NEWS ROUND UP

Thursday, 15th August, 2019

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Sri Lanka stocks gain on food and beverage, banking

Sri Lanka's stocks closed 0.10 percent higher on Tuesday, pushed up by banking and consumer goods stock.

Colombo's All Share Price Index (ASPI) closed 6.19 points higher at 5,949.30, gaining for the second consecutive day.
The index rallied past the psychological 6,000 mark to 6,016.76 in the first half hour of trade on Tuesday, before continuing to fall throughout the day.

The S&P SL20 Index of more liquid stocks closed 0.18 percent or 5.21 points up at 2,960.58.

The market turnover was 2.6 billion rupees with 81 stocks gaining and 72 stocks declining.

Four crossings (negotiated trades) in John Keells Holdings generated 348 million rupees in turnover and a single 23 million rupee crossing was seen in Commercial Bank.

Two thirds of the daily turnover was through John Keells Holdings (1.5 billion rupees) and Access Engineering (179 million rupees).

Brokers said that retail activity centred on Access Engineering, Tokyo Cement Company (Lanka) non-voting and Sampath Bank stock.

Lion Brewery Ceylon, Sri Lanka's largest beer maker, closed 18.70 rupees up at 570.00 rupees a share contributing most to the ASPI.

The largest private lender Commercial Bank closed 1.20 rupees up at 109.10 rupees a share and multinational Nestle Lanka closed 21.30 rupees up at 1,321.40 rupees a share, also pushing the ASPI up.
(EconomyNext)

Sri Lanka rupee ends weaker, gilt yields edge up

Sri Lanka’s rupee ended weaker at 176.90/00 against the US dollar on Tuesday while bonds closed marginally up following auction a bill auction, dealers said.

The rupee closed at 176.80/85 against the greenback on Friday.

Monday was a market holiday.

Liquidity in the overnight market was 27.49 billion rupees, up from 22.42 billion rupees.

The central bank injected up 2.35 billion rupees in an overnight reverse repo auction at 7.70 percent.

Sri Lanka's 3 and 12 month Treasuries yields edged up slightly and less than the total offered volume was sold at Tuesday's auction, data from the state debt office showed.

Sri Lanka's Treasuries yields fell steadily from February 2019, after monetary instability returned and capital flight ended. Rates fell as private credit weakened, despite government revenues falling.

The bill auction was moved forward to Tuesday as Wednesday too is a holiday.

In the bond market, yields went up marginally in an active market following the auction, dealers said.

A bond maturing on 15.10.2021 closed at 8.63 percent on Tuesday up from 8.55/62 percent at Friday's close.

A bond maturing on 15.03.2023 closed at 9.35/45 percent, up from 9.30/35 percent.

A bond maturing on 15.06.2024 closed at 9.78/80 percent, up from 9.72/76 percent.

A bond maturing on 01.08.2026 closed at 9.87/95 percent, down from table at 9.90/94 percent.

A bond maturing on 15.01.2027 closed at 9.95/00 percent, stable from Friday’s closing.

A bond maturing on 01.05.2028 closed at 9.98/08 percent, stable from 9.98/10.02 percent.

A 20-year bond maturing on 15.08.2039 closed at 10.05/35 percent, stable from 10.05/10.25 percent.(EconomyNext)

Sri Lanka's Hayleys to sell Rs3bn 5-year senior bonds

Sri Lana's Hayleys Plc, diversified group with interests in export manufacturing, consumer durables and logistics said it had got approval to sell 3.0 billion rupees of 5-year debt.

The Colombo Stock Exchange had approved the sale of 20 million 100 rupee senior bonds maturing in 2024, with an option
to sell a further 10 million.

The issue will open for subscription on August 20.

Capital Alliance Partners and People's Bank Investment Banking Unit are joint managers.(EconomyNext)

Sri Lanka to delay 2020 budget, 4-month vote on account

Sri Lanka will delay a budget for 2020 by four months until after a presidential election is held an a new cabinet is in place, the state information office said.

Sri Lanka's cabinet of ministers had approved a proposal by Finance Minister Mangala Samaraweera to present a vote-on-account covering the expenditure for the first four months of the year instead of a full year budget.

The mini-budget will allow a new cabinet that comes after the presidential elections to present a budget according to its own policies.

Gothabaya Rajapaksa has been nominated by Sri Lanka Podujana Party of opposition leader Mahinda Rajapaksa to contest the election.

Prime Wickremesinghe's United National Party is yet to announce a candidate but Deputy Leader Sajith Premadasa is one of the front runners.(EconomyNext)

Sri Lanka's HNB profits down 15-pct in June quarter

Profits at Sri Lanka's Hatton National Bank group, which includes a insurer fell 15 percent to 2.97 billion rupees in the June 2019 quarter from year earlier, as a debt repayment levy hit profits and loan growth contracted, interim accounts showed.

The group reported earnings of 5.84 rupees per share for the quarter. For the six months to June, the group reported earnings of 9.83 rupees per share on total profits of 4.9 billion rupees, down from 7.8 billion rupees a year earlier.

Interest income grew 14 percent to 32.0 billion rupees, interest expenses also grew 14 percent to 17.4 billion rupees and net interest income grew 3 percent to 2.51 billion rupees.

Loans contracted 3 percent to 749 billion rupees by end June from December 2018. The bond portfolio also fell 6 percent to 155 billion rupees.

"The Bank’s robust business model coupled with prudent asset and liability management, enabled HNB to post stable results from its core banking operations despite a slowdown in balance sheet growth," the group told shareholders in a statement.

