NEWS ROUND UP

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Budget gets IMF support

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- Keen to see SriLankan Airlines put on better financial footing

Budget 2019 has drawn support from the International Monetary Fund (IMF), but it comes coupled with a call for a prudent policy mix with continued fiscal discipline and reforms, especially stronger performance monitoring of State-owned enterprises (SOE) to strengthen the economy.

International Monetary Fund Mission Chief for Sri Lanka Manuela Goretti

International Monetary Fund (IMF) Mission Chief for Sri Lanka Manuela Goretti told Daily FT that an extension of the $1.5 billion Extended Fund Facility (EFF) is likely to go before the IMF Executive Board in May. Nonetheless she insisted it was imperative for the Government to continue fiscal consolidation and reforms to put the economy on a sustainable path.

"With public debt at over 90% of GDP, large refinancing needs, and low reserve buffers, a prudent policy mix is necessary. Sustaining the fiscal consolidation effort and reform momentum is key to maintaining market confidence. The 2019 Budget recently announced by the Sri Lankan authorities strikes an adequate balance by advancing fiscal consolidation while also accommodating critical public spending and growth-friendly tax measures to mitigate the impact of the adjustment on the most vulnerable and support investment and growth," she said.

Budget 2019 has set an ambitious deficit target of 3.5% but has drawn criticism from the Opposition for increasing expenditure to provide a Rs. 2,500 salary increase to the public sector and a slew of other benefits, including increased pensions and tax cuts. Many experts have pointed out that revenue targets are too ambitious and unlikely to meet the levels expected by the Government even though the Inland Revenue Act will complete a full year in 2019.

However, Goretti said the Government's fiscal consolidation targets are equally spread over 2019 and 2020, which put it in line to achieve the target of 3.5% Budget deficit next year. The IMF also cautioned against fiscal slippage which is described as "critical" to meet an estimated $5.9 billion in debt repayment for 2019.

"Continued fiscal discipline in 2019 is critical to safeguard fiscal sustainability and meet Sri Lanka's large refinancing needs. The implementation of the Inland Revenue Act and other tax reforms will increase tax collections, while providing generous investment incentives for businesses. This will help reduce the fiscal deficit and place the debt to GDP ratio on a downward path, while preserving space for well-targeted social spending and critical public investment projects."

Putting the IMF program back on track after it was suspended during the 52-day Constitutional Crisis would require the Government returning to basics, Goretti added.

"There are three key elements to put the program back on track: implementing revenue-based fiscal consolidation and SOE reforms to put public debt on downward path; resuming efforts to rebuild foreign exchange buffers; and accelerating structural reforms. These elements are essential to address

macroeconomic imbalances, strengthen the resilience of the economy to shocks, and lay the foundations for strong, sustainable and inclusive growth."

Even though 2019 is an election year, Goretti encouraged the Government to follow through with transparent energy pricing, which was initially scheduled for 2017 but has been postponed multiple times. She also said the Government should expand the use of Statements of Corporate Intent (SCI) to more SOEs and push for audited financial statements to be published regularly. The need for the latter has also been highlighted by the Government's own Committee on Public Enterprises (COPE) and the Committee on Public Finance (COPF).

"More SOEs should have SCIs and their performance should be monitored regularly against KPIs. Audited financial statements should also be published more promptly. The implementation of the monthly fuel pricing formula was an important step towards achieving cost recovery levels and mitigating fiscal risks from CPC. Further efforts are needed to complete energy reforms. The authorities' plans to bring SriLankan Airlines back onto a sound financial footing are also welcome," she added. (Dailyft)

Business confidence continues to rise

The latest edition of LMD reports that the LMD-Nielsen Business Confidence Index (BCI) climbed 14 basis points to register 115 in February.

According to the leading business magazine, this follows an increase of 11 basis points in the previous month and also puts the index above its average of 101 for the last 12 months. However, it remains 12 basis points below where it stood a year ago, LMD points out.

