

NEWS ROUND UP

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Rupee hits near-record low on Indian currency's weakness

The rupee hit a near-record low on Tuesday on weakness in emerging-market currencies including the Indian rupee, and importer dollar demand, dealers said.

The rupee, which fell to a low of 160.15 per dollar in intraday trade, closed at 160.10/25, compared with Monday's close of 160.00/10. It hit a record low of 160.17 on 20 June and has declined 4.3% so far this year.

"There was importer demand. But more than that, the fall in Indian currency weighed on sentiment," a currency dealer said asking not to be named.

"There were exporter conversions as well while the central bank did not intervene in the market. If the Indian rupee falls further, there could be downward pressure on the Sri Lankan rupee."

The Indian rupee touched an all-time low against the dollar in early trade as concerns about Turkey's economic woes spreading to other emerging markets such as India persisted.

India is one of the main trading partners of Sri Lanka.

Sri Lanka's Central Bank Governor, Indrajit Coomaraswamy, had told reporters that several emerging-market currencies had declined more than the Lankan rupee, adding, "if we reduce rates that would put further pressure on the exchange rate."

Sri Lanka earlier this month raised import duties on small hybrid cars by more than 50% to boost revenue and curb a sharp fall in the rupee.

Coomaraswamy had said earlier that the rupee's decline was driven mainly by external factors.

Foreign investors sold government securities worth a net Rs. 2.56 billion (\$ 16.01 million) in the week ended 8 August, bringing the outflow so far this year to Rs. 39.1 billion, Central Bank data showed. (Dailyft)

Industrial production up 0.4% in June

The Index of Industrial Production (IIP) increased by 0.4% in June compared to the same period last year, driven by expansion in petroleum, metal and textiles production, the Census and Statistics Department said yesterday.

The Department of Census and Statistics compiles a number of economic indicators including IIP. IIP is a vital measurement of identifying the drivers of economic growth and evaluating the economic performance of a country and it is based on the volume of production of manufacturing industries. The manufacturing industries - the 'Manufacture of coke and refined petroleum products', 'Manufacture of fabricated metal products' and 'Manufacture of textiles' - have shown remarkable increases of 33.7%, 19.1% and 15.6% respectively in the volume of production of these industries during June 2018 compared to that of June 2017.

The volume of food products has increased by 0.8%.

However, manufacturing industries - volume of 'Manufacture of paper and paper products', 'Manufacture of electrical equipment' and 'Manufacture of basic pharmaceutical products and

pharmaceutical preparations' - have reported decreases of 27.4%, 24.0% and 18.1% respectively during this period.

The industrial production of the manufacturing sector for the second quarter of 2018 has increased by 0.6% compared to the same quarter in 2017.

(Dailyft)

Fireside Chat with 6 successful Sri Lankan entrepreneurs on 29 August

The International Chamber of Commerce Sri Lanka (ICCSL) in partnership with the Chartered Institute of Management Accountants (CIMA) Sri Lanka Division and Daily FT has organised a Fireside Chat on 29 August at the Hilton Ballroom Colombo 6 p.m. onwards.

The event is organised to recognise Sri Lanka's most prominent and leading entrepreneurs and the value they create for their shareholders, customers, employees and the general community. This is the first time Sri Lanka's most prominent entrepreneurs will be on one platform to share their thoughts on the future of business, country, their experiences and also tell their stories seated on a chair, discussing their ideas with an interviewer.

This exclusive event will feature as panellists Harry Jayawardena, Sumal Perera, Dhammika Perera, Merrill J. Fernando, Ashok Pathirage and Janak Hirdaramani.

The Fireside Chat will be moderated by ICC Sri Lanka Chairman Dinesh Weerakkody and Daily FT Editor Nisthar Cassim. Both Cassim and Weerakkody have moderated many sessions and have the experience to keep the conversation interesting, interactive and enriching. The knowledge partner for the event will be Deloitte Sri Lanka and will feature a special guest performance by the De Lanerolle Brothers.

