

NEWS ROUND UP

Wednesday, September 12th, 2018

Contents

Sri Lanka rupee gains, stocks end flat.....	2
Sri Lanka sells 4-year dollar bonds for 5.75-pct.....	3
Sri Lanka Vietnam eye direct flights, visa relaxation	3
Sri Lanka says Colombo hotel price floor lifted to promote off-season	3
Stocks mixed amid trade fears; oil prices rise.....	5
Bitcoin crash	7

Sri Lanka rupee gains, stocks end flat

The Sri Lanka rupee strengthened against the US dollar on Tuesday and stocks ended flat amidst selling interest in companies of the LOLC group, brokers and dealers said.

The rupee closed Tuesday at 162.30/40 rupees against the US dollar in the spot market, up from 162.35/50 rupees the previous day on banks selling the greenback and export conversions, dealer said.

Gilt yields edged higher in the secondary market for government bonds.

A five-year bond maturing in 2023 closed at 10.03/10 percent in two-way quotes, up from the previous day's closing of 9.97/10.03 percent.

A ten-year bond maturing in 2028 closed at 10.35/50 percent, up from the previous closing of 10.27/37 percent.

In equities, Colombo's All Share index edged lower by 0.02 percent, down 1.31 points to 6,095.23, and the S&P SL20 of more liquid stocks gained 0.16 percent, up 4.97 points to 3,202.74.

During the day 69 stocks had declined against 51 that gained on a market turnover of 337.3 million rupees, down from the previous day's turnover of 615.9 million rupees.

LOLC (down 2 rupees to 89 rupees) and other companies of the group Brown and Company (down 2.20 rupees to 53.80 rupees) and LOLC Finance (down 10 cents to 3.80 rupees) weighed down the benchmark index.

Sri Lanka Telecom closed 30 cents lower at 22 rupees.

Crossings, or off-market negotiated trades, amounted to 119.64 million rupees accounting for 35.5 percent of market turnover.

There was a crossing each in HNB for 45.2 million rupees, Commercial Credit and Finance 21.7 million rupees and Central Finance 52.7 million rupees.

HNB closed 3.80 rupees higher at 226 rupees and Commercial Credit and Finance was unchanged at 32.90 rupees.

Central Finance gained 10 cents to 96.80 rupees.

Net foreign buying was 74.7 million rupees, up from selling of 112 million rupees the previous day.

Foreign buying in Central Finance was 79 million rupees.(Economynext)

Sri Lanka sells 4-year dollar bonds for 5.75-pct

Sri Lanka has sold 77.85 million dollars of dollar denominated 'Sri Lanka Development Bonds' styled securities by auction, the state debt office said.

The debt office sold 54.4 million dollars of 1 year 9 month bonds for a fixed rate of 5.0 percent, after getting bids of 55.9 million dollars.

The debt office also sold 25.46 million dollars of 3-year 8-month bonds for 5.75 percent.

The settlement date is September 17, 2018. (EconomyNext)

Sri Lanka Vietnam eye direct flights, visa relaxation

Sri Lanka and Vietnam is to begin talks on relaxing visa rule and establish direct air links, following a meeting with Prime Minister of the two countries in the Vietnamese capital of Hanoi.

Prime Minister Nguyen Xuan Phuc had discussed the possibility of starting direct flights and Prime Minister Wickremesinghe had said all facilities would be provided for the move.

"Talks on relaxing visas to promote tourism will begin soon," a statement from the Prime Minister's office said.

Wickremesinghe is in Vietnam to attend World Economic Forum regional event focusing on the Association of South East Asian Nations.

Sri Lanka already has direct flights to Singapore, Indonesia, Thailand and Malaysia. SriLankans can travel visa free to Indonesia and Singapore.

Malaysia based Malindo Airlines, Malaysian Airlines and Air Asia are among popular airlines used for travel between Sri Lanka and Vietnam. SriLankan Airlines also offers code share flights to Hanoi and Saigon airports, Kuala Lumpur.(EconomyNext)

Sri Lanka says Colombo hotel price floor lifted to promote off-season

Sri Lanka has 'temporarily' lifted minimum prices on Colombo hotel rooms to boost off-season arrivals for two months, Tourism Minister John Amaratusa said amid questions over whether the controversial price floors were legally enforceable.