Nielsen's Managing Director Sharang Pant says: "The tailwinds behind the improvement in sentiment remain the same – political stability, low inflation, healthy tourist arrival numbers and a marginal appreciation of the rupee versus the dollar."

LMD notes that political stability, the health of the economy and corruption are among the key national issues cited by businesspeople. Meanwhile, taxes, the value of the rupee and inflation are considered to be among the main concerns when it comes to business.

A spokesperson for LMD reiterates that the outlook for the index may be uncertain following the stabilisation of the political situation and prospect of one or more elections this year. "The index may continue to trend upward in the short term, given expectations that the Budget 2019 would be business friendly," she observes.

The spokesperson continues: "For now, there seems to be a renewed sense of optimism about business prospects as well as the national economy."

Media Services, which publishes LMD, says the latest edition of the magazine will be released to leading bookstores and supermarkets on 8 March (for the full BCI report, visit www.LMD.lk). (Dailyft)

SEC Chief hails listing of ISB on LSE as commendable first

Securities and Exchange Commission (SEC) Chairman Ranel Wijesinha was upbeat and encouraged by the news conveyed to him by the Central Bank of Sri Lanka (CBSL) Governor Dr. Indrajit Coomaraswamy on Wednesday 6 March, that the $2.4 billion International Sovereign Bond (ISB) 2019 will be listed on

the London Stock Exchange (LSE) for the first time, and was happy that "we had an opportunity to play a part in it."

SEC Chairman Ranel Wijesinha

Chairman Wijesinha was particularly appreciative of the manner in which the Governor responded within an hour of the receipt of his written request almost a month ago for an early meeting, to discuss a possible dual listing of the foreign currency denominated Government debt on the LSE and the Colombo Stock Exchange (CSE).

"We are firm in our belief that the Capital Market in Sri Lanka should lend itself to facilitate the country's initiatives to raise funds, while at the same time leveraging the opportunities for the CSE to expand the depth, breadth, size and composition of equity and debt listings. Now that ISB 2019 will be listed on the LSE, future issuances have the potential to be traded on the CSE." Wijesinha added.

Invest Sri Lanka promotions in London and Edinburgh

Reflecting on the recent overseas market development efforts, Wijesinha remarked "In October 2018, we worked closely with the LSE and the International Chamber of Commerce to successfully promote the Capital Market of Sri Lanka in London and Edinburgh. We were encouraged by the foreign portfolio investment (FPI) that was sourced from the UK market immediately after our promotion. Regretfully, during the 26 October to December 2018 period, there was an outflow of these funds from the stock market along with an outflow of foreign funds from the Government Securities market. As reported on many occasions in the media, and as Governor Coomaraswamy has stated even before ISB 2019, it is encouraging to see foreign investors return to the Government Securities market."

The LSE, a source of FDI now a possible catalyst for FPI

"The LSE which acquired Millennium IT (MIT) a decade ago, is a valued foreign direct investor in Sri Lanka and has had discussions with the CSE to dual list the Foreign Currency Denominated Sovereign Bonds issued by the Government of Sri Lanka in London and Colombo" said Wijesinha.

Thoroughness, timeliness and perseverance pays

Against this background, the SEC mobilised itself together with the CSE to have a series of meetings at the SEC and CBSL to explore this potential opportunity to list on the LSE. "I must place on record my thanks to the leadership team of the CSE – Chief Executive Officer Rajeeva Bandaranaike, Chief Regulatory Officer Renuke Wijayawardhena, the Head of Market Development Niroshan Wijesundere, together with CSE's Chairman, Ray Abeywardena, SEC's Director General Vajira Wijegunawardena, Director External Relations Tushara Jayaratne and Co-ordinator Special Initiatives Rasika Walpitagama, who joined me in a series of meetings and conference calls, sometimes called at short notice in the early hours of the day to give this potentially game changing initiative, the time it deserved".

