

# NEWS ROUND UP

*Tuesday, 12th February, 2019*

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## ***Sri Lanka rupee ends weaker, bond yields flat***

Sri Lanka's rupee closed lower at 177.80/95 to the US dollar in the spot market on Monday, while bonds yields ended flat and stocks down 0.06 percent, dealers and brokers said.

The rupee closed at 177.70/85 to the US dollar in the spot market on Friday.

Bond markets were inactive, with only one trade recorded, a dealer said.

Another said market participants were on a wait-and-see approach until a bill auction on Wednesday.

Bond yields were quoted flat on Monday's close from Friday, dealers said.

Twelve month bills were quoted at 10.65/70 on Monday, with no change.

A bond maturing on 01.08.2021 was quoted at 10.94/00 percent on Monday, flat from the previous close of 10.95/00 percent.

A bond maturing on 15.12.2023, was quoted at 11.00/07, slightly narrower from 11.00/10 percent on Friday.

A 7-year bond maturing 01.08.2026 was quoted at 11.20/28 percent, compared to 11.20/30 percent at previous close.

A bond maturing on 15.01.2027, was quoted at 11.27/32 percent on Monday, flat from Friday

A bond maturing on 01.09.2028 was quoted at 11.35/45, with no change.

At the Colombo Stock Exchange, the All Share Price Index closed 0.06 percent or 3.52 points lower at 5,960.62 while the more liquid stocks on the S&P SL20 Index were up 0.14 percent or 4.34 points to 3,062.41.

Market turnover was 3.3 billion rupees with high foreign participation. The market saw net foreign outflows of 1.2 billion rupees.

Nearly two thirds of the turnover took place in the morning on John Keells Holdings (JKH) and CT Holdings shares.

Brokers said foreigners were selling JKH shares in negotiated deals while top shareholders were attempting to consolidate positions.

The JKH share closed 1.70 rupees higher at 157.70 rupees.

The All Share was dragged down by Commercial Leasing and Finance, closing 20 cents lower at 2.50 rupees per share and Distilleries Company of Sri Lanka, down 20 cents to 15.80 rupees per share.

Overall, share prices of 50 firms gained, and 64 fell. (EconomyNext)

## ***ETI asset sale: Sri Lanka CB says did not select buyer, only asked extra US\$15mn***

Sri Lanka's central bank said it did not select a buyer for the assets of troubled ETI Finance Ltd, but only made the selected buyer pay 15 million US dollars more than originally offered.

The regulator said under the process decided by the Monetary Board (MB) of the central bank all negotiations for the sale of assets were carried out by the Board of Directors of ETI Finance Ltd.

"As such, all requests made to invest and/or purchase assets of ETIF were directed to the company," the central bank said in a statement.

"Accordingly, selection of a party to whom the assets of ETIF were to be transferred was done by the Board of Directors (BOD) of ETIF and the MB only granted necessary approvals from the perspective of protecting the depositors' interests, subject to various conditions including carrying out the transaction in compliance with all the applicable laws and regulations in the country."

The central bank said there had been bids ranging from 61 million US dollars to 75 million US dollars.

ETIF had selected the current buyer, and the Monetary Board had demanded that the buyer pay 15 million US dollars more before giving approval. The next highest bidder had offered 61 million US dollars.

"CBSL at all times insisted on carrying out the transaction within applicable laws and regulations," the regulator said.

"As such, each tranche of the transaction, which was channelled to ETIF through reputed banking channels was approved by CBSL subsequent to the relevant banks clearing the funds through enhanced due diligence conducted as per applicable laws and regulations."

Out of the 75 million dollars 54 million US dollars had come so far, which was used to repay 20 percent of the deposits of the company. Another 16 million dollars which had been delayed due to unspecified reasons had in expected in February, the regulator said. (EconomyNext)

## ***Sri Lanka hikes fuel prices; petrol Rs129***

Sri Lanka has hiked petrol by 6 rupees to 129 a litre and diesel by 4 rupees to 103 a litre under a monthly pricing formula, the finance ministry said.

Octane 95 petrol had been raised by 5 rupees to 152 rupees and Super diesel by 8 rupees to 126 rupees a litre.

The finance ministry said under its formula diesel should have been raised by 9.59 rupees.

Sri Lanka's state-run Ceylon Petroleum Corporation follows the announced prices.

Lanka IOC the second distributor which also generally follows the prices, sold higher than the formula price after the last price cut.

Lanka IOC had said the price are not truly cost-reflective as terminal costs are not included. LIOC made losses in the last quarter after several price cuts were made amid a political crisis. (EconomyNext)

## ***Sri Lanka expects near record rice production in 2019***

Sri Lanka is expected to produce 2.85 million tonnes of paddy (rough rice) in the current Maha major cultivation season, indicating a full recovery from two years of drought and almost reaching records set in 2015 and 2016, an official forecast said.

Sri Lanka's Department of Agriculture revised up the 2018/2019 Maha area cultivated to 743,000 in the current season based on December data out of a target of 828,455 hectares.

In the 2017/2018 Maha season Sri Lanka's paddy farmers cultivated 643,000 hectares of paddy as the country gradually recovered from drought which saw the sown extend falling to just 543,000 hectares.