Sri Lanka is offering a Colombo City 3-night package for 99 dollars a per person in 3-star hotels, while under price controls a double room has to be sold at 75 dollars per night from September to November.

The price controls had helped 3-star hotels sell a room at the rates of superior 4 and 5 star hotels in some East Asian capitals.

The price floors undermined a free market preventing hotels from cutting rates during the off-season, or dynamically pricing during the when they had excess rooms, like their East Asian counterparts have been doing for years.

First year economics student learn that a price ceiling imposed with the help of the coercive power of the state creates shortages and blackmarkets by boosting the quantity demanded, while a price floor generates a surplus, by reducing the quantity demanded. However analysts say after people grow up they forget.

Booking engines make prices transparent and allow dynamic pricing. Colombo hotels are not just competing against each other, but against rival destinations with more activity.

High floor prices in Colombo however may have helped emerging hotspots outside Colombo by driving tourists away faster from the capital, where there was not much to 'do' anyway.

Under the off-season promotion packages are selling hotel rooms at prices lower than the minimum rate. In the winter season, when arrivals increase, room rates go up, not only in Colombo but in other markets as well.

A gazette notice prescribing minimum rates had lapsed in March 2018 but Minister Amaratunga said he was using ministerial powers to enforce the price floors.

Amaratunga said that he had written a letter to the tourism promotion office, saying that the minimum room rate were in place.

He was questioned on how the government was violating its own price floor by selling at low prices in a package to promote the off-season.

"For these couple of months we have removed it," he replied.

Amaratunga said he can re-issue minimum rate gazette into force whenever required.

Sri Lanka Conventions Bureau Chairman Kumar de Silva said Amaratunga has granted an exemption for the off-season promotions campaign.

De Silva said the off-season packages attempt to remove the perception that Colombo is an expensive city to visit.

Amaratunga had earlier said an audit report revealed all hotels, including those who want minimum rates to remain, have violated the price floors.

After the gazette lapsed, some hotels have been selling below floor prices, when they had excess capacity.

Amaratinga said he would not penalize past violations according to rule, but going forward, all violations will be penalized by the fine set in the gazette, as well as a cancellation of liquor licenses. (EconomyNext)

Stocks mixed amid trade fears; oil prices rise

Global stocks were mixed Tuesday on worries over lingering trade conflict between the United States and China, while oil prices advanced ahead of a major hurricane that threatens US infrastructure. Investors were monitoring US trade relations on various fronts, with Canada's top diplomat Chrystia Freeland back in Washington Tuesday for more talks, and after another round of negotiations between US and European officials concluded Monday without a deal.

China plans to ask the World Trade Organization next week for permission to impose sanctions on the United States over anti-dumping practices taken against some Chinese products. The conflict marks another front in the burgeoning dispute between the world's two biggest economies.

"The strained trading relations between the US and China have taken a new turn," CMC analyst David Madden said of the move which he said "could trigger a reaction from President Trump and investors are exiting equities as a result."

Key European markets London and Frankfurt both ended lower while Paris managed to edge into positive territory.

Wall Street stocks opened the session in the red, but sentiment shifted later in the day following strong data on small business confidence, said Karl Haeling of LBBW.

"Stocks kind of wanted to go up anyway" amid largely positive data that has shown the relative strength of the United States compared with other economies, Haeling said.

Large technology shares, under pressure in recent sessions, pushed higher, with Apple jumping 2.5 percent ahead of the expected launch on Wednesday of new iPhones.

Amazon, Microsoft and Facebook all won at least one percent.

Petroleum-linked companies were another strong sector, with Dow member Exxon Mobil rising 1.4 percent and Apache and Halliburton both winning 1.8 percent following a rise in oil prices.

The impending storm boosted gasoline prices due to panic buying of the fuel, as well as worries about oilfield infrastructure due to Hurricane Florence. Oil prices were also boosted by an

expected hit to Iranian oil exports due to sanctions, analysts said.

Earlier Tuesday, Asian investors also trod uneasily as concerns over trade and emerging markets dragged on confidence.

Hong Kong fell 0.7 percent and is now more than 20 percent from its record touched in January, putting it in a bear market.

Shanghai hit lows not seen since January 2016.

However, Tokyo rose 1.3 percent as exporters were supported by a weaker yen.