Leveraging an alliance to reposition Sri Lanka

Commenting on the success of the initiative, CSE Chairman Ray Abeywardena stated that, "The CSE has taken initial steps to sign a Memorandum of Understanding (MOU) between the two exchanges, which may provide for future issuances of this nature to be traded in London and Sri Lanka. This is another market segment that is starting to take shape. We believe that this initiative will enable Sri Lanka to be

positioned competitively in the Asian region as a potential financial hub due to the possible alliance with LSE".

Multi-Currency Board

Chairman SEC Ranel Wijesinha added that "What is of immediate relevance to listing foreign currency denominated Government Debt is the recently SEC approved Multi Currency Board launched by the CSE, via which we are actively pursuing potential listings, the first of which is likely to be from the Maldives Islands." Referring to many other initiatives Wijesinha went on to elaborate on two key initiatives.

Empower Board

"We launched the Empower Board for SME listings – a first for Sri Lanka and several "sponsors" registered with the CSE – have potential listings in the pipeline. We did so recognising the need to empower entrepreneurship in an emerging economy such as ours, which necessarily requires giving special recognition to Small and Medium Enterprise (SMEs) who particularly in their early stages need to access equity funds given the high cost of bank borrowings. The SEC urged the CSE to expedite the launch of the "Empower Board", a platform for SMEs, to raise capital through the CSE. We worked together on the design and execution of the "Empower Board", rules and guidelines, the role of Sponsors etc. and launched the Empower Board by 5 July 2018, within the first month of the new Commission being constituted in June 2018".

The AON Board awaits listings

Wijesinha went on to make special emphasis on the long-time approved and launched "AON – All or Nothing Board. "We expected the Government to list/part list SOE's – selected SOE's which are robust, profitable, and attractive but hampered by yet unrealised growth potential due to capital adequacy needs. Such listings or part listings would have been a clear win-win for all stakeholders. In addition to helping the GOSL to restructure and reposition its National Balance Sheet, it would have enabled employee ownership and proprietary stakes, (for which there is decades-long precedent), broad-basing of ownership so necessary in an "emerging economy," but yet defined as a "frontier market" and thus outside the radar of certain funds from potent source markets for Foreign Portfolio Investments (FPI), such as China."

A parallel tangible focus on regulation and capital market development

Wijesinha remarks, "As you can see, we have been working. During the last several months in 2018 and early 2019, we restructured, re-resourced, and repositioned key divisions of the SEC and enhanced their scope, coverage and effectiveness through improved approaches, processes, methodologies and timelines such that the regulatory infrastructure-people and strategies were made potent and proactive. In parallel, we focused on capital market development initiatives at a national, regional and global level. We conducted a series of investor awareness and education sessions in the North, East, South and West of the country and seminars and workshops in schools and quizzes on television."

Our Development Partners the ADB, and the World Bank

"We have re-engaged the ADB and the World Bank to enable us to derive a far greater benefit from on-going Capital Market Development and Financial Sector Modernisation projects. In fact, I must say as Chairman I believe I inherited these programs, but subsequent to intense negotiations – and I must thank the relevant Country Directors, Project and Team Leaders – we have been able to leverage existing assistance to be far more focused and value added to us at the SEC and the Capital Market in general. For example in the following areas: Surveillance and Supervision; Compliance with Accounting & Auditing Standards, Reporting and Disclosure; Investigations; Legal & Enforcement; Litigation, we have asked for "IOSCO" exposed experts in each who will work with our people to help in capacity-building, which I am determined to achieve. As a former international consultant myself, we at the SEC will only accept experts who we believe add tangible, practical, value to us" Wijesinha concluded. (Dailyft)

World Bank grants Sri Lanka $125 m to improve productivity and climate resilience of agriculture

The World Bank Board of Directors last week had approved a $125 million credit for Sri Lanka to improve the climate resilience and productivity of agriculture for more than 470,000 small farmers in six Provinces in the dry zone of the country. The Provinces selected are those that are most exposed to climate impacts.

