NEWS ROUND UP

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Contents

Sri Lanka rupee, bond yields stable at close

Sri Lanka's rupee was stable at 178.80/95 to the US dollar at Thursday's market close while bond yields were stable and stocks gained, dealers and brokers said.

The rupee had fallen to 178.85/00 to the US dollar Thursday morning before gaining slightly towards the afternoon.

The rupee closed at 178.80/90 to the US dollar in the spot market on Wednesday.

Dealers said there was some activity in the bond market, with yields hovering around the same levels as Wednesday.

Yields of longer term maturities were seen rising, as cutoff rates during the Tuesday bond auction were higher than expected, indicating that there were not enough buyers at lower rates, dealers said.

When rates go up, more buyers will come to the market.

Twelve month bills closed at 10.50/57 percent Thursday, falling from Wednesday's close of 10.56/58 percent.

A bond maturing on 01.08.2021 closed at 10.70/76 percent on Thursday, falling slightly from 10.72/78 percent at Wednesday's close.

A bond maturing on 15.07.2023 closed at 10.95/05 percent on Thursday, higher than Wednesday's 10.90/00 percent.

A new 5-year bond maturing on 15.03.2024 ended at 11.08/13 percent, up slightly from Wednesday's close of 11.07/12 percent.

A bond maturing on 01.08.2026 ended at 11.15/25 percent today, stable from the previous close of 11.15/30 percent.

A bond maturing on 15.06.2027, closed at 11.28/38 percent on Thursday, up from 11.25/35 percent at Wednesday's close.

A bond maturing on 01.09.2028, closed at 11.35/45 percent on Thursday, up from the previous close of 11.30/40 percent.

A newly-issued bond maturing on 01.05.2029 closed at 11.50/55 percent, up from Wednesday's close of 11.45/50 percent.

At the Colombo Stock Exchange, the All Share Price Index closed 25.83 points higher at 5,632.79, after stocks retreated over the previous four days to a five and a half year low.

The more liquid stocks on the S&P SL20 Index closed 19.98 points higher at 2,771.28 on Thursday.

Market turnover was 677.7 million rupees, with 40.7 percent of the volumes coming from Nation's Trust Bank, mostly through negotiated deals.

There was high foreign participation, with a net outflow of 19 million rupees from the market.

Sri Lanka Telecom contributed most to the All Share gain, closing 1.50 rupees higher at 22.20 rupees per share, while John Keells Holdings share closed at 152 rupees, 1.90 rupees higher.

Commercial Bank closed 2 rupees higher at 99 rupees per share.

Meanwhile, Hemas Holdings closed 3.90 rupees lower at 76 rupees per share. (EconomyNext)

Sri Lanka's Sunshine and CIC in talks to merge healthcare business

Sri Lanka's Sunshine Holdings Plc and agrochemical group CIC Holdings Plc said they are in talk to merge healthcare operations.

A joint statement from the firms said that Sunshine would hold 60 percent of the shares in the merged business, while CIC would hold 40 percent.

The terms of the merger are under negotiations and are subject to due diligence findings, the firms said.

The deal was announced after trading hours on Thursday. Sunshine's share closed 4.80 rupees higher at 49.80 rupees while CIC share ended 60 cents lower at 40 rupees.

Sunshine operates the Healthguard retail pharmacy chain, as well as trades in pharmaceuticals and medical equipment.

CIC Holdings too imports pharmaceuticals and medical equipment, but also produces healthcare and personalcare products locally, including the herbal remedy 'Samahan'.

For the nine months ended December 2018, Sunshine's healthcare segment posted 6.8 billion rupees in revenue, up from 6 billion rupees a year earlier and 331.3 million rupees in operating profits, up from 323.9 million rupees.

CIC's healthcare business made 6.1 billion rupees in revenue, up from 5.9 billion rupees a year earlier and 475.8 million rupees in operating profits, growing from 423.7 million rupees.

Sri Lanka's pharmaceuticals are subject to price controls, which hit firms unexpectedly with sudden revisions amid a depreciating currency.(EconomyNext)

China leads loan commitments to Sri Lanka in 2018

China has committed the most bilateral financing to Sri Lanka in 2018, with a billion US dollar syndicated loan for discretionary deficit financing, but other lenders are leading in project loans, official data shows.

In addition to the billion US dollar syndicated loan, which was disbursed during 2018, Sri Lanka has signed project financing worth 1.13 billion US dollars in the first 11 months of 2018.

