NEWS ROUND UP

Thursday, 13th June, 2019

Contents

Sri Lanka stocks close 0.84-pct higher, buying in Melstacorp

Sri Lanka's stocks closed 0.84 percent higher on Wednesday with buying interest on Melstacorp, Carson Cumberbatch and Dialog Axiata, provisional data showed.

The All Share Price Index closed 43.44 points up at 5,378.73. The index gained steadily throughout the day, reaching an intra-day high of 5,382.03 in the final half hour of trading.

The more liquid S&P SL20 Index closed 0.67 percent or 16.58 points up at 2,504.73.

Market turnover was 254.8 million rupees with 106 stocks gaining and 27 falling.

Melstacorp closed 2 rupees up at 40 rupees a share, contributing most to the ASPI gain.

Carson Cumberbatch closed 10 rupees up at 165 rupees a share, and Dialog closed 20 cents down at 9.30 rupees a share, also pushing up the benchmark index.

There was a negotiated trade in Ceylon Cold Stores (CCS) at 570 rupees a share, but it went on to close trading flat at 599 rupees a share.

CCS recently said that the soft drink market, which faced reduced demand for the most of 2018/19 financial year, started seeing a pickup in the final quarter as the government reduced the tax rate on sugary drinks. (EconomyNext)

Sri Lanka rejects 12-month bills, rates stable on shorter tenors

Sri Lanka's state debt office rejected 12-month bills at its weekly auction on Wednesday, while yields on shorter maturities remained stable.

The average weighted yield on 3-month bills remained flat at 8.38 percent and the rate on 6-month bills was also unchanged at 8.63 percent.

The debt office raised 17.7 billion rupees through the auction, falling short of the planned 19 billion rupees.

The Public Debt Department was planning to sell 3 billion rupees in 3-month bills, 5 billion rupees in 6-month bills and 11 billion rupees in 12-month bills.

The state debt office accepted 6.8 billion rupees in 3-month bills and 10.9 billion rupees in 6-month bills.

However, it rejected the 22.9 billion rupees in bids on 12-month bills. (EconomyNext)

Sri Lanka rupee slips at close, bond yields edge up

Sri Lanka's rupee closed weaker at 176.50/60 to the US dollar in the spot market on Wednesday while bond yields edged up, dealers said.

The rupee closed at 176.45/55 against the US dollar on Tuesday.

Liquidity in overnight money market surged to 59.6 billion rupees on Wednesday from 36.4 billion rupees on Tuesday.

The central bank mopped up 30 billion rupees through an overnight repo auction at 7.80 percent.

Another 6.25 billion rupees was mopped up at 8.1 percent through a 20 billion rupee 8-day term repo auction held on Tuesday, while 7.6 billion rupees were mopped up through a 7-day term repo auction at 8.11 percent.

The state debt office unexpectedly rejected 12-month bills at the weekly auction held on Wednesday, for the first time since October 2018, after offering 11 billion rupees in bills, dealers said.

The government had covered the shortfall through more 3-month and 6-month bills than offered.

Market participants had quoted higher rates on the 12-month bills, as the spread between the 12-month bills and 2-year bonds were over 80 basis points, dealers said.

The bond auction on Thursday will also offer 2-year bonds which is an alternative for the 12-month bill buyers, dealers said.

In the secondary bond market, gilt yields edged up with moderate activity in the morning session before the bill auction, and became quiet in the afternoon session dealers said.

Twelve month bills closed at 8.85/00 percent on Wednesday, down from 8.88/95 percent at Tuesday's close.

A bond maturing on 15.12.2021 closed at 9.70/80 percent, up from 9.60/75 percent.

A bond maturing on 15.03.2023 closed at 10.20/30 percent, stable from 10.20/25 percent.

A bond maturing on 15.03.2024 closed at 10.35/40 percent, up from 10.30/38 percent.

A bond maturing on 01.08.2026 closed at 10.55/65 percent on Wednesday, stable from 10.55/60 percent at Tuesday's close.

A bond maturing on 15.01.2027 closed at 10.60/70 percent, stable from 10.60/75 percent.

A 10-year bond maturing on 01.05.2029 closed at 10.70/80 percent, up from 10.60/75 percent.(EconomyNext)

Sri Lanka's DIMO enters Myanmar, Uganda power sector

Sri Lanka's Diesel & Motor Engineering Plc, which has local power generation and transmission equipment operations, has expanded the business into Myanmar and Uganda, an official said.

"The successful joint bid for a CEB project with our principals, Siemens, our first venture in Myanmar in the power sector and our entry into Uganda could be considered as milestones in our growth phase," Chairman Ranjith Pandithage told shareholders in the firm's annual report.