- Key figures around 2040 GMT -

New York - Dow: UP 0.4 percent at 25,971.06 (close)

New York - S&P 500: UP 0.4 percent at 2,887.89 (close)

New York - Nasdaq: UP 0.6 percent at 7,972.47 (close)

London - FTSE 100: DOWN 0.1 percent at 7,273.54 (close)

Frankfurt - DAX 30: DOWN 0.1 percent at 11,970.27 (close)

Paris - CAC 40: UP 0.3 percent at 5,283.79 (close)

EURO STOXX 50: UP 0.1 percent at 3,311.66 (close)

Tokyo - Nikkei 225: UP 1.3 percent at 22,664.69 (close)

Hong Kong - Hang Seng: DOWN 0.7 percent at 26,422.55 (close)

Shanghai - Composite: DOWN 0.2 percent at 2,664.80 (close)

Euro/dollar: UP at \$1.1600 from \$1.1594 at 2100 GMT

Pound/dollar: DOWN at \$1.3026 from \$1.3027

Dollar/yen: UP at 111.57 yen from 111.13 yen

Oil - Brent Crude: UP \$1.69 at \$79.06 per barrel

Oil - West Texas Intermediate: UP \$1.71 at \$69.25 per barrel.(AFP)

Bitcoin crash

An estimated \$400 billion has been wiped off the value of major cryptocurrencies since January.

Sean Russell's life savings were among them.

Russell rarely played the stock market and had little investing experience when he put around \$120,000 into bitcoin in November 2017. He was stunned when that turned into \$500,000 in just one month.

"I think there was one morning where I woke up, where I made about £12,000 (\$15,600) in one morning on my investment and it just kept going," said Russell. "I was thinking, wow, that's mortgages paid, that's holidays that I've always dreamed of."

The dream didn't last for Russell, who works as a property developer in the United Kingdom, buying homes and fixing them up. The price of Bitcoin surpassed \$20,000 in December before collapsing. It now trades at \$6,300.

Russell attempted to mitigate his losses by shifting money from bitcoin (XBT) to an offshoot called Bitcoin Cash and other cryptocurrencies including Ethereum and Ripple. But that didn't work, and Russell says the paper losses on his initial investment have reached 96%.

"It was devastating, quite traumatic, really," Russell said. "I've seen stories on the news of billionaires going bankrupt, and you think how can that be? How on earth did you lose that amount of money? And yet, here I am in that position."

Russell is not alone.

Michel Rauchs, who researches cryptocurrency and blockchain at the Cambridge Centre for Alternative Finance, said the explosive rise in prices in 2017 attracted a wave of inexperienced investors.

"Retail investors, students, housewives, even grandma was driven in by the hype," says Rauchs. "They were told by the media that this was an opportunity of a lifetime. They bought at the top and are now sitting on heavy losses."

The crash has left professional investors and enthusiasts debating where cryptocurrencies go from here.

"Clearly the frenzy that we have seen and the volatility in the price of bitcoin ... resembles a lot of other financial bubbles that happen over and over again in our economic history," said Benedetto De Martino, a behavioral economist at University College London.

The fever that gripped cryptocurrency investors has faded in recent months. JPMorgan (JPM)CEO Jamie Dimon and Warren Buffett of Berkshire Hathaway (BRKA) have warned investors to stay away from bitcoin.

Last week, bitcoin prices plunged more than 20% in two days after Business Insider reported that investment banking giant Goldman Sachs (GS) may be dropping plans to launch a crypto trading desk.

Goldman Sachs told CNNMoney it hadn't made a firm decision bitcoin or other cryptocurrencies.

The Securities and Exchange Commission blocked several proposals for bitcoin exchange-traded funds in the past few months, including plans from ETF giants ProShares and Direxion and one backed by the Winklevoss brothers.

Despite the warnings, some cryptocurrency entrepreneurs see the boom and bust as growing pains.

"Markets are cyclical and there's still a lot of opportunity for sophisticated investors," said Benjamin Dives, CEO of cryptocurrency trading platform London Block Exchange.

Before he first invested, Russell spent years tracking bitcoin and studying blockchain, the technology underpinning digital currencies. He said the learning process was like solving the plot of a murder mystery.

Despite the loss, he remains a committed investor.

"I have to be hopeful about something," he said. "I need to keep my mind occupied, because when I just focused on the money I lost, it destroyed me mentally and emotionally." (CNN)