Sri Lanka is particularly vulnerable to climate-related natural disasters such as floods and droughts. The agriculture sector, which contributes approximately 7.7% to the country's economy and employs 27% of the population – more than 38% of whom are women – is especially affected.

"Innovation, including the introduction of improved crop varieties, cropping patterns, water resources management, amongst others, can help farmers adapt to changing climate and improve their incomes and livelihoods," said World Bank County Director for Maldives, Nepal and Sri Lanka Idah Z. Pswarayi-Riddihough,.

"The project will ensure that all farmers get adequate access to training and research. Currently, only 10% of women benefit, and this project will help bridge this gap and improve productivity of both men and women working in agriculture."

This project will support smallholder farmers living in climate 'hotspot' areas to increase their access to irrigation and management of water resources, in conjunction with support to enable farmers to adopt climate smart technologies, resulting in increased agricultural productivity and improved access to markets. The project will emphasise working through farmer groups, including for irrigation water management and will bring in the private sector to enable increased commercialisation of smallholder farming.

"This project will build on Sri Lanka's long history of water management for agricultural production," said World Bank Senior Rural Development Specialist Seenithamby Manoharan. "The goal is to improve agricultural productivity and climate resilience, working in close coordination with several government and non-government organisations and private sector, including community groups and beneficiaries."

The new Climate Smart Irrigated Agriculture Project will be implemented by the Ministry of Agriculture, Rural Economic Affairs, Livestock Development, Irrigation and Fisheries and Aquatic Resources along with the six Provincial Councils participating in the project.

The total project cost is $140 million, including a $125 million credit from the International Development Association, with a $10 million contribution from the Government, and a $5 million contribution from the project beneficiaries. (Dailyft)

SL Tourism mulls fresh CNN marketing campaign

The Sri Lanka Tourism Promotion Bureau (SLTPB) yesterday confirmed that it was in the process of discussing with CNN to run its latest brand identity marketing campaign for the next two months till May.

"Following the successful marketing campaign we had with CNN, the SLTPB is now considering on running a new campaign with our latest illustration from the eyes of the rich and diverse wildlife – to bring to life our new brand identity 'So Sri Lanka,' which encapsulates that the island nation is more than just a destination," SLTPB Chairman Kishu Gomes told the Daily FT.

He said that they met with CNN team last week and had requested a proposal on a package for Sri Lanka to run a campaign.

"We just had an initial discussion with the CNN team last week and neither the investments nor the duration were discussed. Based on the package that they will provide, which includes the rates, duration and benefits, we will decide on running the campaign on CNN," Gomes confirmed.

He pointed out that from the data shared by the CNN team on previous campaigns, Sri Lanka has had a positive feedback and was pleased with the outcome of it.

Noting that the original film was a three-minute TVC, he said that it would be compressed to a 30-second effective commercial to be aired on CNN.

"If all goes well with this CNN campaign, it will positively impact on the inflow of our travellers, as CNN is well-received by travellers all around the world," he said.

In the aftermath of the unfortunate communal upheaval in Kandy in March last year, the Government rolled out a $650,000 advertising campaign on CNN in a bid to counter the negative impact.

Following the successful feedback of the campaign, the SLTPB once again extended the marketing campaign for three months with the channel in October last year, which has now expired. (Dailyft)

Fitch affirms Continental Insurance at 'A'/Stable

Fitch Ratings has affirmed Sri Lanka-based Continental Insurance Lanka Ltd.'s (CILL) National Insurer Financial Strength (IFS) Rating. The Outlook is Stable.

Key rating drivers

The affirmation reflects the non-life insurer's moderate business profile, satisfactory financial performance and capitalisation, as well as its prudent investment mix.

CILL's business profile reflects its adequate business franchise, somewhat diversified participation in business lines in the non-life insurance sector, a risk appetite that is on a par with that of domestic peers and moderate operating scale. The non-life insurer's franchise is buoyed by its growing branch network

and association with its corporate parent Melstacorp PLC (AAA(lka)/Stable). CILL is Sri Lanka's seventh-largest among 14 non-life insurers with a distribution strength of over 50 branches at end-2018.

