency accounts (NRFC and RFC) have also been exempt from tax. (EconomyNext)

US Fed: 'can afford to be patient' on rate hikes

US central bankers "can afford to be patient" before raising interest rates again, given low inflation and uncertainty about the outlook, according to the minutes of the Federal Reserve's December policy meeting.

And while they continue to expect "some" more rate hikes at some point there would be a "relatively limited amount," according to the minutes of the rate-setting Federal Open Market Committee's December 18-19 meeting.

The timing is "less clear" now due to a contrast between the solid US economic data and the fears of a possible downturn amid rising trade confrontations displayed by financial markets and expressed by businesses, according to the report.

"Against this backdrop...especially in an environment of muted inflation pressures, the committee could afford to be patient about further policy firming," the minutes said.

US and global stock markets retreated sharply in the closing weeks of 2018 amid the US-China trade confrontation and fears rising interest rates could slow the economy.

But the Fed said policymakers would watch for incoming data to see how the economy performs amid current uncertainty about trade frictions and volatility on financial markets.

"Monetary policy was not on a preset course; neither the pace nor the ultimate endpoint of future rate increases was known," the minutes said.

The Fed raised the benchmark interest rates in December for the fourth time last year but the minutes said "a few" participants favored holding off, saying there was "latitude to wait and see."

- 'Less clear' -

Fed Chairman Jerome Powell also sought to reassure financial markets last week, saying policymakers would be "patient" before making any further moves as they watched to see how the economy evolved, and could react quickly to any changes.

Three Fed officials -- who will become voting members of the FOMC this year -- came out Wednesday with similar statements stressing they have the flexibility to wait before making decisions about the next move.

It is possible there were among the "few" who preferred not to raise rates last month.

Eric Rosengren, president of the Boston Federal Reserve Bank, one of 12 in the Fed system, said financial markets had become "unduly pessimistic" about the economic outlook but like others he agreed policymakers should heed their warning.

But St Louis Fed President James Bullard, in an interview with The Wall Street Journal, warned that the Fed would be "bordering on going too far and possibly tipping the economy into recession" if rates go higher.

Still, the Fed minutes indicate officials expect the economy to continue to grow with subdued inflation, which would make some further rate hikes necessary.

However, "recent developments, including the volatility in financial markets and the increased concerns about global growth, made the appropriate extent and timing of future policy firming less clear than earlier."

The officials pledged to continue to monitor financial markets for signals about potential risks.

But they also noted that if trade disputes were resolved favorably, that could lead to "stronger-than-expected economic outcomes."

The next FOMC meeting is set for January 29-30.

Wall Street reacted favorably to the news but US stocks had pared much of their gains toward 1930 GMT. (AFP)