Loan losses grew 8 percent to 2.4 billion rupees in the quarter, from a year earlier.

The gross non-performing loan ratio grew to 4.69 percent in June from 2.78 percent in December.

Deposits fell to 814.7 billion rupees in June from 818.0 billion rupees in December.

Net fee and commission income grew 2 percent to 2.45 billion rupees.

Trading losses increased to 1.49 billion rupees from 1.17 billion rupees.

"An appreciating Rupee led to translation losses on foreign currency denominated long positions and FCBU earnings; this being the main reason for the Bank booking exchange losses of Rs 577.2 Mn during the first half," the firm told shareholders.

"In comparison, a substantial exchange gain of Rs 895.5 Mn was reported for the corresponding period ending June 2018."

Net gain on financial instruments rose 10 percent to 1.91 billion rupees.

Other operating income fell 2 percent to 1.7 billion rupees.

A new debt repyament levy of 717 million rupees hit the bottom line.

Gross assets fell 1 percent to 1,140 billion rupees. Net assets grew 3 percent to 141 billion rupees. At bank level capital adequacy rose to 15.5 billion rupees from 15.22 billion rupees.(EconomyNext)

Dow suffers worst day of 2019 as recession fears hit US, European stocks

Stock markets on both sides of the Atlantic saw hefty losses Wednesday, gripped by fears for the global economy following poor Chinese and German data and as key US bond benchmark signaled more trouble ahead.

The Dow suffered its worst day of 2019, finishing with a loss of some 800 points, or 3.1 percent, at 24,479.42, while leading European bourses shed more than two percent.

The losses marked a sharp reversal from Tuesday's heady session, when President Donald Trump's decision to push back US tariffs on many key Chinese goods boosted equities.

But the glow from that positive move faded as Chinese industrial output hit a 17-year low and German data showed the economy contracted in the second quarter.

The yield on the 10-year US Treasury note briefly slid below the yield on the two-year bond, a so-called "inversion" that has been a reliable harbinger of recession for decades.

"On the economics dashboard of doom, we have another flashing warning light," analysts at ING economics said. "The market is worried about a recession."

"For now we don't see it, but there is a chance the fear becomes self-fulfilling," the analysts said in a commentary.

Economists have warned for months that the grinding US-China trade war was crimping capital investment and weighing on global sentiment, already dented by the slowdown in China and expected Brexit impact on Britain and Europe.

And while key US economic indicators in employment and consumer spending have remained solid, Wednesday's session suggests some of that confidence is waning. On Thursday, US markets will digest a fresh reading on retail sales for July.

- 'Shooting blanks'? -

Bond yields have gyrated in recent weeks, with analysts warning that tumbling rates are a sign of a worsening medium-term economic outlook.

"Sinking yields are the bond market's way of pressuring the Fed to step on the monetary gas pedal and cut interest rates," said Joe Manimbo, senior market analyst at Western Union Business Solutions.

Trump, meanwhile, used the occasion to again blast Federal Reserve Chair Jay Powell, calling him "clueless" for not cutting interest rates more quickly.

But some observers wonder whether the Fed and other central banks will be able to do much.

"There's a growing narrative that the world's central banks, having gone 'all in' to combat the 2008 financial crisis, no longer have the firepower to battle the next downturn," Jack Ablin of Cresset Asset Management said in a note.

He questioned whether global central banks are "shooting blanks."

European and US stocks rose across the board on Tuesday on news Trump had delayed imposing tariffs on about half the $300 billion in goods facing 10 percent duties September 1.

The upward trend that was mirrored by Asian stocks Wednesday, and Shanghai managed gains despite data showing Chinese factory output expanded last month at its slowest pace in 17 years.

But the reprieve for a swathe of Chinese goods seemed geared towards cushioning the blow for consumers ahead of the holiday shopping rather than easing tensions in the bitter trade war.

In European trading, Frankfurt slumped to its lowest level since March, after the poor second-quarter growth figures highlighted its vulnerability to trade tensions and stoking debate on higher government spending.Germany actually lagged Italy's standstill economy, and France which posted 0.2 percent growth.

Milan's stock index tumbled by nearly three percent, a reflection of Italy navigating a political crisis.

Among other markets, oil prices finished sharply lower on expectations for lower demand and as US inventory data showed higher petroleum supplies.

- Key figures around 2140 GMT -

New York - Dow: DOWN 3.1 percent at 25,479.42 (close)

New York - S&P 500: DOWN 2.9 percent at 2,840.60 (close)

New York - Nasdaq: DOWN 3.0 percent at 7,773.94 (close)

London - FTSE 100: DOWN 1.4 percent at 7,147.88 (close)

Frankfurt - DAX 30: DOWN 2.2 percent at 11,492.66 (close)

Paris - CAC 40: DOWN 2.1 percent at 5,251.30 (close)

EURO STOXX 50: DOWN 2.0 percent at 3,288.70

Tokyo - Nikkei 225: UP 1.0 percent at 20,655.13 (close)

Hong Kong - Hang Seng: UP 0.1 percent at 25,302.28 (close)

Shanghai - Composite: UP 0.4 percent at 2,808.91 (close)

Euro/dollar: DOWN at $1.1138 from $1.1171 at 2100 GMT

Pound/dollar: DOWN at $1.2056 from $1.2060

Euro/pound: DOWN at 92.38 pence from 92.64 pence

Dollar/yen: DOWN at 105.78 from 106.74 yen

Brent North Sea crude: DOWN 3.1% at $59.48 per barrel

West Texas Intermediate: DOWN 3.4% at $55.23 per barrel. (AFP)