The insurer's capitalisation, as measured by its risk-based capital (RBC) adequacy ratio, was 250% at end-2018 (2017: 281%), above the 120% regulatory minimum. However, the insurer's RBC ratio was below historical levels in 2018, owing partly to the small widening in asset liability cash flow duration mismatches, following the company's efforts to extend the duration of some of its fixed-income investments to improve net yields.

CILL increased allocation in 2018 to relatively longer duration fixed-income securities. This was to mitigate higher effective taxes on investment income after the removal of tax exemptions on debentures and notional tax credits on government securities through the new Inland Revenue Act that came into effect in April 2018.

Fitch expects the non-life insurer to maintain its RBC ratio around 225% in the medium term, supported by its satisfactory financial performance, high profit retention and a prudent asset mix.

CILL consistently maintained its non-life combined ratio below 100% in the previous four years with a disciplined underwriting approach (last three-year average: 99%). The insurer kept its claims ratio at 61% in 2018, well below the industry average of 65% in 9M18. CILL's return on equity improved to 21% in 2018, from 19% in 2017, supported by its good underwriting performance and growth in investment income.

Fitch sees CILL's investment policy as conservative, with a large exposure to high credit quality fixed-income securities and a small exposure to equities. The investment portfolio was dominated by fixed-income instruments, which accounted for 94% of the total invested assets.

Investments in Sri Lankan government issued and guaranteed Sri Lanka Development Bonds – denominated in US dollars – and the local currency denominated government securities accounted for 18% and 11%, respectively, of the invested assets at end-2018. Other fixed income investments included corporate debentures and investments in fixed deposits at leading banks and non-bank financial institutions, collectively representing 65% of invested assets.

Rating sensitivities

Upgrade rating sensitivities:

The company continues to expand its market franchise, while consistently improving its combined ratio to below 100% and maintaining its RBC ratio well above 250%.

Downgrade rating sensitivities:

Weakening of CILL's combined ratio to above 110% for a sustained period or its RBC ratio being consistently below 200%. (Dailyft)

Parallel shift downward of the yield curve for a 3rd consecutive week

- Foreign buying returns
- Sri Lanka marks 13th USD benchmark offering

The downward trend of secondary market bond yields witnessed over the past two weeks, continued during the week ending 8 March as well, along with the successful launch and pricing of Sri Lanka's thirteenth USD benchmark offering.

The issue consisted of $1 billion at 6.85% for a period of five years and $1.4 billion at 7.85% for a period of ten years.

The drop in yields was also witnessed at the weekly Treasury bill auction where the weighted average yield of the 364 day maturity decreased for a second consecutive week to 10.64%.

In the secondary bond market the two 2021 maturities (i.e. 01.08.21 and 15.12.21) were seen decreasing to lows of 10.60% each against its previous weeks closing levels of 10.75/78 and 10.77/83, while the 2023s (i.e.15.03.23 and 15.07.23) dropped to lows of 10.75% and 10.70% respectively against its previous weeks closing levels of 10.92/98 and 10.95/00. Furthermore, the maturities of 01.08.26, 15.01.27, 15.06.27 and 01.05.29 dipped to lows of 10.93%, 10.95%, 11.05% and 11.23% respectively. Buying interest was also witnessed in the bill market with the latest 364 day maturity changing hands at a low of 10.49%. However, the two-way quotes widened towards the later part of the week.

The foreign holding of Sri Lankan rupee bonds recorded an increase for the first-time in three weeks with an inflow of Rs. 0.64 billion during the week ending 6 March.

The daily secondary market Treasury bond/bill transacted volume for the first three days of the week averaged Rs. 10.73 billion.