DIMO has a history in power engineering with the supply of equipment for power transmission, but has newly entered into the power generation business.

DIMO secured a tender for a 1 megawatt solar plant in Embilipitiya in 2018, which will be focused on in the current financial year, the firm said. It will also be installing rooftop solar plants at its operations in Weliweriya and Siyambalape.

It has also secured a contract for electrical balance of the 104 megawatt wind power project in the Mannar wind park which is being constructed by Denmark's Vestas in the year ended March 2019.

With a consortium bidding with Siemens India, DIMO secured CEB (Ceylon Electricity Board) contracts for variable shunt reactors in Anuradhapura and Mannar and a breaker switched capacitor bank in Pannipitiya.

"Advancing the electromechanical engineering business to a higher level is one of the strategies that we have adopted to reduce our dependence on the automobile business," Pandithage said.

"Overall, this segment is expected to make a significant contribution to the group's profitability in the current financial year," he said.

In 2019, DIMO's revenue from the power engineering segment contributed 8.3 percent to the total, while segment profits contributed 11.8 percent to the group.

Automobile sales and after-sales service made up more than half of group revenue and segment-level profits.

Dimo's power engineering revenue grew 22.4 percent to 3.3 billion rupees in 2019 from a year earlier, while segment profits grew 40.1 percent to 365.7 million rupees. (EconomyNext)

Pakistan vows to raise revenues with new budget following IMF deal

Pakistan Prime Minister Imran Khan's government vowed to collect more taxes and make spending cuts in a closely watched budget presented to parliament Tuesday, weeks after reaching a deal with the IMF for a $6 billion bailout.

Before a rowdy parliamentary session, the government announced plans to slash civil expenditure and freeze military spending while promising to substantially raise revenues to stem a yawning fiscal deficit, and pledging to collect 5.5 trillion rupees ($36 billion) in taxes.

Discontent is simmering in Pakistan following repeated devaluations of the rupee, soaring inflation, and increasing utility costs.

"The country is in a difficult situation," Khan admitted during a televised address into early Wednesday, but he promised the situation would only continue for several months.

Earlier in parliament the opposition shouted slogans and held up signs against an "unacceptable IMF budget."

"We have slashed the civil budget by five percent while the military budget will remain the same," Hammad Azhar, Minister of State for Revenue, said as he announced details of the plan.

"The financial year 2019-2020 will be a year for economic stability. We will make some tough decisions and will try to save the poor public from the effects of those tough decisions," he added.

Azhar went on to highlight a range of new taxes and increases in existing levies in the new budget, saying raising revenue was pivotal to stabilising the country's economy.

"As long as we do not improve our tax system Pakistan cannot prosper," said Azhar, who added that government members and the prime minister had agreed to take a 10 percent salary cut.

Pakistan has struggled for decades to collect taxes. Estimates suggest that only around one percent of the 200-million strong population filed a return in 2018.

Ahead of the budget presentation, Khan took to the country's airways Monday for the second time in recent weeks to plead with Pakistanis to declare their assets in the latest scheme aimed at increasing tax revenues.

The budget session was dominated by a vocal opposition following a string of arrests of their leaders this week. Members of the Pakistan People's Party and Pakistan Muslim League Nawaz chanted throughout the proceedings, drowning out Azhar.

- Economic pain -

The presentation of Khan's first budget comes just a day after the government released the latest round of bleak economic figures for the cash-strapped country, showing growth for the current fiscal year falling to 3.3 percent -- well below the 6.2 percent target.

Khan's administration has tried for months but failed to stave off ballooning fiscal and balance of payments deficits, along with low tax yields and mounting debt.

The agreement eked out with the International Monetary Fund still needs final approval by the fund's board, and it is widely believed the body was waiting to see details of the budget before giving the final sign-off.

Analysts have warned the IMF deal would likely come with myriad restrictions that could thwart Khan's promises to build an Islamic welfare state, as the country is forced to tighten its purse strings.

He announced the creation of a commission to investigate former leaders and recover money suspected to have been embezzled.

He welcomed the arrest on Monday of former president Asif Ali Zardari, as well as that of legislator Hamza Shahbaz, both in cases of alleged corruption.

Pakistan's increasing economic woes also come as the country faces possible sanctions from the Financial Action Task Force -- a money-laundering monitor based in Paris -- for failing to rein in terrorist financing.

The organisation will decide soon whether to add Pakistan to a blacklist that would trigger automatic sanctions, further weakening an already faltering economy.

To add to its troubles, the United States has warned it will be watching closely to ensure Pakistan does not use IMF money to repay debts to China, which has poured billions into the country for infrastructure projects under its Belt and Road Initiative. (AFP)