

# NEWS ROUND UP

*Thursday, 16th May, 2019*

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## ***Sri Lanka's rupee closes firmer, bond yields fall***

Sri Lanka's rupee closed stronger at 176.20/30 to the US dollar in the spot market on Wednesday, while bond yields were flat dealers said.

The rupee closed at 176.80/90 to the greenback on Tuesday.

Liquidity in the overnight money market remained stable at around 25 billion rupees for the third consecutive day after the Central Bank mopped up 10 billion rupees in liquidity through a 2-day repo auction.

Central Bank has not yet begun selling its own holdings of bills, which has remained at 160.28 billion rupees.

Dealers said the current level of liquidity was optimal, and if it fell to around 10 billion rupees, investors may start selling bonds, leading to an upward movement in rates.

Yields at a primary bill auction today fell, with rates for 12-month bills falling 26 basis points.

The state debt office sold 21 billion rupees in bills, the exact amount offered.

Dealers said gilt yields fell on Wednesday due to the outcome of the bill auction, and continued liquidity surplus in the money market, with buying interest favouring shorter-term tenors.

The market was actively trading, with foreigners buying, especially the mid-term 15.03.2024 maturity, dealers said.

A bond maturing on 15.12.2021 closed at 9.80/90 percent on Wednesday, falling from 9.85/95 percent on Tuesday.

A 3-year bond maturing on 15.03.2023 closed at 10.33/40 percent, down from 10.42/47 percent.

A bond maturing on 15.03.2024 closed at 10.40/47 percent, down from 10.50/55 percent.

A 7-year bond maturing on 01.08.2026 closed at 10.67/73 percent, down from 10.70/75 percent.

A bond maturing on 15.01.2027 closed at 10.72/78 percent on Wednesday, falling from Tuesday's 10.75/80 percent.

A 10-year bond maturing in 01.05.2029 closed at 10.83/90 percent, easing from 10.85/92 percent. (EconomyNext)

## ***Sri Lanka Browns to buy into African sugar cane bio-energy firm***

Sri Lanka's Browns Investment said it has reached a deal to buy control of a bio-fuel producing sugar farm in the African state of Sierra Leone, which also has a renewable energy power plant.

The investment will be made through B Commodities ME (FZE), Browns units based in Sharjah, UAE.

B Commodities will pay 30 million US dollars to buy a 66.67 percent stake in Grey Reach Investment Limited, which in turn has a 75.1 percent stake in Sunbird Bioenergy (SL) Limited, which is based in Sierra Leone or about 50 percent of the company.

Sunbird Bioenergy (SL) Limited, has 23,000 hectares of land to plant sugarcane and a factory which can produce 85 million litres of bio-fuel a year, Browns said in a stock exchange filing.

Sunbird also has 32 MW power plant.(EconomyNext)

## ***Sri Lanka's Sampath Bank profits down 24-pct; balance sheet contracts***

Profits at Sri Lanka's Sampath Bank fell 24.6 percent to 2.11 billion rupees in the March 2019 quarter from a year earlier, as bad loans grew amid monetary instability and a new tax hit the bottomline, interim accounts show.

Sampath Bank group reported earnings of 7.39 rupees for the quarter.

Interest income grew 13.9 percent to 27.1 billion rupees and interest expenses grew at a slower 9.1 percent to 18.24 billion rupees helping net interest income grow 21.8 percent to 18.9 billion rupees.

Group performing loans barely grew by 0.7 percent to 680 billion rupees in the quarter. At bank level loans grew 0.4 percent to 651 billion rupees.

Loan loss provisions grew 71 percent to 3.6 billion rupees.

Gross non-performing loans grew to 4.87 percent of risk assets by end March from 3.69 percent in December.

Fee and commission income fell 1.1 percent to 2.34 billion rupees.

Value added tax on financial services fell 5 percent to 933 million rupees, nation building tax fell 5 percent to 125 million rupees while a new debt repayment levy of 512 million rupees was charged.

Customer deposits grew 1.1 percent to 707 billion rupees during the quarter.

Gross asset contracted 0.3 percent to 914.2 billion rupees during the quarter. Net assets grew 0.2 percent to 90.24 billion rupees. At bank level net assets grew 0.3 percent to 84.6 billion rupees.