In money markets, the overnight call money and repo rates decreased during the week to average at 8.90% and 8.93% respectively against its previous week's level of 8.96% and 8.98% as the total outstanding market liquidity shortfall stood at Rs. 48.15 billion. The Open Market Operations (OMO) Department injected liquidity throughout the week on an overnight basis at a weighted average rate of 9.00% in addition to injecting funds by way of a seven to 14 day reverse repo auctions at weighted average yields ranging from 8.82% to 9.00%.

Rupee gains during the week

The rupee closed the week higher at Rs. 178.40/55 against its previous weeks closing level of Rs. 179.55/70 subsequent to trading within the range of Rs. 178.00 to Rs. 179.80.

The daily USD/LKR average traded volume for the three days of the week stood at $105.38 million.

Some of the forward dollar rates that prevailed in the market were one month - 179.35/55; three months - 181.15/45 and six months - 184.10/40. (Dailyft)

Worst start to year for equity flows since 2008: BAML

A $10 billion wipeout over the last week has compounded the worst start to a year for equity flows since 2008, Bank of America Merrill Lynch strategists said on Friday.

Citing data from flow-tracker EPFR, BAML's analysts said just over $ 60 billion has now been yanked out of equities since the start of the year. Almost $ 80 billion has been pulled from developed markets while just over $ 18 billion has gone into emerging markets.

They added that $ 8.8 billion has been poured into bonds over the last week, $ 1.2 billion had left gold funds while "Europe = Japan" was now the most consensus trade in the world for investors by their calculations.
(Dailyft)

Sri Lanka car market stalls as duty increase hits demand

Sri Lanka's main car dealers were offering pre-budget prices for fleets of vehicles in stock, but the demand had virtually dried up both in the new and second hand markets, dealers said Sunday.

United Motors took out advertisements offering Eclipse and Xpander models at the pre-budget price with a saving of 1.6 million on the new customs duty rate. Mercedes-Benz agent Dimo said it was selling the French-made Citan at the pre-budget price of 6.8 million.

Unregistered car dealers – US car Sales, Sachin Auto and Lekhraj and Sons – also advertised their stocks at old prices while many private sellers too tried to move their stocks at pre-budget prices.

"Before the budget, we have very little demand, but when the taxes were increased, even that demand seems to have evaporated," a dealer at Stanley Thilakaratne Mawatha, said.

He said lack of demand was seen in the second hand market too.

"Prices should have gone up when the rupee depreciated, but that didn't happen. In fact, second hand prices have come down sharply because it is now a buyers' market. People don't seem to have money for investing in wheels," he added.

Under the new duty structure, the popular Suzuki Wagon R model will cost an additional 250,000 rupees while cars in the 1,000 to 1,300 cc category will cost half a million more. But, for the stocks imported before the budget, there was no apparent increase, according to dealers.

Higher end models such as the entry level Mercedes C class would cost about four million rupees more.

Finance Minister Mangala Samaraweera in a bid to encourage environmentally cleaner electric cars, slightly reduced taxes on electric vehicles, but the concession was for vehicles with a motor power of less than 100 kilowatts.

However, there is no EV imported into the country currently with a motor less than 100 KW. Minister Samaraweera told reporters last week that he will ask his officials to look into the issue.

The second hand EV market was almost non-existent after a previous duty cut shaved off nearly 50 percent of the value of cars already in the country. The Nissan Leaf which cost 4.5 million rupees in 2014 is now work less than 1.5 million rupees, partly due to loss of battery capacity and regular duty reductions.

A Leaf owner in Galle advertised his car for sale on Sunday at 1.4 million and said he was ready to negotiate the price further down underscoring how electric vehicles have failed to take off in the country. (COLOMBO, March 10, 2019)
(Economynext)

Asian Stocks Trade Mixed, Dollar Edges Higher: Markets Wrap

Want the lowdown on European markets? In your inbox before the open, every day. Sign up here.

Asian stocks were mixed on Monday following the worst week for global equities since mid-December. The dollar nudged up after Friday's decline.