(Dailyft)

CSE edges lower to 5-week closing low

Shares edged lower in thin trade on Tuesday and posted their lowest close in nearly five weeks, as lacklustre corporate results dented investor sentiment for the island nation's risky assets, stockbrokers said.

The Colombo stock index fell 0.26% to 6,113.00, its lowest close since 11 July and third straight session of declines. The index has declined about 3.8% so far this year.

Turnover was Rs. 380.4 million (\$ 2.38 million) on Tuesday, less than a half of this year's daily average of Rs. 837.1 million.

"There is an overall slowdown on the buying side from both foreign and local (investors). There was buying interest on select counters. John Keells dragged the overall index," said Hussain Gani, Deputy CEO at Softlogic Stockbrokers.

"June-quarter corporate results have failed to give any bullish reasons for the market to gain."

Global worries also weighed on sentiment, brokers said.

Emerging equities hit a 13-month low in Asian trading after disappointing Chinese data, before recovering to trade flat in the European session.

Foreign investors, however, bought shares worth a net Rs. 112.5 million, after having sold a net Rs. 2.64 billion worth of equities so far this year.

Shares in John Keells and top lender Commercial Bank of Ceylon fell 1% each.

The Central Bank left its key policy rates unchanged, as expected, on 3 August, citing its goals of stabilising inflation and fostering sustainable economic growth.

Central Bank Governor Indrajit Coomaraswamy said the economy was unlikely to grow more than 4% in 2018, falling short of an earlier estimate of 5%. (Dailyft)

CSE hosts knowledge sharing workshop for delegation from Nepal

A capital market delegation comprising of representatives from the Nepal Stock Exchange (NEPSE) and 36 stockbroker firms from Nepal recently visited Sri Lanka for a two-day knowledge sharing workshop hosted by the Colombo Stock Exchange (CSE).

The visit saw the delegation participate in sessions on trading infrastructure, capital market regulation, clearing and settlement and other topics on stock market operations.

Commenting on the visit, Priyaraj Regmi, the President of the Stock Brokers' Association of Nepal stated: "The program was fantastic and we learned more than we expected. It helps us to implement the internet-based automated online trading system in NEPSE, improve our services to investors and introduce new avenues, services or instruments in the Nepalese capital market."

The share trading tradition in Nepal dates back to 1937 with the floatation of shares by Biratnagar Jute Mills Ltd. and Nepal Bank Ltd. The Introduction of the Company Act in 1964, the first issuance of Government Bonds in 1964 and the establishment of the Securities Exchange Centre in 1976 are said to be the other significant developments relating to capital markets in the country.

The Securities Exchange Centre was established with an objective of facilitating and promoting the growth of capital markets. Before conversion into a stock exchange, it was the only capital markets institution undertaking the job of brokering, underwriting, managing public issue, market making for government bonds and other financial services.

The Nepal Government, under a program initiated to reform capital markets converted Securities Exchange Centre into the Nepal Stock Exchange in 1993, where NEPSE opened its trading floor in 1994. At present, NEPSE consists of 50 member brokers and two market makers.

The visit was facilitated as part of an ongoing effort by CSE to advance cooperation and mutual development with peer exchanges and capital market organisations from around the world. Such an effort has seen the CSE actively engage in a number of MOUs with regional exchanges and depositories in the recent past.

(Dailyft)

Most Asian stocks markets near bear territory, China worst hit

Most Asian stock markets are on the verge of entering bear territory as investors grapple with the escalating Sino-US trade dispute, a stronger dollar and most recently Turkey's economic woes.

Nine of Asia's 12 major stock indexes are trading below their 200-day moving average, a technical analysis showed, suggesting further downside risks to these markets.

Analysts consider the percentage of stocks trading above or below 200-day moving average as an indicator of strength or weakness of the underlying market.

China has the worst ratio, with 88% of its companies trading below the 200-day moving average, followed by the Philippines and Singapore.