In 2018, Sri Lanka's central bank triggered monetary instability by cutting rates with printed money just as the economy recovered, generating foreign exchange shortages and capital flight, driving the country into the brink of default.

The billion US dollar loan, which has to be repaid in 8 years, was used for untied budget financing, including loan repayments. It was below commercial rates.

The Manila-based Asian Development Bank committed to give the largest loans worth 438 million US dollars, followed by the World Bank with 104 million US dollars.

China will give 85 million US dollars for road development.

Data showed that 72.5 million US dollars were in the form of grants.

Around 24 percent of the financing is for education and training, 18 percent for environment and 14 percent for health and social welfare.

Another 13 percent was allocated for roads and bridges. (EconomyNext)

Sri Lanka vehicle registrations fall in February as demand slows

Sri Lankan vehicle registrations fell sharply in February 2019 to 2,347 units from 3,147 units the previous month and significantly down from 5,024 units 12 months ago, brokerage JB Securities said in a report.

“Vehicle registrations slowed in February due to slowing demand and a smaller number of calendar days in the month,” the report said.

Brand new motor car registrations were marginally up to 434 units in February, from 429 units the previous month, but significantly down from 773 units 12 months ago.

Small engine cars accounted for 76.3 percent of the registrations.

“Indian OEMs (original equipment manufacturers) are yet to produce cars with Euro 4 compliant engines and dual airbags,” the report said.

“Thus they are excluded from the market. Financing share was 50.2 percent, in line with the normal monthly average.”

The number of pre-owned motor car registrations fell to 1,913 units in February, from 2,718 units the previous month but significantly down from 4,251 units 12 months ago, JB Securities said.

Small engine cars below 1,000cc accounted for 90.2 percent of volumes.

“Toyota was the segment leader accounting for 890 units (Vitz 740) followed by Suzuki with 799 units (Wagon R 533)” the report said. Financing share was 56.7 percent in line with the normal monthly average. (EconomyNext)

Hong Kong's Cathay Pacific back to profit after two years in red

Hong Kong flag carrier Cathay Pacific on Wednesday announced a net profit of HK$2.35 billion ($299 million) last year, ending two successive annual losses after a massive overhaul.

The recovery, which compares with a $160 million loss in 2017, also came in a year that saw it suffer an embarrassing data breach that dented its reputation and could prove costly.

The result was in line with a preliminary announcement last month that the airline was back in the black as investors took comfort in the turnaround after two grim years for Asia's largest carrier.

"Overcapacity in passenger markets resulted in intense competition with other airlines, particularly those from mainland China," said chairman John Slosar in a statement with the latest report.

"But the passenger business benefited from capacity growth, a focus on customer service and improved revenue management," he said, also citing "strong" cargo business.

Shares in the firm jumped 2.3 percent in Hong Kong on Wednesday to close at HK$13.48.

Cathay has been overhauling its business after posting its first losses for eight years in 2016, firing more than 600 workers and paring overseas offices and crew stations as it faced stiff competition from budget rivals in China.

It also added international routes and better on-board services in a bid to compete with well-heeled Middle Eastern long-distance carriers.

Slosar said "the forecast strength of the US dollar and uncertainty due to geopolitical discord and global trade tensions" are expected to dampen passenger and cargo demand in the coming year.

However, he added the company remained "confident" in its transformation programme.

Slosar told reporters at a press conference that business travel is an "important part" of the company's revenue stream and that business passengers tend to "respond very much" to the global economy.

"We've seen strong growth in the United States still. Asia may have softened a little bit, (though) we have a pretty strong base. We are reasonably optimistic," he said.

Cathay confirmed earlier this month it was in talks to buy a stake in Hong Kong Express as it competes to counter the growth of budget carriers in the region, but the report on Wednesday did not mention the potential acquisition.

Hong Kong Express -- the city's sole budget carrier -- is owned by HNA Group, a struggling Chinese conglomerate that has been looking to lower its debt pile. The group also owns Hong Kong Airlines, another Cathay competitor that has found itself in financial difficulties in recent months.

Despite the turnaround, the year was not without trouble for Cathay.

In October it sparked outrage when it admitted to a massive breach five months after hackers made off with the data of 9.4 million customers, including some passport numbers and credit card details.

The airline faces potentially steep payouts in Europe, which boasts strong protection laws and financial penalties for companies that do not swiftly own up to data breaches.

British-based law firm SPG Law has already launched a group action against the carrier over the breach to help customers seek compensation.

This year Cathay's website mistakenly offered first and business class flights for a fraction of their value in two high-profile and costly blunders. (AFP)