Total capital adequacy grew to 16.19 percent from 15.73 percent. (EconomyNext)

## ***Sri Lanka's eChannelling March net profit down 15-pct***

eChannelling, an online medical appointment business that was Sri Lanka's first listed dotcom, said net profit fell 15 percent to 7.9 million rupees in the March 2019 quarter from a year ago.

Quarterly earnings per share were six cents, down from eight cents the previous year, interim accounts showed. The share was trading unchanged at 3.50 rupees Wednesday.

Sales growth of the firm, controlled by mobile phone firm Mobitel, a unit of Sri Lanka Telecom, was flat at 35 million rupees in the March 2019 quarter compared with the previous year.

The company, controlled by mobile phone firm Mobitel, a unit of Sri Lanka Telecom, has also added more hospitals to its online service.

eChannelling, which has added more hospitals to its network, is facing competition in its online medical appointment business, from Doc.lk, a firm set up by Dialog, Sri Lanka's largest mobile firm, and Asiri Healthcare group. (EconomyNext)

## ***Lack of US-China trade deal weighs on Asian markets***

Markets in Asia were largely down in morning trade on Monday as the lack of a US-China trade deal cast a cloud over the market.

Investors watched the latest developments warily in the trade war between the world's top two economies, after negotiations in Washington ended Friday without agreement and a tariff hike on Chinese imports went into effect.

White House economic advisor Larry Kudlow said US President Donald Trump and China's Xi Jinping could meet next month on the sidelines of the G20 summit to hash out their differences on trade -- but no new talks are yet scheduled.

"Central banks this year have switched into this dovish pivot -- that's allowed the market to continue higher whatever the weather" up until recently, Eleanor Creagh, Australia market strategist at Saxo Capital Markets, told Bloomberg Television.

"With the breakdown of these trade negotiations, people will have to sit back and think how far this dovish central bank stance can really continue to carry us."

Trump had accused Beijing of reneging on its commitments in trade talks and ordered new punitive duties -- which took effect Friday -- on \$200 billion worth of Chinese imports, raising them to 25 percent from 10 percent.

He then ordered a tariff hike on almost all remaining imports from China, which are worth about \$300 billion, according to US Trade Representative Robert Lighthizer.

China's top trade negotiator, Vice Premier Liu He, had warned earlier that Beijing "must respond" to any US tariffs.

"US-China trade relations will continue centre stage this week with most other data and events relegated to a distant second place," said OANDA senior market analyst Jeffrey Halley.

"China will no doubt announce retaliatory measures while the US may provide more concrete start dates for the newly-imposed tariffs. Markets can expect short-term whipsaw price action as the street hangs on every little comment emanating from Washington DC and Beijing."

Tokyo was down 0.5 percent, Shanghai lost one percent, Singapore shed 1.2 percent and Seoul slipped more than one percent in morning trade.

S&P 500 Index futures dropped as much as 1.2 percent and ten-year US yields are hovering near the lowest level since early April.

Amid nervousness in China markets, state funds reportedly intervened to prop up shares on Monday and again Friday, when the Shanghai Composite closed up more than 3 percent.

Traders will also be watching this week for earnings reports from China tech giants Tencent and Alibaba, and key data on China industrial production and retail sales slated for Wednesday -- the same day figures are due for US retail sales and industrial production.

- Key figures around 0230 GMT -

Tokyo - Nikkei 225: DOWN 0.5 percent at 21,246.60

Shanghai - Composite: DOWN 1.0 percent at 2,911.605

Hong Kong - Hang Seng: closed for a public holiday

Euro/dollar: DOWN at \$1.1232 from \$1.1239 at 2100 GMT Friday

Pound/dollar: UP at \$1.3012 from \$1.3006

Dollar/yen: DOWN at 109.75 yen from 109.96 yen

Oil - West Texas Intermediate: DOWN 12 cents at \$61.54 per barrel

Oil - Brent Crude: UP 5 cents at \$70.68 per barrel

New York - Dow: UP 0.4 percent at 25,942.37 (close)

London - FTSE 100: DOWN 0.1 percent at 7,203.29 points (close) (AFP)