

NEWS ROUND UP

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364 day bill weighted average increases for first time in eight weeks

The 364 day bill weighted average at yesterday's Treasury bill auction increased for the first time in eight weeks by 03 basis points to 10.72%. Interestingly the total offered amount of Rs. 21 billion was accepted only on the 364 day maturity once again, rejecting all bids for the 91 day and 182 day maturities. The bids to offer ratio stood at 2.54:1.

In the secondary bond market, yields were seen increasing further on the back of moderate volumes changing hands. Selling interest saw yields increase on the 01.08.21, 01.08.26, 15.01.27 and 15.06.27 maturities to intraday highs of 11.05%, 11.40%, 11.41% and 11.43% respectively, against its previous day's closing levels of 10.95/05, 11.32/37, 11.32/35 and 11.36/40 while two way quotes on the rest of the yield curve increased as well.

The total secondary market Treasury bond/bill transacted volumes for 12 February was Rs. 6.02 billion. In the money market, the overnight net liquidity shortfall reduced further to Rs. 62.88 billion yesterday as the OMO Department of Central Bank continued to infuse liquidity by way of a seven day term reverse repo auction for a successful amount of Rs. 5.00 billion at weighted average yield 8.92%. It further injected an amount of Rs. 10 billion by way of an overnight basis at a weighted average rate of 8.96%. The overnight call money and repo rates averaged 8.98% and 9.00% respectively.

Rupee losses further

The USD/LKR rate on spot contracts depreciated further yesterday to close the day at levels of Rs. 178.40/55 against its previous day's closing levels of Rs.178.30/40 on the back of continued buying interest by Banks.

The total USD/LKR traded volume for 12 February was \$ 104.50 million.

Some forward USD/LKR rates that prevailed in the market are: 1 month - 179.25/50; 3 months - 181.15/45; 6 months - 184.10/40. (Dailyft)

New Directors elected to CSE Board

The Colombo Stock Exchange (CSE) announced the appointment of Dimuthu Sanjaya Abeyesekera and Murtaza Jafferjee as Directors of the CSE Board with effect from 1 February.

Abeyesekera serves as Director/CEO of Asha Phillip Securities Ltd., which is affiliated to Phillip Capital Singapore, a specialised financial services organisation managing assets worth over \$ 35 billion with a network of offices around the world. He is an experienced capital market professional counting over 30 years in the industry.

Abeyesekera is also a Director at Asha Financial Services Ltd., a specialised margin trading company in Colombo, and is a past Chairman of the Colombo Stockbrokers Association (CSBA). As a veteran capital market professional, Abeyesekera presently serves as an important resource person at CSBA. In recognition of his experience and leadership, Abeyesekera was also invited to serve a term as the Chairman at Renuka Capital PLC.

Jafferjee is the Chairman of JB Securities and has over 25 years of experience in capital markets across multiple asset classes. He serves on the Boards of Nations Trust Bank PLC and Serendib Hotels PLC as an Independent Director and also served on the Board of the CSE from August 2007 to July 2009.

Jafferjee holds a Bachelors' Degree in Mechanical Engineering and Computer Science from the University of New South Wales, Australia and a Masters' Degree in Financial Economics from the University of Colombo. As a CFA charter holder, Jafferjee makes an annual pledge to abide by the highest levels of ethics and professional conduct. (Dailyft)

Rupee ends weaker; CSE steady

Sri Lanka's rupee ended a tad weaker on Wednesday, as importer dollar demand surpassed the exporter greenback sales, market sources said.

The stock market closed steady in dull trade with foreign investors buying into the island nation's risky assets. The rupee, which touched 178.85 per dollar in early trade, ended at 178.45/55, compared with Tuesday's close of 178.30/40, market sources said.

The Colombo Stock Exchange index ended steady at 5,930.47 on Wednesday, hovering near its lowest close since 23 November hit in the previous session. The benchmark index fell 0.3% last week, and declined about 1% in January.

The turnover was Rs. 278.9 billion (\$1.56 billion), well below last year's daily average of Rs. 834 million. Foreign investors were net buyers of Rs. 83.4 million worth shares on Wednesday. But they have been net sellers of Rs. 4.7 billion worth of stocks so far this year, and Rs. 18.1 billion since the political crisis began on 26 October 2018.