Shares in Hong Kong and Japan posted gains, while equities in South Korea and Australia retreated. Chinese stocks outperformed. Ten-year Treasury yields were little changed near their lowest in two months as Federal Reserve Chairman Jerome Powell reiterated he is in no hurry to change interest rates. S&P 500 Index futures steadied after U.S. stocks dipped Friday on mixed U.S. employment data. The pound slipped as another key Brexit vote looms in parliament, on Prime Minister Theresa May's revised deal.
U.S. stocks close lower through Friday on jobs data

Investors are cautious after a strong start to the year for risk assets stalled amid signs of struggling global growth. Next up will be a slew of data from China this week that could give fresh clues on the impact of its easing policy. The Bank of Japan will also meet to set policy. On the trade front, China and the U.S. are in general agreement on many crucial issues and have held meaningful discussions on foreign exchange, People's Bank of China Governor Yi Gang said.

"You're seeing PMIs come down around the world, you're seeing a lot of economic surprise indices showing that global growth is slowing," Kevin Nicholson, chief market strategist at Riverfront Investment Group, told Bloomberg TV from Richmond, Virginia. "If we see a trade deal done and you see China stimulus start to come through, then a lot of these things will start to turn around."

Elsewhere, Boeing Co. shares will be closely watched after the Sunday crash of one its 737 Max, operated by Ethiopian Airlines, rattled confidence in the U.S. manufacturer's best-selling jet with the second deadly accident for the model in five months. Boeing is the biggest component of the Dow Jones Industrial Average index -- futures on that gauge were down 0.4 percent. China reportedly moved to ground flights involving the model with its domestic airlines.

In Hong Kong, the likelihood of rising borrowing costs increased after the city's de facto central bank intervened to defend its currency peg for the first time since August. Crude oil prices climbed ahead of the release this week of the IEA's Oil 2019 report and OPEC's monthly market report.
U.S. Still Optimistic About Deal As China Signals Push-Back

Officials in Washington and Beijing are indicating progress in the trade talks are being made.
Source: Bloomberg

Here are some key events coming up:

- Chinese retail sales, investment, credit and industrial production data for January and February are all scheduled for release this week. The National People's Congress is set to wrap up with a speech on Friday from Premier Li Keqiang.
- U.K. House of Commons votes Tuesday on May's revised Brexit deal, 20 days before Britain is scheduled to leave the EU.
- U.S. President Donald Trump is expected to release his proposed fiscal 2020 budget on Monday. Its arrival is about a month later than usual due to the lengthy partial government shutdown.
- Bank of Japan Governor Haruhiko Kuroda will speak on Friday, after he and his board meet to decide on monetary policy. No change in stimulus settings is anticipated, though there's likely to be a discussion of whether or not to downgrade assessments of industrial production, exports and overseas economies.

Stocks

- The MSCI Asia Pacific Index gained 0.2 percent as of 11 a.m. in Hong Kong.
- Japan's Topix index rose 0.4 percent.
- Hong Kong's Hang Seng Index added 0.5 percent.
- The Shanghai Composite climbed 1 percent.
- South Korea's Kospi fell 0.2 percent.
- Australia's S&P/ASX 200 Index dropped 0.4 percent.
- Futures on the S&P 500 Index slid 0.2 percent. The underlying gauge fell 0.2 percent Friday.

Currencies

- The yen rose 0.1 percent to 111 per dollar.
- The offshore yuan was flat at 6.7322 per dollar.
- The Bloomberg Dollar Spot Index was flat after slipping 0.3 percent on Friday.
- The euro held at $1.1224.
- The British pound fell 0.4 percent to $1.2966.

Bonds

- The yield on 10-year Treasuries held at 2.63 percent.
- Australia's 10-year bond yield dipped one basis points to 2.02 percent.

Commodities

- West Texas Intermediate crude added 0.2 percent to $56.18 a barrel.
- Gold lost 0.1 percent to $1,297.10 an ounce.
  (Bloomberg)