About 42,000 hectares of rice paddies had been damaged due to floods in the North and the East.

The paddy forecast for 2019 is up 18.8 percent from a year earlier.

The Department of Agriculture said after adjusting for seed paddy and wastage 2.64 million tonnes of paddy will be available for milling, which will produce about 1.8 million metric tonnes of milled rice.

This may be enough for 9.19 months of consumption.

Sri Lanka has produced about 1.4 million tonnes of paddy in the Yala minor season in 2018, lower than records of 1.9 million tonnes seen in some years.(EconomyNext)

## ***Tallest building outside Sri Lanka's capital planned***

A 35-story residential and shopping tower complex in Ja-Ela north of Sri Lanka's capital Colombo has been given the go head by the state investment promotion agency.

Bellevue Residencies (Private) Limited, a joint venture between MAGA construction and Chandima Karandawala, a civil engineer resident in Nice, France will build the tower, Sri Lanka's Board of Investment said.

The 15.4 million dollar tower will be the largest building outside the capital Colombo, the BOI said.

Ja-Ela is near the country's main international airport in Katunayake.

The BOI said Karandawala has been involved in construction in the French Riviera including a house for Julian Lennon, the son of Beatles star John Lennon. (EconomyNext)

## ***Global stocks mostly rise on US-China trade talks as dollar gains***

Global stocks mostly rose Monday as US and Chinese officials in Beijing geared up for crunch trade talks while the dollar gained on the euro for the sixth straight session.

European and Asian bourses pushed higher at the start of trade talks in Beijing before a March 1 deadline that could lead to additional US tariffs if a deal is not reached.

Deputy US Trade Representative Jeffrey Gerrish led the US side in preparatory meetings ahead of the arrival later in the week of US Trade Representative Robert Lighthizer and Treasury Secretary Steven Mnuchin.

The Chinese delegation will be led by Vice Premier Liu He, who will be joined by central bank Governor Yi Gang.

While the two sides said they made major progress in talks last month in Washington, more recent comments have jarred financial markets, amplifying concerns about how the dispute will affect global growth.

Paris and Frankfurt both gained about one percent after Shanghai and Hong Kong climbed earlier.

"European stocks have rallied... as traders are hopeful about the next round of trade talks between the US and China," said CMC Markets analyst David Madden.

"Given that both sides are still far apart, there is no guarantee that the discussions will be successful, and dealers' optimism might be wishful thinking."

London's benchmark FTSE 100 rose after an announcement that British economic growth has slowed, weighing on the pound and lifting stocks in multinationals that have earnings in foreign currency.

With Brexit looming next month, the British economy grew by 1.4 percent last year, data showed. That was the lowest level for six years, and down from 1.8 percent in 2017.

US stocks finished a choppy session mixed, with the Dow dipping and the S&P 500 and Nasdaq edging higher.

Adding to the anxiety over trade is uncertainty over US budget talks. Lawmakers in Washington were looking to resolve a budget impasse before Friday or risk another possible government shutdown.

President Donald Trump was scheduled for a campaign-style rally appearance in Texas at which he was expected to amplify his call to build a wall along the Mexican border.

- Rising dollar -

The US political quagmire did not dim the dollar, which climbed again against the euro and also advanced on the pound and yen.

The dollar's gains on the euro follow a series of weak economic reports last week out of the eurozone. While the US Federal Reserve has shifted to more dovish stance, other major central banks are viewed as even less likely to tighten monetary policy.

"While it's not apparent today, there's a lot to be worried about over the next few weeks," said BK Asset Management's Kathy Lien, who listed US-China trade talks, Brexit, the US budget standoff and potential US tariffs on car imports as among the outstanding issues that could rock foreign exchange markets.

"Each of these events pose a significant downside risk to currencies but they could also lead to be short squeezes if the unexpected happens and they are resolved positively," Lien added.

- Key figures around 2200 GMT -

New York - Dow: DOWN 0.2 percent at 25,053.11 (close)

New York - S&P 500: UP 0.1 percent at 2,709.80 (close)

New York - Nasdaq: UP 0.1 percent at 7,307.90 (close)

London - FTSE 100: UP 0.8 percent at 7,129.11 (close)

Frankfurt - DAX 30: UP 1.0 percent at 11,014.59 (close)

Paris - CAC 40: UP 1.1 percent at 5,014.47 (close)

EURO STOXX 50: UP 1.0 percent at 3,165.61 (close)

Hong Kong - Hang Seng: UP 0.7 percent at 28,143.84 (close)

Shanghai - Composite: UP 1.4 percent at 2,653.90 (close)

Tokyo - Nikkei 225: Closed for a public holiday

Euro/dollar: DOWN at \$1.1279 from \$1.1323 at 2200 GMT Friday

Dollar/yen: UP at 110.37 yen from 109.73

Pound/dollar: DOWN at \$1.2859 from \$1.2944

Euro/pound: UP at 87.69 pence from 87.40 pence

Oil - Brent Crude: DOWN 59 cents at \$61.51 per barrel

Oil - West Texas Intermediate: DOWN 31 cents at \$52.41 per barrel. (AFP)