The local currency posted a weekly loss of 0.7% last week due to importers' demand in the latter part of the week. It has risen 2.3% so far this year as exporters converted dollars and foreign investors purchased government securities, amid stabilising investor confidence in Sri Lanka after the country repaid a \$1 billion sovereign bond in mid-January.

The bond market saw inflows of Rs. 11.4 billion in the week ended 6 February, recording its third straight weekly inflow, the latest Central Bank data showed. Worries over heavy debt repayment, after a 51-day political crisis that resulted in a series of credit rating downgrades, dented investor sentiment, as the country is struggling to repay its foreign loans.

The rupee dropped 16% in 2018, and was one of the worst-performing currencies in Asia due to heavy foreign outflows. (Dailyft)

ADB gives Sri Lanka US\$145mn to help breed tech-oriented graduates

The Asian Development Bank (ADB) will give Sri Lanka 145 million US dollars for science and technology in higher education, developing curricula with industry inputs to nurture a new breed of technology-oriented graduates.

The ADB and four Sri Lankan universities Wednesday signed project agreements for the funds under the ADB funded Science and Technology Human Resources Development project to foster science and technology in Sri Lanka's higher education.

"The project will help nurture a new breed of technology-oriented graduates equipped with skills and entrepreneurial spirit for the economy," Sri Widowati, ADB Country Director in Sri Lanka, said.

A statement said Sri Lanka's education system is facing several challenges in delivering quality learning relevant to the labor market, particularly in science, technology, and engineering subjects.

Higher education opportunities as a whole are limited, with the gross enrollment rate at less than 19 percent—much less than the 50 percent average for upper middle-income countries.

Moreover, less than 20 percent of graduates are from science and engineering subjects.

Although more than 60 percent of undergraduates in Sri Lanka are female students, they overwhelmingly (about 82 percent) concentrate on liberal arts and social studies where unemployment is highest.

“Encouraging more women to take technology disciplines will increase women’s career opportunities in technical areas where wages are high,” the ADB said.

A lack of investment, laboratory facilities, researchers, and qualified academic staff are holding back the quality of teaching, learning, and research.

“Existing degree programs in scientific or engineering areas are more theory-oriented and lack practical applications of knowledge and skills,” the statement said.

“The project will construct faculty buildings following green building standards, ensuring they are climate-proofed, well equipped with laboratories, and offer flexible spaces for different kinds of research and learning as well as facilities that help integrate female students and staff, such as day care centers.

Under the program, the universities will develop complete degree program curricula, incorporating industry inputs and align with international standards.

The project will also support the recruitment and training of academic staff for the new programs.

Staff performance management systems will be strengthened to continuously improve teaching and learning, student services, and industry collaboration.

“The universities will develop joint proposals with industry partners for research and development activities to resolve industry problems or come up with new products and services,” the ADB said.

In addition, the project will develop a future project proposed for 2021 focusing on research and development capacity.

The government will provide an additional 20 million dollars for the project.
(Colombo/February 13/2019-SB)(Economynext)

MTD Walkers PLC enjoined from transferring shares till 20 February

Colombo Commercial High Court issued enjoining orders on MTD Walkers PLC restraining it from transferring the shares of MTD Walkers PLC of No. 18 St Michaels Road Colombo 3 in the name of third parties or interfering with its shares in any other manner until 20 February.

High Court Judge R. Gurusinghe issued four enjoining orders on the defendant MTD Walkers PLC in four cases filed by four Private banks namely Commercial Bank of Ceylon PLC, Seylan Bank PLC, DFCC Bank PLC and National Development Bank PLC.

Judge R. Gurusinghe issued the enjoining orders on MTD Walkers PLC on considering the submissions made by Romesh De Silva who appeared with Harith De Mel and A. Niran on the instruction of Attorney-at-law Sanath Wijewardena, and perusing the documents filed by the four banks. The four plaintiff banks had claimed by their petitions that the defendant company owes money which had been taken as loans by the defendant and not being settled with interest to this date.

They further asserted that the defendant company is allegedly attempting to transfer shares of the company in the names of third parties.

They also pleaded the court to issue decrees for the banks to recover the dues from the company.