On the other hand, India and Malaysia are in an uptrend, with more than half of their companies trading above the 200-day moving average.

Another signal that analysts look to confirm a bear market is whether stocks have declined 20% from their year-highs.

China again leads the pack, with a slump of 21% from this year's peak of 3,523 in early January, followed by Hong Kong and the Philippines.

"Looking at Asia stocks, indeed the broad trend had leaned towards a bearish one with the sharp drop this week," said Jingyi Pan, a Singapore-based market strategist at trading and investments provider IG.

She added that the confluence of factors including the protracted US-China trade tensions and Turkish contagion fears can be seen driving the downturn in Asian markets, although it's far from certain which way these risks could turn.

(Dailyft)

Treasury bond yields decrease marginally ahead of weekly bill auction

Treasury bond yields declined marginally yesterday with the liquid maturities of 01.03.21 and 15.07.23 hitting intraday lows of 9.45% and 9.87% respectively, against its previous day's closing levels of 9.48/52 and 9.88/90, supported by continued buying interest.

The market also witnessed trades consisting of the 15.09.19, 01.05.20, four 2021's (i.e. 01.05.21, 01.08.21, 15.10.21 and 15.12.21) and 15.03.23 at levels of 9.09% to 9.10%, 9.30%, 9.50% to 9.60% and 9.81% to 9.85% as well. In the meantime, in the secondary bill market, August 2019 bills traded at levels of 9.01% to 9.03%.

Today's weekly Treasury bill auction will have on offer, a total amount of Rs.20 billion consisting of Rs.5 Billion of the 91 day maturity, Rs.4 Billion of the 182 day maturity and Rs.11 billion of the 364 day maturity. At last week's auction, the weighted average yields decreased across the board to 8.16%, 8.70% and 9.16% respectively on the 91 day, 182 day and 364 day maturities.

The total secondary market Treasury bond/bill transacted volumes for 13August was Rs.17.22 billion.

In money markets, the overnight call money and repo rates averaged 7.93% and 7.92% respectively as the net liquidity in the system stood at a high of Rs.54.58 billion. The OMO (Open Market Operations) Department of the Central Bank of Sri Lanka drained an amount of Rs.35billion on an overnight basis by way of a Repo auction at a weighted average yield of 7.58%.

Rupee loses marginally

The USD/LKR rate on spot contracts depreciated marginally to close the day at levels of Rs.160.15/25 against its previous day's closing levels of Rs.160.00/10 on the back of importer demand.

The total USD/LKR traded volume for 13August was \$ 45.29 million.

Some of the forward USD/LKR rates that prevailed in the market were one month – 161.00/20; three months – 162.55/75 and six months – 165.00/30.

The closing, secondary market yields of the most frequently traded T – bills and bonds

Treasury Bills

91 Day Bills –8.10 / 8.30

182 Day Bills –8.60 / 8.80

364 Day Bills –9.00 / 9.05

Treasury Bonds

15/09/19 - 9.05 / 9.15

01/05/20 - 9.25 / 9.30

01/03/21 - 9.42 / 9.45

01/10/22 - 9.73 / 9.83

15/07/23 - 9.86 / 9.88

01/08/24 - 9.90 / 9.95

15/10/25 - 10.00 / 10.10

01/08/26 - 10.05 / 10.15

15/06/27 - 10.10 / 10.20

15/03/28 - 10.15 / 10.25

15/05/30 - 10.25 / 10.45

15/01/33 - 10.30 / 10.60

(Dailyft)

Union Assurance completes a successful Q2 in 2018

UAL reported steady progress in the life insurance business, reporting 12% growth in gross written premium compared with the previous year. Profit amounted to Rs. 604 million compared with 175 million in 2017. Profit in the quarter does not include a surplus from the life business which is actuarially valued at year end.

As at 30 June, UA's life fund stood at Rs. 31 billion with a healthy solvency ratio indicating the financial strength of the business.