The Petitioners had pleaded the court to grant permanent injunctions preventing the Defendant, servants, agents and all those under them from transferring any of the shares or any part thereof to any person whatever until the full amount due to the Plaintiff against the Defendant is made and settled.
(Dailyft)

Sri Lanka govt to spend Rs1.2bn on extra wage hike to tea estate workers

Sri Lanka's government will allocate 1.2 billion rupees in the forthcoming budget to pay an extra 50 rupees a day to unionised labour on tea estates, Minister of Plantation Industries Naveen Dissanayake said.

The government decided to step in and top up worker wages following demands from politicians and union leaders supporting the regime, he told a news conference.

About 140,000 unionised workers will benefit from the 50-rupee hike, which will be in addition to the 700 rupee basic wage agreed on between unions and regional plantations companies represented by the Planters' Association (PA) in a recent collective agreement.

Previously, estate workers got 500 rupees a day as basic pay.

Dissanayake said the 40 percent hike in basic wages in the collective agreement was a big increase but politicians who were government ministers and leaders of unions not part of the deal had wanted more.

"The PA said they can't raise wages further for economic and legal reasons, as the collective agreement had been signed," Dissanayake said.

"We had talks with Prime Minister Ranil Wickremesinghe this morning and it was decided to give 50 rupees more per worker from government funds which will be announced in the budget."

For the wage hike, Sri Lanka Tea Board funds will be given as a loan to the government which will repay the money later, he said.

"The 50 rupee per day per worker payment is outside the collective agreement – it is a budgetary provision which will be only for one year. We can't pay forever," Dissanayake said.

The 50 rupee extra pay will be given only to workers on tea estate, and not cultivating other plantation crops like rubber and coconut.

"These are public funds," Dissanayake said. "It is a political decision. Sri Lanka is a highly politicised country – everything is based on politics."
(Colombo/Feb13/2019-SB)(Economynext)

Navin brews new formula to boost tea industry

Plantation Industries Minister Navin Dissanayake with Tea Board Chairman Lucille Wijewardena at the media briefing yesterday - Pic by Sameera Wijesinghe

- Govt. to give Rs. 50 daily allowance to estate workers for a year, Tea Board to loan Rs. 1.1 billion to finance the move
- Cabinet paper presented to set up a fund for infilling and replanting Global Marketing campaign to include KOL in number of countries, set to kick off in Japan
- Baseline to be introduced to prevent MCPA chemical being used, stern action against violators of standards

Tea estate workers will receive Rs. 50 allowance from the Government in addition to the recent price hike, a move set to be announced with this year's budget, Plantation Industries Minister Navin Dissanayake said yesterday.

The Tea Board is to loan the Government Rs. 1.1 billion needed to finance the move, which will be recovered later. The decision was taken following discussions with the Prime Minister held yesterday, Dissanayake said.

"The payments will start after 2019 budget is presented, this will be given as a budget allowance, and is limited for a year," the Minister said speaking to journalists at the Tea Board.

The decision taken yesterday to appease trade union leaders supporting the Government who have been calling for a better basic wage which was increased to Rs. 750 last month following months of negotiations between trade unions and Regional Plantation Companies.

"This is a decision outside of the collective agreement which will remain as it is," he said stressing that the move was a political one, after representations were made by Cabinet Ministers Mano Ganesan, Palany Digambaram and Non-Cabinet Minister Velusami Radhakrishnan, who also played a significant role during the political crisis in October last year.

In justifying the move, the Minister said that the Ministers who were also trade union leaders were not included in the recent wage discussions, which was limited to three main trade unions which have been signatories to the collective agreement for the past 20 years.

In a bid to reach tea production target of 300 million kilograms a year, the Tea Board is set to launch a new program setting up a fund to finance infilling and replanting in the plantations. A new levy of Rs. 2.50 will be charged per kg of tea exports to set up the fund, the Minister said.

"I have already submitted the Cabinet Paper on the matter and waiting approval to launch the program," he said.

The authorities aim to replant at least 400 hectares out of 5000 hectares which need replanting. According to Tea Board Chairman Lucille Wijewardana, the fund is being set up to encourage RPCs to replant.

“RPCs don’t like replanting for two reasons. One is that they don’t want to remove a bush that is being plucked as they are losing revenue as tea prices are favourable now, the second is the cost involved in replanting,” he explained.

The Tea Board is also considering different schemes to encourage the RPCs to replant and carry out infilling in their estates.

“We are considering paying an allowance to those who replant, to compensate for the loss of revenue,” he told Daily FT.

“What is needed most is to encourage infilling,” he said.

The Tea Board is also set to launch the Global Marketing Campaign in Japan. The campaign is set to include promotions by key opinion Leaders, Wijewardana said.

The Rs. 4.5 billion Ceylon Tea promotion campaign, will be launched first in three countries, Japan, Russia and China, with varying degrees of KOL elements in each country.

“With the KOL campaign we are looking at inviting the selected personalities to Sri Lanka for them to have that experience and talk about it in their blogs and other mediums,” he said, noting that promotional campaigns in some countries will be completely focused on KOL campaigns.

“For instance, Japan market may only need KOL,” he said. However, the details for the KOL campaign are to be worked out.

Along with the promotional campaign, new measures are being taken to ensure quality is maintained in all tea exports. A new baseline will be introduced to ensure that chemical components such as weedicide MCPA are not present in tea exports. The base line which is to be presented to the Tea Research Institute board (TRI) will be also enable authorities to take legal action against those who violate the standards.

“All this time we were not able to take legal action, but once we have this baseline we will be able to,” Dissanayake said, adding that he is ready to take stern action to protect the industry.

Due to the glyphosate ban, plantation companies resorted to other weedicides, which led to an increased percentage of MCPA being found in Ceylon Tea. The move saw a near-ban of tea exports to Japan, one of Sri Lanka’s largest tea markets which saw a year-on-year growth of 15% before the glyphosate ban became effective. Due to lobbying by the industry the ban has been eased to allow glyphosate usage only in tea and rubber plantations. (Dailyft)

Asian Stocks Mixed on Trade Talks Wait-and-See: Markets Wrap

Asian stocks saw mixed trading Thursday as investors awaited the outcome of high-level trade talks between the U.S. and China. The dollar held overnight gains, while Treasuries consolidated.

Shares pared gains in Japan and Australia to trade little changed, and slipped in Hong Kong and Korea. Mainland Chinese equities slipped after a rally on the Shanghai Composite Index from January lows hit 10 percent. The dollar steadied, while 10-year Treasury yields hovered around 2.70 percent following a report that showed U.S. inflation remained contained. There was little reaction to data showing that Japan’s economy rebounded somewhat in the fourth quarter, with the yen flat.

There was scant reaction in the markets to Chinese data which showed export growth unexpectedly rebounded in the first month of 2019. Imports fell, with companies trying to ship goods ahead of the Lunar New Year shutdown likely boosting the result.

Shanghai Composite monthly candle crosses above its six-month moving average

President Donald Trump told reporters in the Oval Office on Wednesday that talks to resolve the U.S. trade war with China are making good progress, helping to steady investor sentiment. U.S. inflation numbers bolstered the Federal Reserve's decision to be patient on raising interest rates and with many major central banks talking cautiously about global growth, investor attention is firmly focused on the outlook for trade.

Elsewhere, oil continued its rebound from a two-week low, after Saudi Arabia pledged to deepen output cuts, and held most of those gains even after U.S. crude stockpiles came in larger than anticipated. The S&P 500 Index came off its highs Wednesday after Senator Marco Rubio announced a bill to tax buybacks on equal footing with dividends.

Here are some key events coming up:

- Steven Mnuchin and Robert Lighthizer are in Beijing for high-level talks, and will meet China President Xi Jinping on Friday, the South China Morning Post reported.

These are the main moves in markets:

Stocks

- The MSCI Asia Pacific Index slid 0.2 percent as of 11:07 a.m. in Hong Kong.
- Japan's Topix index rose 0.1 percent.
- The Shanghai Composite fell 0.4 percent.
- Australia's S&P/ASX 200 Index was little changed.
- Hang Seng Index fell 0.6 percent.
- S&P 500 futures were flat.

Currencies

- The yen was steady at 110.97 per dollar.
- The offshore yuan rose 0.1 percent to 6.7765 per dollar.
- The Bloomberg Dollar Spot Index was flat.
- The euro traded at \$1.1277.
- The British pound was at \$1.2862, up 0.1 percent.

Bonds

- The yield on 10-year Treasuries was at 2.70 percent.
- Australia's 10-year bond yield dipped two basis points to 2.13 percent.

Commodities

- West Texas Intermediate crude climbed 0.3 percent to \$54.04 a barrel.
- Gold rose 0.2 percent to \$1,308.68 an ounce.
(Bloomberg)