As in previous years, UA declared a higher than guaranteed dividend rate of 10.25% to eligible policyholders for 2017. This was higher than the minimum guaranteed rate of 10% and is also higher than the average market interest rate of 9.01% for year 2017.

UA received several acknowledgements for their outstanding HR practices. The Great Place to Work (GPTW) Institute recognised Union Assurance for the sixth consecutive year as a work place that is conducive to growth and personal development. UA also received accolades at the Sri Lanka Best Employer Brand Awards, winning two awards for 'Talent Management' and 'Best Employer Brand.'

Anchored by a team of experienced and dynamic professionals, UA is backed by a strong capital base and reinsurance partnerships with highly rated global reinsurers. Celebrating over 30 years of excellence, Union Assurance continues to invest in people, products and processes to drive towards a successful mission of creating life changing partnerships for all stakeholders.
(Dailyft)

Stocks Fall, Dollar Gains as Risk-Off Mood Lingers: Markets Wrap

Asian stocks fell, Treasuries rose and the dollar climbed back to a 14-month high as risk appetite continued to be tested by the recent Turkey-induced turmoil.

Shares declined in Japan, Hong Kong and China, where technology stocks underperformed. Ten-year Treasury yields dipped after climbing to 2.90 percent and the Bloomberg Dollar Spot Index rose for a fifth day, its longest winning run since April, as concerns about fragility in emerging-markets flared up again. The Turkish lira erased some of Tuesday's rebound and Asian emerging-market currencies fell. The Australian dollar tumbled to the lowest since December 2016.

"I think we have not seen the worst of it yet," Peter Tchir, Academy Securities head of macro strategy, said on Bloomberg Television. "You've only started to see a knock-on effect. I think this is truly the eye of the storm and we are going to get another round of emerging-market weakness."

Amid thin summer trading, investor caution remains with the bull market in U.S. stocks just one week away from becoming the longest in history and as trade tensions between China and the U.S. linger. Markets have been rocked over the past week as turmoil in Turkey weighed on sentiment across many emerging and developed-nation assets.

Lira Vulnerability to Remain in Place, TD Securities' Kotecha Says

Mitul Kotecha, a senior strategist at TD Securities in Singapore, talks about Turkey's economic crisis.

Source: Bloomberg

Elsewhere, Hong Kong intervened to defend its peg to the dollar for the first time in three months after the local currency fell to the weak end of its trading band. Oil extended declines as focus returned to near-term supply risks. Markets are closed in South Korea and India for holidays.

Here are some key events coming up this week:

- Earnings are due this week from companies including Maersk, China Unicom, Tencent, Cisco, Walmart, and Carlsberg.
- Brexit talks between the EU and the U.K. resume in Brussels Thursday.
- Retail sales data in the U.S. is on Wednesday, followed by housing data on Thursday.

These are the main moves in markets:

Stocks

- Japan's Topix index fell 0.4 percent as of the break in Tokyo.
- Hong Kong's Hang Seng Index lost 1.4 percent.
- The Shanghai Composite Index dropped 0.9 percent.
- Australia's S&P/ASX 200 Index was flat.
- S&P 500 Index futures lost 0.1 percent. The underlying measure rose 0.6 percent.

Currencies

- The yen fell 0.1 percent to 111.30 per dollar.
- The offshore yuan lost 0.2 percent to 6.9138 per dollar.
- The euro dropped 0.2 percent to \$1.1326.
- The Bloomberg Dollar Spot Index rose 0.2 percent to the highest since June 2017.

Bonds

- The yield on 10-year Treasuries fell one basis point to 2.89 percent.
- Australia's 10-year bond yield declined two basis points to 2.57 percent.

Commodities

- West Texas Intermediate crude slid 0.4 percent to \$66.77 a barrel.
- Gold lost 0.4 percent to \$1,189.71 an ounce.
- LME copper was down 0.7 percent to \$5,998.50 a metric ton.

(Bloomberg)